Make People and Nature
Healthier through Biotechnology

GenScript

# Annual Report 2024

## GENSCRIPT BIOTECH CORPORATION

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1548

This annual report is printed on environmental-friendly paper

Genscript Biotech Corporation (the "**Company**" or "**GenScript**", together with its subsidiaries referred to as the "**Group**") is a well-recognised biotechnology company. The Company's mission is to "Make People and Nature Healthier through Biotechnology".

The Group has established several major platforms including (i) a life-science services and products platform to provide one-stop solutions to global research communities, (ii) ProBio, a biologics contract development and manufacturing organisation ("**CDMO**") platform, and (iii) Bestzyme, an industrial synthetic products platform. The life-science services and products platform offers services and products covering gene synthesis, oligo nucleotide synthesis, peptide synthesis, protein production, antibody development, and life-science equipment and consumables, which remains as the stable revenue generating foundation for the entire corporate. The CDMO platform empowers biologics innovators worldwide by providing seamless end-to-end solutions. The industrial synthetic products platform develops products for feed, food, grain processing and home care industries. The Group also holds significant investments in Legend Biotech Corporation (NASDAQ: LEGN), which is a global leading biotech company dedicated developing cell therapies.

With a strong sales and marketing team and strong research and development capabilities, the Company continues to deliver sustained growth.

# CONTENTS

# CORPORATE PROFILE

The Company is a well-recognised biotechnology company. Based on our proprietary gene synthesis technology and the other technology and know-hows on life-science research and application, we have well established several major platforms including (i) a life-science services and products platform to provide one-stop solutions to global research communities, (ii) ProBio, a biologics CDMO platform, and (iii) Bestzyme, an industrial synthetic products platform. The above internally built platforms collectively have demonstrated their growth from research and development to commercial delivery for the year ended December 31, 2024 (the "**Year**" and the "**Reporting Period**"). The Group also holds significant investments in cell therapy, which is anticipated to generate long-term value for the Group and its shareholders.

The Group has been inspired by the mission "Make People and Nature Healthier through Biotechnology" since its founding 22 years ago. Our clients' business need is the Group's first priority and the ultimate cornerstone for pursuing its long-term development. We have been improving our competitiveness through providing our quality, fast-delivery and cost-effective services and products. Internally, we focus on streamlining our operational workflows and procedures with the aim to strive for the highest quality of end-to-end delivery. Externally, we actively promote the value of strategic collaboration with business partners with the vision to build up a healthy biotech eco-system. We would like to contribute more of our efforts to speed up the evolution of the whole biotech and biopharma industry, to realise multi-win among all the participating partners in this industry.

The Group's business operations span over 100 countries and regions worldwide with legal entities located in Mainland China (the "**PRC**" or "**Mainland China**"), the United States (the "**U.S.**"), Hong Kong, Japan, Singapore, Netherlands, the United Kingdom, Korea, Spain, Australia and Macao. Our professional workforce is consisted of approximately 5,568 team members as at December 31, 2024.

The life-science services and products segment offers services and products covering gene synthesis, oligo nucleotide synthesis, peptide synthesis, protein production, antibody development, and life-science equipment and consumables. By servicing early-stage research and discovery projects at pharma, biotech and academic institutions, our business has made significant contributions to the global life science research community.

Probio Technology Limited ("**Probio Cayman**" or "**ProBio**") is a subsidiary of the Group. As a leading CDMO, ProBio empowers biologics innovators worldwide by providing seamless end-to-end solutions. Our comprehensive platform integrates discovery, development, and manufacturing services, streamlining the development process, reducing timelines, and increasing the success rate of biologics projects. By accelerating the development and manufacturing of life-changing biologic therapies, we aim to improve the lives of patients worldwide and contribute to a healthier future.

Bestzyme Biotech Corporation ("**Bestzyme**") is a subsidiary of the Group engaged in the industrial synthetic biology fields. Bestzyme uses our advanced protein engineering technology to develop products for feed, food, grain processing, and home care industries. We believe synthetic biology offers us new opportunities from both technical and commercial perspectives.

# Corporate Profile

Legend Biotech Corporation ("**Legend**" or "**Legend Biotech**", together with its subsidiaries, "**Legend Group**") is a material associate of the Group that specifically engages in the discovery and development of novel cell therapies for oncology and other indications. Legend's lead product candidate, ciltacabtagene autoleucel ("**cilta-cel**"), is a chimeric antigen receptor T-cell ("**CAR-T**") therapy jointly developed with Janssen Biotech, Inc. ("**Janssen**"), for the treatment of multiple myeloma ("**MM**"). Legend was deconsolidated from the Group on October 18, 2024 (the "**Deconsolidation**"), and was reclassified from a subsidiary to an associate of the Company thereafter. Legend's ordinary shares are listed by way of American Depositary Shares on the Nasdaq Global Select Market in the United States.

We have established an extensive direct sales network, reaching over 100 countries and regions globally. We primarily sell our services and products through our own direct sales force to customers worldwide, while we also sell our services and products through independent third-party distributors to expand our market presence and facilitate communication with end users. For the year ended December 31, 2024, we had generated approximately US$265.1 million, US$176.9 million, US$80.9 million, US$53.1 million, and US$18.5 million from our sales to customers in the U.S., Mainland China, Europe, Asia Pacific (excluding Mainland China), and others, representing approximately 44.6%, 29.8%, 13.6%, 8.9%, and 3.1% of our total revenue, respectively.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Dr. Fangliang Zhang ("**Dr. Frank Zhang**")
Mr. Jiange Meng ("**Mr. Robin Meng**") *(Chairman)*
Ms. Ye Wang *("***Ms. Sally Wang***")* *(President)*
Dr. Li Zhu *(Chief Strategy Officer)*

### Non-Executive Directors

Dr. Luquan Wang ("**Dr. Larry Wang**")
Mr. Yuexin Pan *(Resigned on June 21, 2024)*
Ms. Jiafen Wang *(Resigned on July 5, 2024)*

### Independent Non-Executive Directors

Mr. Zumian Dai ("**Mr. Edward Dai**")
Mr. Jiuan Pan ("**Mr. Ethan Pan**")
Mr. Yiu Leung Andy Cheung *(Appointed on April 12, 2024)*
Dr. Chenyang Shi ("**Dr. Victor Shi**") *(Appointed on April 12, 2024)*
Dr. Alphonse Galdes *(Appointed on September 12, 2024)*
Dr. Ross Grossman *(Appointed as a non-executive Director on September 12, 2024 and re-designated as an independent non-executive Director on March 11, 2025)*
Dr. John Quelch *(Appointed on November 14, 2024)*
Mr. Hongxin Guo *(Resigned on June 21, 2024)*
Dr. Xuehai Wang *(Resigned on July 5, 2024)*

## AUDIT COMMITTEE

Mr. Edward Dai (*Chairman*)
Mr. Ethan Pan
Mr. Yiu Leung Andy Cheung *(Appointed on June 21, 2024)*
Dr. Alphonse Galdes *(Appointed on March 11, 2025)*
Mr. Hongxin Guo *(Resigned on June 21, 2024)*

## REMUNERATION COMMITTEE

Mr. Edward Dai (*Chairman*) *(Re-designated from member to chairman on June 21, 2024)*
Ms. Sally Wang
Dr. Victor Shi *(Appointed on June 21, 2024)*
Dr. Ross Grossman *(Appointed on March 11, 2025)*
Mr. Hongxin Guo *(Resigned from chairman and member on June 21, 2024)*

## NOMINATION COMMITTEE

Mr. Robin Meng *(Chairman)*
Ms. Sally Wang *(Appointed on March 11, 2025)*
Mr. Edward Dai
Mr. Ethan Pan
Mr. Yiu Leung Andy Cheung *(Appointed on April 12, 2024)*
Dr. Victor Shi *(Appointed on April 12, 2024)*

## RISK MANAGEMENT AND ESG COMMITTEE

Dr. Frank Zhang *(Chairman)*
Mr. Ethan Pan
Mr. Yiu Leung Andy Cheung *(Appointed on June 21, 2024)*
Mr. Hongxin Guo *(Resigned on June 21, 2024)*

## SUB-COMMITTEE ON DATA SECURITY AND GEOPOLITICAL RESILIENCE OF THE RISK MANAGEMENT AND ESG COMMITTEE

Dr. Frank Zhang *(Chairman)*
Ms. Weihui Shao ("**Ms. Sherry Shao**")
Mr. Shiniu Wei
Dr. Kening Li

## STRATEGY COMMITTEE

Dr. Frank Zhang *(Chairman)*
Mr. Edward Dai *(Appointed on June 21, 2024)*
Mr. Ethan Pan *(Appointed on June 21, 2024)*
Dr. Victor Shi *(Appointed on July 5, 2024)*
Dr. John Quelch *(Appointed on November 14, 2024)*
Mr. Yuexin Pan *(Resigned on June 21, 2024)*
Ms. Jiafen Wang *(Resigned on July 5, 2024)*

## SANCTIONS RISK CONTROL COMMITTEE

Ms. Sherry Shao
Dr. Eric Wang
Mr. Shiniu Wei
Dr. Zhenyu Liu *(Resigned from chairman and member on December 31, 2024)*

## COMPANY SECRETARY

Ms. Wai Ling Wong

# Corporate Information

## AUTHORISED REPRESENTATIVES

Mr. Robin Meng
Dr. Li Zhu

## HONG KONG LEGAL ADVISERS

C.C. Chau & Co. *(from October 28, 2024)*
1904, 19/F
1 Lyndhurst Tower
1 Lyndhurst Terrace
Central
Hong Kong

## AUDITOR

Ernst & Young
*Certified Public Accountants*
*Registered Public Interest Entity Auditor*
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

4th Floor, Harbour Place
103 South Church Street, George Town
P.O. Box 10240, Grand Cayman KY1-1002
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN THE U.S.

860 Centennial Avenue
Piscataway
NJ 08854
U.S.

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Services (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
George Town
P.O. Box 10240, Grand Cayman KY1-1002
Cayman Islands

## HONG KONG SHARE REGISTRAR

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

## COMPANY WEBSITES

www.genscript.com
www.probiocdmo.com
www.bestzyme.com
www.legendbiotech.com

## PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited
– Main Board

## STOCK CODE

1548

## STOCK NAME

GENSCRIPT BIO

# FINANCIAL HIGHLIGHT

- The Group delivered sustained revenue growth. Revenue of the Group from continuing operations for the Reporting Period was approximately US$594.5 million, representing an increase of 6.1% as compared with approximately US$560.5 million for the year ended December 31, 2023 (the "**Prior Period**").

- Gross profit of the Group from continuing operations for the Reporting Period was approximately US$272.1 million, kept stable as compared with the Prior Period.

- Profit of the Group for the Reporting Period was approximately US$2.9 billion, whilst loss of the Group was approximately US$355.1 million for the Prior Period, among which, the loss from continuing operations was approximately US$173.8 million, whilst the profit was approximately US$162.9 million for the Prior Period, and the profit from discontinued operation was approximately US$3.0 billion, whilst the loss was approximately US$518.0 million for the Prior Period.

  Gain on deconsolidation of cell therapy business was approximately US$3.2 billion, leading to a significant increase in the profit of the Group for the Reporting Period.

- The adjusted net profit of the Group from continuing operations for the Reporting Period was approximately US$59.8 million, representing an increase of 2.9% as compared with approximately US$58.1 million for the Prior Period.

# Financial Highlight

Notes:

(1)

| | Year ended December 31, 2024 US$'000 | 2023 US$'000 |
|---|---|---|
| **Continuing operations** | | |
| Net (loss)/profit | **(173,774)** | 162,879 |
| Excluding: Equity-settled share-based compensation expense, net of tax | **20,243** | 12,250 |
| Fair value losses/(gains) of preferred shares and warrants | **123,581** | (129,207) |
| Losses of foreign currency forward and option contracts, net of tax | **691** | 3,275 |
| Consultation and other related costs for the Investigation, net of tax | **–** | 541 |
| Impairment losses of long-lived assets, net of tax | **45,511** | 5,908 |
| Exchange gains, net of tax | **(1,250)** | (1,776) |
| Fair value losses of non-current financial assets, net of tax | **1,660** | 628 |
| Service fees and unrealised finance costs for equity financing activities | **4,632** | 3,618 |
| Share of loss from Legend Group and service fees for Deconsolidation | **38,532** | – |
| **Adjusted net profit** | **59,826** | 58,116 |

(2) In order to better reflect the key performance of the Group's current business and operations, the adjusted net profit is calculated on the basis of net profit/loss, excluding: (i) equity-settled share-based compensation expense; (ii) fair value gains or losses of preferred shares and warrants; (iii) losses of foreign currency forward and option contracts; (iv) consultation and other related costs for the Investigation (as defined in the announcement of the Company dated September 21, 2020); (v) impairment losses of long-lived assets; (vi) exchange gains; (vii) fair value losses of non-current financial assets; (viii) service fees and unrealised finance costs for equity financing activities; and (ix) share of loss from Legend Group and service fees for Deconsolidation.

(3) All the comparative financial figures of profit or loss and other comprehensive income for the Prior Period in this annual report have been re-presented in according to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* to reflect the impact caused by the deconsolidation of Legend, and to conform with current year's presentation. Please refer to note 11 to the financial statements in this annual report for details.

# FIVE-YEAR FINANCIAL SUMMARY

| | 2020 | 2021 | 2022 | 2023 (Restated) | **2024** |
|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | **US$'000** |
| **CONTINUING OPERATIONS** | | | | | |
| Revenue | 390,170 | 490,096 | 625,698 | 560,480 | **594,486** |
| Gross profit | 255,217 | 282,518 | 304,083 | 270,629 | **272,125** |
| (Loss)/Profit after income tax | (244,319) | (518,327) | (427,971) | 162,879 | **(173,774)** |
| **DISCONTINUED OPERATION** | | | | | |
| (Loss)/Profit for the year | – | – | – | (518,000) | **3,029,061** |
| **(LOSS)/PROFIT FOR THE YEAR** | (244,319) | (518,327) | (427,971) | (355,121) | **2,855,287** |
| (Loss)/Profit attributable to owners of the Company | (181,723) | (358,712) | (226,851) | (95,477) | **2,961,877** |
| Non-controlling interest | (62,596) | (159,615) | (201,120) | (259,644) | **(106,590)** |
| **Basic (loss)/earnings per share *(US cents)*** | (9.56) | (17.67) | (10.82) | (4.53) | **139.63** |
| **Diluted (loss)/earnings per share *(US cents)*** | (9.56) | (17.67) | (10.82) | (4.53) | **135.97** |
| Non-current assets | 454,232 | 594,808 | 781,433 | 1,034,191 | **4,443,291** |
| Current assets | 994,260 | 1,639,060 | 1,764,950 | 2,353,111 | **834,978** |
| Current liabilities | 282,311 | 413,305 | 545,978 | 494,811 | **307,342** |
| Net current assets | 711,949 | 1,225,755 | 1,218,972 | 1,858,300 | **527,636** |
| Non-current liabilities | 33,074 | 432,870 | 637,737 | 848,137 | **647,565** |
| Net assets | 1,133,107 | 1,387,693 | 1,362,668 | 2,044,354 | **4,323,362** |
| Cash and cash equivalents | 629,058 | 1,180,971 | 1,023,999 | 1,446,403 | **131,990** |
| Inventories turnover days (day) | 72 | 73 | 71 | 62 | **50** |
| Trade receivables turnover days (day) | 67 | 70 | 72 | 76 | **78** |
| Trade payables turnover days (day) | 47 | 43 | 47 | 40 | **47** |

# CHAIRMAN'S STATEMENT

Dear fellow shareholders,

2024 has been an eventful year for our Company.

This year, our Life Science group and Bestzyme businesses sustained robust revenue growth, achieving increases of 10% and 24%, respectively. As for ProBio, we began to notice that key leading indicators, such as customer inquiries and new order bookings, have significantly improved, particularly in the second half of the Year, despite the ongoing challenges faced by ProBio's business due to customer funding constraints. As we approach 2025, we are gratified to observe that this positive trend persists.

One of our group's belief is that business growth is always driven by strong competitiveness. Companies should not waste time trying to control external factors. Instead, focus on solving customer issues through innovation.

Our Life Science business improved the TurboCHO® platform, leading to higher protein yields, faster turnaround, and lower costs. Customer feedback has been very positive, resulting in over 100% volume growth year over year.

Bestzyme upgraded its industrial enzyme portfolio, offering better performance and affordability. We defended our market share with strong intellectual property, winning against litigation attempts from competitors.

ProBio licensed a PD-1 VHH antibody sequence to LaNova in 2024, which was then used in a PD-1/VEGF bispecific antibody and further licensed to Merck & Co ("**MSD**"). The asset, named "MK-2010," combines PD-1 and VEGF inhibition for stronger tumor suppression. MSD's Keytruda, the highest-selling drug globally, faces patent expiration in 2028, providing MSD with the motivation to develop MK-2010 into a blockbuster drug. If successful, ProBio could receive over US$900 million in payments and a share of annual sales, with no further development costs, making it a highly cash generative revenue stream.

This value creation is a result of GenScript and ProBio's years of investment in new molecular entities ("**NME**") with therapeutic potential, accelerating clients' research and development ("**R&D**") programs and keeping us at the forefront of technological innovation. We still hold multi-billion dollar shares in Legend Biotech, initially incubated in GenScript. Financial statements may not consistently show growing profits in short terms due to heavy investments in R&D and talents cultivation, but we believe in the long-lasting value of these efforts, which will materialize in more programs like MK-2010 and Legend Biotech over time.

Since 2023, our Company has invested heavily in enhancing our ESG practices.

# Chairman's Statement

We joined the UNGC (United Nations Global Compact), committing to human rights, labor, environment, and anti-corruption principles. In 2024, GenScript and ProBio became PSCI (Pharmaceutical Supply Chain Initiative) supplier partners, contributing to a more ethical pharmaceutical supply chain. In February 2025, GenScript's carbon reduction targets were validated by SBTi (Science Based Targets Initiative), marking a milestone in our decarbonization journey.

GenScript and Legend have created thousands of high-paying jobs globally, and generated intellectual properties from Mainland China, benefiting scientists and patients worldwide.

Despite geopolitical tensions, we are creating significant social value through employment and intellectual properties. To better reflect our global business and understand geopolitical, commercial, and technological dynamics, we restructured our board of directors (the "**Board**"), welcoming experts in life science, biologics CDMO, human resources, accounting, and risk mitigation.

In conclusion, we have surmounted numerous challenges in 2024 and achieved an overall satisfactory outcome. We have also commenced 2025 with a robust start. We anticipate enhanced growth and stronger competitiveness across all our operating segments.

As always, we express our gratitude for your ongoing support.

Sincerely yours,
**Robin Meng**
*Chairman and Executive Director*

March 11, 2025

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## POSITIONING OF THE COMPANY

The Group is a well-recognised biotechnology company. Based on our proprietary DNA synthesis technology and the other technology and know-hows on life-science research and application, we have well established several major platforms including (i) a life-science services and products platform to provide one-stop solutions to global research communities, (ii) ProBio, a CDMO platform, and (iii) Bestzyme, an industrial synthetic products platform. The above internally built platforms collectively have demonstrated their strong growth from research and development to commercial delivery for the Reporting Period. The Group also holds significant investments in Legend, which is a global leading biotech company dedicated developing cell therapies.

The Group's business operations span over 100 countries and regions worldwide with legal entities located in Mainland China, the U.S., Hong Kong, Japan, Singapore, Netherlands, the United Kingdom, Korea, Spain, Australia and Macao. Our professional workforce is consisted of approximately 5,568 team members as at December 31, 2024.

The life-science services and products segment offers services and products covering gene synthesis, oligo nucleotide synthesis, peptide synthesis, protein production, antibody development, and life-science equipment and consumables. By servicing early-stage research and discovery projects at pharma, biotech and academic institutions, our business has made significant contributions to the global life science research community.

ProBio is a subsidiary of the Group. As a leading CDMO, ProBio empowers biologics innovators worldwide by providing seamless end-to-end solutions. Our comprehensive platform integrates discovery, development, and manufacturing services, streamlining the development process, reducing timelines, and increasing the success rate of biologics projects. By accelerating the development and manufacturing of life-changing biologic therapies, we aim to improve the lives of patients worldwide and contribute to a healthier future.

Bestzyme is a subsidiary of the Group engaged in the industrial synthetic biology fields. Bestzyme uses our advanced protein engineering technology to develop products for feed, food, grain processing, and home care industries. We believe synthetic biology offers us new opportunities from both technical and commercial perspectives.

Legend is a material associate of the Group that specifically engages in the discovery and development of novel cell therapies for oncology and other indications. Legend's lead product candidate, cilta-cel, is a CAR-T therapy jointly developed with Janssen, for the treatment of MM.

We have established an extensive direct sales network, reaching over 100 countries and regions globally. We primarily sell our services and products through our own direct sales force to customers worldwide, while we also sell our services and products through independent third-party distributors to expand our market presence and facilitate communication with end users. For the year ended December 31, 2024, we had generated approximately US$265.1 million, US$176.9 million, US$80.9 million, US$53.1 million, and US$18.5 million from our sales to customers in the U.S., Mainland China, Europe, Asia Pacific (excluding Mainland China), and others, representing approximately 44.6%, 29.8%, 13.6%, 8.9%, and 3.1% of our total revenue, respectively.

# Management's Discussion and Analysis

## BUSINESS REVIEW

The Group continues to deliver sustained revenue growth. From continuing operations, the overall revenue of the Group was approximately US$594.5 million during the Reporting Period, representing an increase of 6.1% as compared with approximately US$560.5 million for the Prior Period. The increase in revenue was primarily attributable to the (i) continuous investment in commercial promotion to enhance brand awareness, particularly in Europe and the U.S., and (ii) market share growth, driven by new competitive services and products. Gross profit was approximately US$272.1 million during the Reporting Period, remained stable as compared with the Prior Period.

In the meanwhile, gain on deconsolidation of cell therapy business have led to a significant increase in profit of the Group. During the Reporting Period, the profit of the Group has increased to approximately US$2.9 billion, whilst the loss of the Group was approximately US$355.1 million for the Prior Period. The adjusted net profit of the Group from continuing operations was approximately US$59.8 million, representing an increase of 2.9% as compared with approximately US$58.1 million for the Prior Period.

During the Reporting Period, the profit attributable to owners of the Company was approximately US$3.0 billion, whilst the loss attributable to owners of the Company was approximately US$95.5 million for the Prior Period.

During the Reporting Period, the external revenue of (i) life-science services and products, (ii) biologics development services, and (iii) industrial synthetic biology products accounted for approximately 75.8%, 14.8% and 9.0% of the total revenue of the Group, respectively.

### Results Analysis of the Three Business Segments

| | For the year ended December 31, 2024 | | | For the year ended December 31, 2023 | | |
|---|---|---|---|---|---|---|
| | Life-science services and products US$'000 | Biologics development services US$'000 | Industrial synthetic biology products US$'000 | Life-science services and products US$'000 | Biologics development services US$'000 | Industrial synthetic biology products US$'000 |
| Revenue | **454,947** | **95,021** | **53,685** | 412,912 | 109,490 | 43,051 |
| Adjusted gross profit | **237,667** | **14,378** | **22,605** | 224,498 | 19,761 | 16,554 |
| Adjusted selling and distribution expenses | **62,819** | **11,592** | **6,593** | 56,020 | 12,956 | 4,879 |
| Adjusted administrative expenses | **43,594** | **36,942** | **6,715** | 46,442 | 27,234 | 5,108 |
| Adjusted research and development expenses | **39,436** | **3,870** | **7,188** | 38,142 | 5,859 | 4,815 |
| Provision for/(Reversal of) impairment of financial assets, net | **1,449** | **5,341** | **1** | 1,285 | 3,405 | (297) |
| Adjusted provision for impairment of long-lived assets | **–** | **–** | **–** | 4,307 | – | – |
| Adjusted operating profit/(loss) | **90,369** | **(43,367)** | **12,108** | 78,302 | (29,693) | 2,049 |

The adjusted cost and expenses exclude the impact from: (i) equity-settled share-based compensation expense; (ii) service fees and unrealised finance costs for equity financing activities; and (iii) impairment losses of long-lived assets.

# Management's Discussion and Analysis

## Life-science services and products

This segment provides comprehensive life-science research services and products in key categories including gene synthesis, oligonucleotide synthesis, peptide synthesis, protein engineering, antibody development, and life-science equipment and consumables such as molecular diagnostics tools and genome editing materials. These services and products are essential to a wide range of life-science research and application areas, including basic biology studies, pharmaceutical and drug discovery, disease diagnostics and vaccine, agriculture, environmental studies, and the food industry.

### *Results*

During the Reporting Period, revenue from life-science services and products was approximately US$454.9 million, representing an increase of 10.2% as compared with approximately US$412.9 million for the Prior Period. The adjusted gross profit was approximately US$237.7 million, representing an increase of 5.9% as compared with approximately US$224.5 million for the Prior Period. The adjusted gross profit margin decreased slightly to 52.2% from 54.4% for the Prior Period. The adjusted operating profit was approximately US$90.4 million, representing an increase of 15.5% as compared with approximately US$78.3 million for the Prior Period.

The increases in revenue, adjusted gross profit and adjusted operating profit were all mainly attributable to the (i) platform upgrades through innovations and automation, delivering services and products with enhanced reliability, accelerated turnaround and superior quality standards, particularly in protein and molecular biology platforms, (ii) enhanced manufacturing and operational efficiency improvement across production sites in Singapore, the U.S. and Mainland China, and (iii) robust commercial expansion in the U.S. and European markets, characterized by a differentiated value proposition and premium technical support.

### *Development strategies*

To drive future growth and market share gain, the Company intends to: (i) invest in R&D to accelerate innovation in the areas of antibody drug development, AI-assisted drug discovery, and other advanced therapeutics; (ii) improve reliability, quality and cost effectiveness of our products and services through continuous lean management and process automation; (iii) bolster global manufacturing capacity to support sustained business growth with locally based supply chain solutions in the U.S., Singapore, and Mainland China; and (iv) enhance brand awareness through marketing campaigns.

## Biologic development services

This segment provides integrated end-to-end service offerings to accelerate biologics development and manufacturing for biopharma and biotech partners. We offer comprehensive end-to-end services and capabilities, from drug discovery to commercialisation. Our expertise with cutting-edge modalities like viral vectors, DNA, RNA, antibodies, and proteins helps clients develop transformative new therapies faster. By combining world-class technology and talent, this CDMO segment provides end-to-end solutions to turn ideas into approved products. From discovery to manufacturing, we enable our partners to bring life-changing drugs to market rapidly and efficiently.

# Management's Discussion and Analysis

*Results*

During the Reporting Period, revenue from biologics development services was approximately US$95.0 million, representing a decrease of 13.2% as compared with approximately US$109.5 million for the Prior Period. The adjusted gross profit was approximately US$14.4 million, representing a decrease of 27.3% as compared with approximately US$19.8 million for the Prior Period. The adjusted gross profit margin decreased to 15.1% from 18.1% for the Prior Period. The adjusted operating loss was approximately US$43.4 million, representing an increase of 46.1% as compared with approximately US$29.7 million for the Prior Period.

The decrease in revenue and adjusted gross profit was mainly attributed to (i) reduced pricing and intensified competition due to unfavorable market conditions, and (ii) lower capacity utilisation of newly launched Good Manufacturing Practice ("**GMP**") facilities. Additionally, the adjusted operating loss was attributable to the higher administrative costs associated with the expansion of the U.S. capacity and strategic deployment of personnel to support both business growth and operational delivery.

*Development strategies*

Our development strategy focuses on driving sustainable growth and expansion while maintaining operational excellence. The Company intends to: (i) continuously increase market penetration in North America and Europe by acquiring new customers in advanced therapeutics and consolidating relationships with existing ones; (ii) expand our manufacturing footprint in North America to satisfy clients with flexible service options and reduce supply chain risk; (iii) grow with clients to advance clients' projects for commercial success; and (iv) upgrade our manufacturing platforms via R&D and partnership, and invest in quality improvement initiatives.

Furthermore, the Company also intends to develop pre-clinical NME assets such as nano antibodies against various therapeutic targets. We will explore various collaborative models such as licensing and co-development to monetize such NME assets and generate a revenue stream complementary to our fee-for-service business.

## Industrial synthetic biology products

This segment leverages our technical experience in synthetic biology to engineer proteins and construct cell factory strains using GRAS (Generally recognised as Safe) microorganism strains to produce high-quality industrial enzymes and functional proteins that can be used in a variety of industries, such as the food, feed, pharmaceutical, and chemical industries.

*Results*

During the Reporting Period, revenue from industrial synthetic biology products was approximately US$53.7 million, representing an increase of 24.6% as compared with approximately US$43.1 million for the Prior Period. The adjusted gross profit was approximately US$22.6 million, representing an increase of 36.1% as compared with approximately US$16.6 million for the Prior Period. The adjusted gross profit margin increased to 42.1% from 38.5% for the Prior Period. The adjusted operating profit kept stable at approximately US$2.1 million as compared with the Prior Period.

The increase of revenue and adjusted gross profit was primarily attributable to the (i) rapid increase in penetration into feed and industrial enzyme market in China, and (ii) quick expansion of ex-China feed and industrial enzyme business. The adjusted gross profit margin was positively impacted from the optimisation and upgrade of production processes, and implementation of more focused strategies for key accounts.

# Management's Discussion and Analysis

*Development Strategies*

The Company aims to be a leading synthetic biology company. The Company intends to: (i) drive enzyme business revenue growth and profit improvement through innovation and process optimisation; (ii) strengthen commercial capability to focus on key accounts and increase presence in ex-China markets; and (iii) leverage R&D competency in synthetic biology to deliver more innovative products in new application areas.

## FINANCIAL REVIEW

| | **2024** | 2023 (Restated) | Change |
|---|---|---|---|
| | **US$'000** | US$'000 | US$'000 |
| **Continuing operations** | | | |
| Revenue | **594,486** | 560,480 | 34,006 |
| Gross profit | **272,125** | 270,629 | 1,496 |
| (Loss)/Profit after income tax | **(173,774)** | 162,879 | (336,653) |
| Adjusted net profit | **59,826** | 58,116 | 1,710 |
| **Discontinued operation** | | | |
| Loss for the period from Legend, net of tax | **(203,149)** | (518,000) | 314,851 |
| Gain on deconsolidation of Legend, net of tax | **3,232,210** | – | 3,232,210 |
| Profit/(Loss) for the year | **2,855,287** | (355,121) | 3,210,408 |
| Profit/(Loss) attributable to owners of the Company | **2,961,877** | (95,477) | 3,057,354 |
| Earnings/(Loss) per share for the year *(US cents)* | | | |
| – Basic | **139.63** | (4.53) | 144.16 |
| – Diluted | **135.97** | (4.53) | 140.50 |
| Adjusted profit and expenses: | | | |
| Gross profit | **280,320** | 268,346 | 11,974 |
| Selling and distribution expenses | **83,731** | 76,608 | 7,123 |
| Administrative expenses | **106,883** | 95,822 | 11,061 |
| Research and development expenses | **52,123** | 51,136 | 987 |

### Revenue

The revenue increased by 6.1% to approximately US$594.5 million in 2024 from approximately US$560.5 million in 2023. This was primarily attributable to the (i) continuous investment in commercial promotion to enhance brand awareness, particularly in Europe and the U.S., and (ii) market share growth, driven by new competitive services and products.

### Gross Profit

The gross profit increased by 0.6% to approximately US$272.1 million in 2024 from approximately US$270.6 million in 2023. The adjusted gross profit increased by 4.5% over the Prior Period.

### Selling and distribution expenses

The selling and distribution expenses increased by 10.0% to approximately US$88.1 million in 2024 from approximately US$80.1 million in 2023. This was mainly caused by the (i) expanded marketing efforts, including participation in high-profile exhibitions and industry conferences, as well as increased advertising to strengthen brand recognition, and (ii) greater investment in commercial talent, including workforce expansion with experienced professionals and optimisation of incentive structures, aimed at market penetration and business growth in key regions. The adjusted selling and distribution expenses increased by 9.3% over the Prior Period.

### Administrative expenses

The administrative expenses increased by 7.1% to approximately US$114.4million in 2024 from approximately US$106.8 million in 2023. This was mainly caused by the expenditures in infrastructure associated with capacity expansion and enhanced administrative functions. The adjusted administrative expenses increased by 11.5% over the Prior Period.

### Research and development expenses

The research and development expenses increased by 2.1% to approximately US$53.8 million in 2024 from approximately US$52.7 million in 2023. The adjusted research and development expenses increased by 1.9% over the Prior Period.

### Provision for impairment of long-lived assets

The impairment of long-lived assets increased to approximately US$45.5 million in 2024 from approximately US$11.7 million in 2023, which was mainly derived from the biologics development services segment. The management evaluated the recoverable amount at the level of the cash-generating unit and based on a value-in-use calculation using discounted cash flow projections.

### Fair value gains or losses of preferred shares and warrants

On August 18, 2021 (New York time), Probio Cayman, an indirectly owned subsidiary of the Company, entered into a purchase agreement with certain investors, whereby Probio Cayman sold 300,000,000 shares of series A preferred shares of Probio Cayman (the "**Probio Series A Preferred Shares**") and a warrant exercisable for up to an aggregate of 189,393,939 ordinary shares of Probio Cayman (the "**Probio Warrant**", and collectively the "**Probio Cayman Purchase**"). The total proceeds from the Probio Cayman Purchase was US$150.0 million. Pursuant to the purchase agreement, Probio Cayman issued the Probio Warrant to the investors to purchase the ordinary shares of Probio Cayman at a certain price per share for up to an aggregate amount of US$125.0 million. Please refer to the announcements of the Company dated May 14, 2021, June 7, 2021, August 19, 2021 and September 5, 2021 for details.

On January 17, 2023, Probio Cayman entered into a subscription agreement with certain investors (including the Company), pursuant to which Probio Cayman issued and sold, and the investors purchased an aggregate of 319,998,370 series C preferred shares of Probio Cayman (the "**Probio Series C Preferred Shares**") for an aggregate consideration of approximately US$224.0 million at the applicable closing. Please refer to the announcements of the Company dated January 17, 2023, February 10, 2023, and April 21, 2023 for details.

The Probio Series A Preferred Shares, Probio Series C Preferred Shares and the Probio Warrant are accounted for as financial liabilities measured at fair value with changes through profit or loss in accordance with relevant HKFRS Accounting Standards.

As at December 31, 2024, the fair value of the Probio Series A Preferred Shares and Probio Series C Preferred Shares were assessed at approximately US$473.7 million. Fair value losses of approximately US$123.6 million were recorded during the Reporting Period due to the changes in fair value of these financial liabilities.

### Financial liabilities at amortised cost

On July 2, 2022, Probio Cayman entered into a subscription agreement with an investor, pursuant to which Probio Cayman issued and sold and the investor purchased 57,314,000 series B preferred shares of Probio Cayman (the "**Probio Series B Preferred Shares**") at an aggregate consideration of approximately US$37.3 million (the "**Probio Series B Financing**"). The completion of the Probio Series B Financing took place on July 6, 2022. Please refer to the announcements of the Company dated July 4, 2022 and July 6, 2022 for details.

The Probio Series B Preferred Shares is accounted for as financial liabilities at amortised cost for liability component and other reserves for equity component.

On May 26, 2023, Nanjing Bestzyme Bio-Engineering Co., Ltd.* (南京百斯傑生物工程有限公司) ("**BSJ Nanjing**"), an indirect non-wholly owned subsidiary of the Company, entered into a capital increase agreement with certain investors, pursuant to which the investors subscribed for the additional registered capital of BSJ Nanjing of RMB37,609,070 (equivalent to approximately US$5.3 million) for a total consideration of RMB250.0 million (equivalent to approximately US$35.2 million) to acquire approximately 10.4168% equity interest in BSJ Nanjing upon the closing (the "**BSJ Series A Capital Increase**"). In connection with the BSJ Series A Capital Increase, the investors are entitled to the redemption right pursuant to the shareholder agreement dated May 26, 2023 entered into by, among others, the investors and BSJ Nanjing. Please refer to the announcements of the Company dated May 28, 2023 and June 25, 2023 for details.

The BSJ Series A Capital Increase is accounted for as financial liabilities at amortised cost.

As at December 31, 2024, the equity component of Probio Series B Preferred Shares in other reserves was assessed at approximately US$1.6 million, and the liability component was approximately US$41.2 million with interest expenses at approximately US$2.2 million during the Reporting Period. The financial liabilities at amortised cost of the BSJ Series A Capital Increase was approximately US$38.2 million with interest expenses at approximately US$2.4 million during the Reporting Period.

### Income tax expense

The income tax expense from continuing operations decreased from approximately US$6.0 million for the Prior Period to approximately US$3.0 million for the Reporting Period. The decrease of tax expense was mainly caused by the recognition of deferred tax assets for recoverable losses derived from the biologics development services segment.

### Net profit/(loss)

During the Reporting Period, from continuing operations, net loss of the Group was approximately US$173.8 million, whilst the net profit for the Prior Period was approximately US$162.9 million. The adjusted net profit of the Group was approximately US$59.8 million.

# Management's Discussion and Analysis

## Profit/(Loss) from the discontinued operation

Pursuant to the announcement of the Company dated October 22, 2024, effective from October 18, 2024 (the "**Deconsolidation Date**"), the Company has no power to unilaterally govern the financial and operation policies of the Legend Group due to the loss of power to cast the majority of votes at the general meeting of Legend, the Legend Group was deconsolidated from the Company then in accordance with the requirements of HKFRS 10 *Consolidated Financial Statements*. After the Deconsolidation, Legend was reclassified as an associate (as defined in the Listing Rules) and the Company subsequently accounts for the investment in Legend using equity method as the Company is assessed to have significant influence in Legend.

During the Reporting Period, the Group recorded a profit of approximately US$3.0 billion from the discontinued operation, consisting of (i) a one-time, tax-free, unrealised gain of approximately US$3.2 billion, reflecting the difference of the Group's share of Legend's fair market value and the share of Legend's net assets at the Deconsolidation Date, and (ii) a post-tax loss from Legend of approximately US$203.1 million for the period from January 1, 2024 to the Deconsolidation Date. Loss of approximately US$518.0 million was recorded for the Prior Period.

## Trade receivables

| | **2024** | 2023 |
|---|---|---|
| Trade receivables turnover days *(day)* | **78** | 76 |

The slight increase of trade receivables turnover days of the Group was primarily driven by the extended credit term to key customers of life-science services and products segment, particularly those outside of China.

## Inventories

| | **2024** | 2023 |
|---|---|---|
| Inventory turnover days *(day)* | **50** | 62 |

The decrease of inventory turnover days of the Group was mainly caused by on-going lean management on supply chain and production processes, resulting in a higher inventory turnover.

## Property, plant and equipment

Property, plant and equipment include buildings, machinery equipment and construction in progress. As at December 31, 2024, the property, plant and equipment of the Group amounted to approximately US$518.0 million, representing a decrease of 14.8% from approximately US$608.1 million as at December 31, 2023. This was mainly due to the deconsolidation of Legend and the impairment loss recognised for certain property, plant and equipment in the biologics development services segment.

### Right-of-use assets

Right-of-use assets mainly include leasehold land, buildings, office premises and share of collaboration assets. As at December 31, 2024, the Group's right-of-use assets amounted to approximately US$77.6 million, representing a decrease of 35.7% from approximately US$120.6 million as at December 31, 2023. The decrease was mainly due to the deconsolidation of Legend, and partially offset by the newly rented leasehold infrastructure associated with capacity expansion.

### Working capital and financial resources

The Group consistently adopts a prudent financial management policy. Fund management, financing and investment activities were all undertaken and monitored by the management of the Company. Given the industry characteristics of the core business of the Group, the emphasis of routine financial control management was placed on the management of working capital, particularly the timely receipts of trade receivables and payment arrangement of trade payables.

The capital structure of the Group was constantly monitored by the Company and aimed to monitor its working capital and financial resources to maintain a solid financial position. The use of any capital instruments, including banking facilities, by each subsidiary was under the central coordination and arrangement of the Company.

As at December 31, 2024, the wealth management financial products, time deposits and cash and cash equivalents of the Group amounted to approximately US$719.9 million (2023: approximately US$2.0 billion). The decrease of this total amount was mainly caused by the deconsolidation of Legend. As at December 31, 2024, the restricted cash of the Group amounted to approximately US$17.9 million (2023: approximately US$33.1 million). The decrease of restricted cash was mainly caused by the settlement of bills payable.

As at December 31, 2024, the Group had available unutilised bank facilities of approximately US$577.6 million (2023: approximately US$373.9 million).

As at December 31, 2024, the Group's current ratio (current assets to current liabilities) was 2.7 (as at December 31, 2023: 4.8); and gearing ratio (total liabilities to total assets) was 18.1% (as at December 31, 2023: 39.6%). The significant changes of the ratios are primarily driven by the deconsolidation of Legend.

After considering its current cash and cash flows from operating activities, as well as the credit facilities available to the Group, it is believed that the Group has sufficient capital to fund its future operations and for business expansion and general development purposes.

### Treasury Policy

The Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved. The Group invests surplus cash in the instruments issued by reputable and large-scale banks and financial institutions, only with reasonable expected return rates and controllable or predictable risks. The Group expects to fund its working capital and other capital requirements from a combination of various sources, including but not limited to necessary bank facilities.

To mitigate the risks arising from volatility of foreign exchange market and its impact to the Group's operation, the Group uses proper derivative instruments to hedge the foreign currency risks in the ordinary course of business, including foreign currency forward contracts and collar contracts, based on the cashflow forecast by currency.

# Management's Discussion and Analysis

## Cash flow analysis

During the Reporting Period, the Group's cash inflow from operating activities was approximately US$75.6 million.

During the Reporting Period, the Group's cash outflow in investing activities was approximately US$1.5 billion. This was mainly due to the (i) cash paid for the purchases of property, plant and equipment, other intangible assets and collaboration assets in the amount of approximately US$197.0 million, (ii) net cash payment for the purchases of the financial assets in the amount of approximately US$172.7 million, (iii) net cash payment for the purchases of time deposits in the amount of approximately US$627.1 million, (iv) capital invested into a company and funds in the amount of approximately US$6.2 million, and (v) net outflow of cash and cash equivalents due to the Deconsolidation in the amount of approximately US$459.3 million.

During the Reporting Period, the Group's cash inflow from financing activities was approximately US$66.5 million. This was mainly due to the (i) net cash received from bank loans in the amount of approximately US$44.4 million, (ii) proceeds from exercise of share options by employees in the amount of approximately US$13.5 million, (iii) payment for principal portion of lease payments in the amount of approximately US$9.6 million, and (iv) net cash received from the release of cash pledged in the amount of approximately US$17.8 million.

## Capital expenditure

During the Reporting Period, the expenditure of purchasing other intangible assets, particular for software, was approximately US$1.2 million, the prepayment for collaboration right-of-use assets was approximately US$49.1 million, and the expenditure of constructing and purchasing property, plant and equipment amounted to approximately US$146.7 million.

## Significant investments held, material acquisitions and disposals

### Significant investment in the key associate

As at December 31, 2024, the Group held a significant investment in an associate company, Legend, with a carrying value of approximately US$3.7 billion, representing approximately 69.2% of the total assets of the Group. The Group's share of loss of an associate from Legend was approximately US$37.8 million in the Reporting Period.

The Legend is principally engaged in the discovery, development, manufacturing and commercialisation of novel cell therapies for oncology and other indications. The Group intends to hold the abovementioned equity interests in the Legend as a long-term investment. Details of the financial information of Legend is set out in notes 11 and 18 to the financial statements in this annual report.

### Significant investments in the financial assets

As at December 31, 2024, significant investments held by the Group are as follows:

| | December 31, 2024 US$'000 | December 31, 2023 US$'000 |
|---|---|---|
| **Financial assets at fair value through profit or loss** | | |
| **Current** | | |
| Wealth management financial products (a) | **224,851** | 105,282 |
| Foreign currency forward and option contracts | **–** | 342 |
| Listed equity investment | **23** | 21 |
| | **224,874** | 105,645 |
| **Non-current** | | |
| Wealth management financial products (a) | **65,344** | 13,044 |
| Unlisted equity investments (b) | **23,299** | 18,825 |
| | **88,643** | 31,869 |
| Total | **313,517** | 137,514 |

The majority of the wealth management financial products we purchased during the Reporting Period were issued by banks and financial institutions in the Mainland China, Europe and the U.S., and mainly included the money market fund and credit linked notes with floating expected return rates ranging from 1.4% to 5.7% per annum and with maturity days between one day and about three years. These products did not guarantee the return of principals upon maturity. As at December 31, 2024, we preserved all our invested capital in these products and did not encounter any default by the issuing banks and institutions, and none of our investments was past due or impaired. The Group has redeemed those wealth management financial products at maturation and has no intention to dispose the investments in the long term. None of our investments had been pledged to secure our borrowings as at December 31, 2024.

As part of our treasury management plan, we have purchased wealth management financial products as an auxiliary mean to improve utilisation of our cash on hand in line with our cashflow forecast. We have made such purchases only when (i) we have surplus funds after we have fully considered the cash requirement of our operations for the future three to five years and allocated accordingly, and (ii) our management has carefully assessed the risks and benefits and decided to make such purchases (including, among others, the availability of certain wealth management financial products which have high liquidity and generate finance income meeting our standards).

All investments were made in low-risk, liquid and sound wealth management financial products, such as capital preservation products, fixed-income products and trust products with agreed yield expectations and adequate safeguards.

Any purchase and early redemption of our investments in wealth management financial products shall be reviewed and approved by chief finance officer of the Group or other authorised personnel based on internal approval authority matrix.

# Management's Discussion and Analysis

(a) Information in relation to the wealth management financial products* as at December 31, 2024 are set out as follows:

| Item | Banks/Financial institutions | Product type/description | Original amount | Investment cost | Fair value as at December 31, 2024 |
|---|---|---|---|---|---|
| | | | RMB or US$ | US$'000 | US$'000 |
| 1. | China Merchants Bank | Non-guaranteed floating-income product | RMB135,000,000 | 18,780 | 18,785 |
| 2. | China Merchants Bank | Non-guaranteed floating-income product | RMB266,541,049 | 37,080 | 37,146 |
| 3. | China Merchants Bank | Non-guaranteed floating-income product | RMB302,080,000 | 42,023 | 42,328 |
| 4. | CITIC Securities Company Limited | Non-guaranteed floating-income product | RMB348,139,807 | 48,430 | 48,713 |
| 5. | CITIC Securities Company Limited | Non-guaranteed floating-income product | RMB161,750,882 | 22,501 | 22,730 |
| 6. | China CITIC Bank | Non-guaranteed floating-income product | RMB1,000,000 | 139 | 140 |
| 7. | JPMorgan Chase Financial Company LLC | Credit Linked Notes | US$33,000,000 | 33,000 | 33,623 |
| 8. | J.P. Morgan Structured Products B.V. | Credit Linked Notes | US$44,000,000 | 44,000 | 44,740 |
| 9. | J.P. Morgan Structured Products B.V. | Credit Linked Notes | US$10,000,000 | 10,000 | 10,279 |
| 10. | CMB International Capital Corporation Limited | Money Market Fund | US$31,538,609 | 31,539 | 31,711 |
| | Total | | | 287,492 | 290,195 |

* The above wealth management financial products have already been aggregated based on issuing banks/financial institutions and underlying financial products.

# Management's Discussion and Analysis

(b) Information in relation to the unlisted equity instruments as at December 31, 2024 are set out as follows:

| Name of investee company/fund | Principal business or investment scope | Nature of investment | Number of shares/units/ amount of investments held | Percentage of total share capital/units owned by the Group as at December 31, 2024 | Investment Cost | Fair value as at December 31, 2024 | Percentage to the Group's total assets as at December 31, 2024 | Unrealised gain/ (loss) on change in fair value for the year ended December 31, 2024 |
|---|---|---|---|---|---|---|---|---|
| | | | | % | US$'000 | US$'000 | % | US$'000 |
| Yuanming Prudence SPC – Healthcare Fund I Segregated Portfolio | Fund investment | Investment in fund/securities | 486.43 | 0.28 | 261 | 294 | 0.01 | 44 |
| Panacea Venture Healthcare Fund I, L.P. | Fund investment | Investment in fund/securities | Not applicable | 5.54 | 9,370 | 8,127 | 0.15 | (1,239) |
| Shenzhen Emma Biotechnology Co., Ltd. (深圳艾碼生物科技有限公司) | Equity investment | Investment in corporation | Not applicable | 3.96 | 1,113 | 1,600 | 0.03 | – |
| AffyXell Therapeutics Co., Ltd. | Equity investment | Investment in corporation | 113,637 | 0.97 | 810 | 535 | 0.01 | (174) |
| Fund A** | Fund investment | Investment in fund/securities | Not applicable | 43.81 | 3,574 | 3,456 | 0.06 | (106) |
| Fund B** | Fund investment | Investment in fund/securities | Not applicable | 90.91 | 3,833 | 4,044 | 0.08 | 28 |
| 7G BIOVENTURES I, L.P. | Fund investment | Investment in fund/securities | Not applicable | 29.56 | 3,000 | 2,261 | 0.04 | (213) |
| Hanx Biopharmaceuticals (Wuhan) Co., Ltd. | Equity investment | Investment in corporation | 180,402 | 1.53 | 2,982 | 2,982 | 0.06 | – |
| Total: | | | | | 24,943 | 23,299 | 0.44 | (1,660) |

** The Company is subject to strict confidentiality obligations under which the names of the funds cannot be disclosed to any third party. As at the date of this report, to the best knowledge of the Company, each of the general partners, limited partners, and their ultimate beneficial owners of Fund A and Fund B is an independent third party who is, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and the connected person(s) (as defined in the Listing Rules) of the Company.

(Note) Given the value of investment in each financial asset at fair value through profit or loss does not constitute a notifiable transaction of the Company pursuant to Chapter 14 of the Listing Rules, as the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules), whether on a standalone or aggregate basis, are less than 5.0% of the total assets of the Group as of December 31, 2024, the Company has not prepared any analysis on their prospects.

During the Reporting Period, we recorded the investment gain at approximately US$6.3 million and a fair value loss at approximately US$0.3 million on the financial assets at fair value through profit or loss.

Save as disclosed above and in the announcement of the Company dated October 22, 2024, the Group did not have any other significant investments held, material acquisitions or disposals of subsidiaries and associated companies during the Reporting Period.

# Management's Discussion and Analysis

## Bank loans

As at December 31, 2024, the Group had short-term interest-bearing loans from Citibank, HSBC China, China Merchants Bank and China CITIC Bank, respectively, for a total amount of approximately RMB561.1 million (equivalent to approximately US$78.0 million), with fixed interest rates ranging from 2.25% to 2.60% per annum. These loans were used for the daily operation of subsidiaries located in Mainland China, of which approximately RMB270.7 million (equivalent to approximately US$37.7 million) are secured by credit.

As at December 31, 2024, Zhenjiang ProBio Biotech Co., Ltd. ("**Probio Zhenjiang**") had long-term interest-bearing loans from China Construction Bank and Bank of Jiangsu for a total amount of approximately RMB124.4 million (equivalent to approximately US$17.3 million), with a floating interest rate at LPR (Loan Prime Rate) per annum, which were secured by the leasehold land held by Probio Zhenjiang. Such loans were used for the facility construction of Probio Zhenjiang.

As at December 31, 2024, the Group had short-term interest-bearing loans from China Merchants Bank in amount of approximately RMB53.7 million (equivalent to approximately US$7.5 million) with a fixed interest rate at 1.95% per annum. Such loans were derived from discounting of bank notes.

As at December 31, 2024, the Group had a short-term interest-bearing loan from China Merchants Bank in amount of approximately RMB23.2 million (equivalent to approximately US$3.2 million) with a fixed interest rate at 1.9% per annum. Such a loan was derived from issuance of letters of credit.

Save as disclosed above, the Group did not have any other material outstanding, unpaid bank loans and/or other borrowings.

## Provision, contingent liabilities and guarantees

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

## No material adverse change

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since December 31, 2024 and up to the date of this report.

## Charges on group assets

As at December 31, 2024, the leasehold of land located in Jiangsu, China of approximately RMB35.0 million (equivalent to approximately US$4.9 million) was pledged by Probio Zhenjiang to secure loans of approximately RMB124.4 million (equivalent to approximately US$17.3 million).

As at December 31, 2024, bank balances of approximately US$3.4 million were pledged as guarantee of certain financial products, of approximately US$12.9 million were pledged as security deposits for rentals, and of approximately US$1.6 million were pledged for the letters of guarantee to suppliers.

As at December 31, 2024, the properties acquired by Jiangsu Genscript Biotech Co., Ltd. and Probio Zhenjiang amounted to approximately RMB229.8 million (equivalent to approximately US$32.0 million) were pledged to an affiliate of the Series B Investor of ProBio (as defined in the announcement of the Company dated July 4, 2022) so as to secure the performance of the redemption obligation of the Company and Probio Cayman. Please refer to the announcements of the Company dated June 29, 2022 and July 4, 2022 for details.

Save as disclosed above, the Group did not have any other material charges over its assets as at December 31, 2024.

### Future plans for material investments or capital assets

For life-science services and products, to solidify our position as an industry leader, the Group plans to continue expanding our manufacturing footprint in the U.S., Singapore, and Mainland China, including (i) expansion of molecular biology and protein production capabilities globally, and (ii) enhancement of GMP-grade manufacturing capacity to support key reagent production in the cell and gene therapy ("**CGT**") supply chain.

For biologics development services, the Group continues to expand viral vectors production at the U.S. facility with additional production lines starting in late 2024 to better serve U.S. and European customers.

For industrial synthetic biology products, the Group plans to further optimise our manufacturing facility and expand manufacturing capacity in Mainland China, in order to support the growing business needs in the future. We are also planning to expand our synthetic biology laboratories in order to enhance our R&D capabilities.

The Group also plans to invest in upgrading supply chain and IT infrastructures as well as other supporting functions to improve operating efficiency and accommodate the strong business growth.

Save as disclosed above, there was no other specific plan for material investments or capital assets as at December 31, 2024.

The Group has sufficient resources in the form of cash and cash equivalents, time deposits and other financial assets to support the planned capital investments.

## RISK MANAGEMENT

### Foreign exchange risk

The Group conducts business in several countries and regions and transacts in multiple foreign currencies. The Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimising its cash outflow position of non-U.S. dollars. Since January 2019, the Group has engaged in a series of forward and option contracts to manage the Group's currency risk, which are usually placed and adjusted quarterly. The Group may choose not to hedge certain foreign exchange exposures due to immateriality, prohibitive economic cost of hedging particular exposures, or limited availability of appropriate hedging instruments. The Group currently focuses on the management of our exposure to foreign exchange risk in relation to RMB, aiming to control foreign exchange risk to an acceptable level by ensuring that we will only consider hedging operational flows. The Group attempts to limit counterparty risk by executing foreign exchange contracts with only reputable financial institutions and banks.

As at December 31, 2024, the Group had outstanding foreign currency forward and option contracts in respect of U.S. dollar against RMB of notional principal amount of approximately US$8.2 million (as at December 31, 2023: approximately US$60.0 million). The management of the Company will continue to evaluate the Group's foreign exchange risk management procedures and take actions as appropriate to minimise the Group's exposure whenever necessary.

The foreign currency forward and option contracts are derivatives and are recorded at fair market value. The changes in fair value of them were recognised in the consolidated statement of profit or loss. All of the foreign currency forward and option contracts are to be settled within one year.

### Cash flow and fair value interest rate risk

As at December 31, 2024, other than bank balances with variable interest rates and time deposits with fixed interest rates, the Group has financial products of approximately US$287.5 million related to fair value interest rate risk. The Group is also exposed to fair value interest rate risk in relation to lease liabilities and cash flow interest rate risk in relation to variable-rate bank loans. The Company currently does not enter into any hedging instrument for both of the fair value interest rate risk and cash flow interest rate risk.

The sensitivity analysis for fair value interest rate risk is prepared on the exposure to financial assets at the end of the Reporting Period. If the interest rates had been 50 basis points higher or lower and all other variables were held constant, our pre-tax gain would have been approximately US$1.4 million higher or lower for the Reporting Period.

The sensitivity analysis for cash flow interest rate risk is prepared on the exposure to interest rates for interest-bearing bank loans at the end of the Reporting Period. If the interest rates had been 50 basis points higher or lower and all other variables were held constant, our pre-tax gain would have been approximately US$0.5 million lower or higher for the Reporting Period.

### Credit risk

The carrying amounts of cash and cash equivalents, trade and other receivables and other current assets are the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problems.

In respect of trade and other receivables, individual credit rating is performed on customers and counterparties. These evaluations focus on the counterparty's business performance, including but not limited to, financing activities, financial position, market economic environment, and past history of payment punctuality. Prepayment requirement is determined and credit limit is granted based on the credit rating and historical contracting amount, which will be reviewed quarterly. Monitoring procedures have been implemented to ensure that follow-up actions will be taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual transaction and account's revenue volume, outstanding balances, long-time past due invoices and payment records monthly to ensure that adequate impairment losses are made for irrecoverable amounts.

### Risk Related to geopolitical factors, international trade agreements, tariffs and import/export regulations, and export control and sanctions

In recent years, there have been more material uncertainties arising from geopolitical factors, including international trade agreements, tariffs and import/export regulations as well as export control and sanctions. In order to mitigate this risk, the Group has continuously diversified the global manufacturing footprint and supply chain partners.

(i) Change in tariff, export & import regulations

US-China trade tension remains palpable. Recently, both the PRC and the U.S. imposed new tariff on goods from the other. If additional burdens or restrictions were imposed on international trade that negatively affect the ability of both countries to import and export goods and services, it may lead to a decline in material supply and demand of the Group's services. In order to mitigate this, the Group has continuously increased the layout of global service capacities.

(ii) Export controls and economic sanctions

As the international trade regulatory environment in the United States, Europe and other countries/regions grows increasingly tightened, additional regulatory measures may be imposed by sanctions, import and export controls, and other trade control laws and regulations in the U.S. and abroad. We have been keeping a close eye on the change of the regulatory rules from various regulatory authorities/jurisdictions and constantly updating and improving our programs and policies to mitigate the potential compliance risks.

To mitigate aforesaid risks, effective from February 5, 2025, the Board has established the Sub-Committee on Data Security and Geopolitical Resilience (the "**Sub-committee on Data Security and Geopolitical Resilience**") as a sub-committee of the Risk Management and ESG Committee (the "**Risk Management and ESG Committee**") for the purpose of, among others, supporting the Board in reviewing the effectiveness of the Company's risk management in respect of geopolitical risks and other relevant risks. The Group is aware of and has continuously kept monitoring the latest development of the trend and adopted appropriate measures accordingly.

## IMPORTANT EVENTS

In order to align with the latest regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules which took effect from December 31, 2023, on June 21, 2024, the fourth amended and restated memorandum of association and the fourth amended and restated articles of association (the "**M&A**") of the Company was adopted by a special resolution of the Shareholders. Please refer to the announcements of the Company dated April 12, 2024 and June 23, 2024, the circular dated April 22, 2024 and the M&A displayed on June 24, 2024 on the websites of the Stock Exchange and the Company for details.

Following the Termination of the Discretionary Proxy (as defined in the announcement of the Company dated October 22, 2024), Legend and its subsidiaries are deconsolidated from the Group and investment in Legend is treated as investment in associates of the Group. Accordingly, effective from October 18, 2024, (i) the assets and liabilities of Legend were derecognised from the consolidated statement of financial position of the Group, (ii) the retained investment in Legend was recognised at its fair value, and (iii) the gain or loss associated with the loss of control attributable to the former controlling interest was recognised. Please see the announcement of the Company dated October 22, 2024 for details.

Nanjing Probio Biotech Co., Limited ("**Probio Nanjing**"), a non-wholly owned subsidiary of the Company, entered into a restated and amended license agreement (the "**License Agreement**") with LaNova Medicines Ltd. ("**LaNova**"). Pursuant to the License Agreement and a confirmation issued by LaNova to the Company and Probio Zhenjiang, a non-wholly owned subsidiary of the Company, Probio Nanjing agrees to grant to LaNova an exclusive, worldwide and transferable license, with the right to grant sublicense, under certain patents which disclose anti-PD-1 single domain antibodies, and Probio Nanjing and Probio Zhenjiang will be entitled to certain upfront payment and milestone payments from LaNova under the License Agreement. Please see the announcement of the Company dated November 15, 2024 for details.

# Management's Discussion and Analysis

Legend made significant progress in the clinical and commercialisation of cilta-cel, whose trade name is CARVYKTI, during the Reporting Period, including: (i) The European Medicines Agency Committee and The U.S. Food and Drug Administration approved CARVYKTI label expansion in earlier lines of treatment for adult patients with relapsed and lenalidomide-refractory multiple myeloma; and (ii) Legend and Johnson & Johnson enter into Master Manufacturing and Commercial Supply Services Agreement with Novartis Pharmaceuticals Corporation; (iii) CARVYKTI generated approximately US$963 million in net trade sales during the Reporting Period; (iv) medicines and healthcare products regulatory agency approved CARVYKTI® in earlier lines of treatment for adult patients with relapsed and lenalidomide-refractory multiple myeloma; (v) CARVYKTI demonstrates positive overall survival results in second interim analysis of CARTITUDE-4 study; (vi) the National Medical Products Administration of China approved the New Draft Application for ciltacabtagene autoleucel (cilta-cel) made by Nanjing Legend Biotech Co., Ltd. Please refer to the announcements of the Company dated January 23, 2024, April 1, 2024, April 8, 2024, April 16, 2024, April 23, 2024, July 2, 2024, July 17, 2024, August 9, 2024, August 27, 2024 and January 25, 2025 for details.

## PROSPECTS

The life science business remains as the foundation of the Group's success. Since our inception in 2002, we have continuously innovated and revolutionized our services to enhance accessibility, affordability, and quality for scientists worldwide. Having served over 225,100 customers across over 100 countries, we have made a profound impact in vaccine development, antibody therapeutics, CGT, diagnostics, and agriculture. Moving forward, we will continue to enhance our leadership through well-defined, market-driven initiatives. We will reinforce our commitment to advancing science and expanding our global footprint while fostering an agile and high-performing marketing organisation.

Biotech funding began to return to the U.S. and European CDMO markets in 2024 while the APAC market continue to face strong headwinds with regards to both funding and price erosion due to competition. Geopolitical uncertainty in the U.S. will continue to be a challenge for our business outside of China. Despite these challenges, we achieved approximately US$135 million in new sales in 2024, driven by our customer-centric approach focused on excellent service and supply chain resiliency. In 2024, we continued to make significant strategic investments, including the acquisition of plasmid and viral vector production capacity in the U.S. This move aims to help customers mitigate supply chain risks and data storage/protection concerns. Looking ahead to 2025, the biologics and CGT CDMO market is expected to grow driven by expanding biologics pipelines, increasing CGT approvals, and adoption of risk-sharing business models. We will continue to invest if commercial excellence and innovation, differentiating our services and solutions to gain market share and accelerate growth.

After years of dedicated efforts on product optimisation and production efficiency improvements, Bestzyme has successfully achieved healthy growth and profitability. We are also developing new synthetic biologic products to explore potential business opportunities in new areas. We believe synthetic biology will serve more industrial applications with health and environmental benefits.

The Company retains a substantial interest in Legend following its deconsolidation. We anticipate holding our investment in Legend for the long term, as we believe that Legend's operation will generate greater value for the Company and its shareholders in the future.

## DEVELOPMENT STRATEGIES

The Group remains committed to a three-pronged growth strategy focused on capital allocation, efficiency improvement, and risk mitigation.

We will further strengthen our portfolio strategy and drive our differentiation in market by aligning with staying ahead of industry trends. In addition to expanding R&D investment and accelerating AI-driven innovations, we will continue improving operational efficiency via digital transformation and lean management. Importantly, we will continue to expand capacities globally to deliver products and services to customers more reliably with more accelerated turnaround time. Accelerating our marketing capabilities, this group will be transformed by reinforcing our market presence and broader business objectives.

In the biologics CDMO segment, we remain committed to enhancing our capabilities with unwavering integrity, innovation, and customer centricity. We are pursuing a multi-faceted strategy to achieve this goal, which include expanding our commercial resources and manufacturing capabilities in the North American market. We are also committed to continuously upgrading our technical capabilities through innovation, ensuring we stay at the forefront of biologics development and manufacturing. We are continuing to enrich our robust, global quality management system to maintain the highest standards of quality and regulatory compliance. Finally, we uphold rigorous data integrity governance and information security practices to safeguard our customers' intellectual property and trade secrets.

In the synthetic biology segment, we are committed to shaping Bestzyme into one of the leading synthetic biology solution providers by continuing investment in research and development, expanding target markets and optimizing production efficiency. In future, the Group will leverage our gene editing technology, large-scale industrial fermentation and metabolic engineering technology to strengthen Bestzyme's competitiveness in the synthetic biology industry.

In the cell therapy business, Legend will continue to push forward its pipeline programs through its internal resources as well as collaborations with its partners. Legend continues to engage with potential partners for further business development opportunities.

## EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2024, the Group had a total of approximately 5,568 employees. The decrease in the number of employees, compared with last year, is due to Legend no longer being a subsidiary of the Company as a result of the Deconsolidation. Consequently, Legend's employees are no longer included in the Group's total headcount. The Group had entered into employment contracts covering positions, employment conditions and terms, compensation, responsibilities for breach of contractual obligations, and reason for termination with its employees. The remuneration package of the Group's employees includes basic salary, subsidies, other employee benefits, short-term and long-term incentives, which are determined with reference to their capability, responsibility, performance, and other general factors.

## Management's Discussion and Analysis

During the Reporting Period, the Group's total expenses (excluding equity-settled share-based compensation expense) on the remuneration of employees (including the Directors and the chief executives) was approximately US$264.7 million, representing approximately 44.5% of the total revenue of the Group, which was mainly attributable to the Group's belief in this necessary long-term investment in our talents pool. This investment has demonstrated the Group's desires and resolutions to continue to strengthen its talent uplifting strategy. This talent uplifting strategy not only involves the recruitment of experienced professional and managerial personnel to fulfill the front-line posts of R&D, commercial and production functions, but also systematically increases the overall salary and benefits packages to sustain the stability of the employees to drive for long-term commitment and performance improvement as well.

The Group's remuneration policy and structure for remuneration of the Directors and senior management of the Group are based on the Group's operating results, individual performance and comparable market statistics and are reviewed by the remuneration committee of the Company (the "**Remuneration Committee**") periodically.

The remuneration of the non-executive Director is recommended by the Remuneration Committee and is decided by the Board, while the remuneration of the executive Directors and senior management members is determined by the Remuneration Committee, having regard to their merit, qualifications and competence, the Group's operating results and comparable market statistics.

The Company adopted the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") on July 15, 2015 and the post-IPO share option scheme (the "**Post-IPO Share Option Scheme**") on December 7, 2015 (as amended on June 21, 2024) (collectively the "**Share Option Schemes**"). The Company adopted the restricted share award scheme (the "**2019 RSA Scheme**") on 22 March 2019 (as amended on June 21, 2024) and the restricted share award scheme on 23 August 2021 (as amended on May 26, 2022 and June 21, 2024) (the "**2021 RSA Scheme**"). The details of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the 2019 RSA Scheme and the 2021 RSA Scheme are set out in the section headed "Share Schemes".

On August 3, 2021, the shareholders of Probio Cayman, being the indirectly non-wholly owned subsidiary of the Company, approved and adopted the restricted share unit award scheme of Probio Cayman (the "**Probio RSUA Scheme**", together with the 2019 RSA Scheme, and the 2021 RSA Scheme, the "**RSA Schemes**").

The purpose of the Share Option Schemes and the RSA Schemes is to enable us to grant options or restricted shares to selected participants as incentives or rewards for their contributions. The Directors consider that the Share Option Schemes and the RSA Schemes, with its broad basis of participation, will enable the Group to reward its employees, Directors, and other selected participants for their contributions.

The number of employees of the Group categorized by function as of December 31, 2024 is set forth as follows:

| Function | Number of employees | Percentage of Total |
|---|---|---|
| Production | 2,986 | 53.6% |
| Sales and marketing | 622 | 11.2% |
| Administration | 733 | 13.2% |
| Research and development | 493 | 8.8% |
| Management | 734 | 13.2% |
| Total | 5,568 | 100.0% |

The Group invests in continuing education and training programmes for its employees with a view to constantly upgrading their skills and knowledge and providing the employees with an environment that encourages them to develop their career with the Group. The Group has arranged continuous on-the-job training for its employees. These training courses cover a broad spectrum, including technical know-how of various business segments, environmental, health and safety management systems, and mandatory training required by applicable laws and regulations.

In accordance with relevant regulations on social insurances or other benefits, the Group makes contribution to these statutory and supplementary insurances and benefits for its employees.

# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

As at the date of this report, the Board currently consists of twelve directors of the Company (the "**Directors**"), comprising four executive Directors, one non-executive Director, and seven independent non-executive Directors. The following table sets out certain information concerning our Directors:

| Name | Age | Position | Date of Appointment |
|---|---|---|---|
| **Executive Directors** | | | |
| Frank Zhang | 60 | Executive Director | Appointed as a non-executive Director with effect from May 2, 2022 and re-designated as an executive Director with effect from December 17, 2022 |
| Robin Meng | 56 | Chairman and executive Director | August 24, 2015 |
| Sally Wang | 56 | Executive Director and president | May 21, 2015 |
| Li Zhu | 75 | Executive Director and Chief Strategy Officer | November 22, 2020 |
| **Non-executive Director** | | | |
| Larry Wang | 55 | Non-executive Director | May 21, 2015 |
| **Independent non-executive Directors** | | | |
| Edward Dai | 47 | Independent non-executive Director | August 24, 2015 |
| Ethan Pan | 56 | Independent non-executive Director | November 26, 2018 |
| Yiu Leung Andy Cheung | 65 | Independent non-executive Director | April 12, 2024 |
| Victor Shi | 57 | Independent non-executive Director | April 12, 2024 |

# Directors and Senior Management

| Name | Age | Position | Date of Appointment |
| --- | --- | --- | --- |
| Alphonse Galdes | 72 | Independent non-executive Director | September 12, 2024 |
| Ross Grossman | 74 | Independent non-executive Director | Appointed as a non-executive Director with effect from September 12, 2024 and re-designated as an independent non-executive Director with effect from March 11, 2025 |
| John Quelch | 73 | Independent non-executive Director | November 14, 2024 |

## Executive Directors

**Dr. Frank Zhang (章方良)**, aged 60, is the co-founder and an executive Director of the Company. He was appointed as a Director on May 21, 2015, redesignated as an executive Director and appointed as chairman of the Board on August 24, 2015, redesignated from an executive Director to a non-executive Director on August 2, 2020, resigned from a non-executive Director and chairman of the Board on November 22, 2020, reappointed as a non-executive Director on May 2, 2022, and redesignated from a non-executive Director to an executive Director on December 17, 2022. As our executive Director, he is primarily responsible for the overall strategic development and planning, the risk management, and the investments, mergers and acquisitions of the Group. He is one of the founders and a director of Genscript Corporation ("**GS Corp**"). Dr. Zhang is currently a director of the following members of the Group: GenScript Bioscience (BVI) Limited, Genscript USA Incorporated ("**GS USA**"), GenScript USA Holding, Inc., CustomArray, Inc., GenScript (Hong Kong) Limited ("**GS HK**"), GenScript Biotech (Singapore) Pte. Ltd., GenScript Biotech (Netherlands) B.V., Genscript Biotech (Spain), S.L. Bestzyme, Bestzyme Biotech Limited, Bestzyme USA Inc., Bestzyme Biotech HK Limited, Bestzyme Hongkong Limited, Bestzyme Biotech Inc., Yangtze Investment (BVI) Limited, Yangtze Investment USA, Inc., Yangtze Holdings (BVI) Limited, Yangtze Investment (HK) Limited, Curegene Biotech Corporation, Curegene Biotech (BVI) Limited, Curegene Biotech (HK) Limited, Probio Cayman and Nanjing Bestzyme Bio-Engineering Co., Ltd.. He was a director and chairman of our associate, Legend from May 27, 2015 to November 22, 2020 and was its chief executive officer from August 2, 2020 to November 22, 2020. He was reappointed as a director of Legend on August 2, 2022 and was reappointed as chairman of Legend on the same day. Dr. Zhang is currently a director of the following subsidiaries of Legend: Legend Biotech Limited, Legend Biotech HK Limited, Legend Biotech USA Inc., Legend Biotech Ireland Limited and Legend Biotech Belgium BV. Dr. Zhang is chairman of the Risk Management and ESG Committee, the Sub-Committee on Data Security and Geopolitical Resilience, and our strategy committee (the "**Strategy Committee**"). Dr. Zhang is a director of StarLand Capital Inc. since August 8, 2024.

## Directors and Senior Management

Dr. Zhang has over 25 years of experience in the biotechnology industry. Prior to joining the Group, from 1995 to 2002, he worked as a postdoctoral research fellow and an associate principal scientist at Schering-Plough. Dr. Zhang worked in the tumour biology department during his postdoctoral research at Schering-Plough. Dr. Zhang was also one of the key team members for an anti-cancer drug, farnesyl transferase inhibitor. After Dr. Zhang's postdoctoral studies, he was recruited to the department of central nervous system and cardiovascular system at Schering-Plough. He became one of the project leaders focusing on G-protein coupled receptors and led a group of scientists to discover the drug target for a billion-dollar drug. As a result of this discovery, Dr. Zhang won a Presidential Award at Schering-Plough in 2001. From 2002 to August 2020, Dr. Zhang worked as the chief executive officer of the Company, where he was involved in a variety of key biotechnological research projects and provided guidance and directions to those biotechnological research projects.

Dr. Zhang obtained a Bachelor of Engineering degree from Chengdu College of Geology* (成都地質學院) (currently known as Chengdu University of Technology* (成都理工大學)) in the PRC in July 1984 and a Master of Science degree from Nanjing University* (南京大學) in the PRC in July 1987. He also obtained a Doctor of Philosophy degree from Duke University in the U.S. in September 1995.

**Mr. Robin Meng (孟建革),** aged 56, is the chairman and an executive Director of the Company. He was appointed as an executive Director of the Company on August 24, 2015 and was appointed as the chairman of the Board with effect from November 22, 2020. He is primarily responsible for the development, positioning, and strategy planning of the Group. He was appointed as the vice president of finance of the Group in April 2010 when he joined the Group, was the vice president of investor relations from December 1, 2017 to December 31, 2019 and was the secretary of the Board from January 1, 2020 to November 22, 2020. Mr. Meng is currently a director of Probio Technology I Limited, Probio Cayman, Probio Technology (BVI) Limited, Probio Technology HK Limited and Nanjing Bestzyme Bio-Engineering Co., Ltd.. Mr. Meng is the chairman of our nomination committee (the "**Nomination Committee**").

Mr. Meng has over 30 years of experience in finance and accounting. Prior to joining the Group, from July 1990 to October 1997, Mr. Meng worked at CCCC Guangzhou Dredging Co., Ltd.* (中交廣州航道局有限公司). From January 1999 to May 2000, Mr. Meng worked as the national finance manager at Guangdong Whirlpool Home Appliance Group* (廣東惠而浦家電集團). From May 2000 to July 2004, Mr. Meng worked at Schering-Plough China* (先靈葆雅中國公司) as a branch finance manager and the accounting and IT manager in the head office. From September 2004 to December 2007, Mr. Meng worked as the Asia finance controller of Saint Gobain Grains and Powder Division. From March 2008 to March 2010, Mr. Meng worked as the chief financial officer of Quay Magnesium.

Mr. Meng graduated from Changsha Communications Institute* (長沙交通學院) (currently known as Changsha University of Science Technology* (長沙理工大學) in the PRC with a Bachelor of Engineering degree in July 1990. He obtained a master of finance degree from Queen's University at Kingston, Canada in October 2022.

# Directors and Senior Management

**Ms. Sally Wang (王燁)**, aged 56, is the co-founder, an executive Director and the president of the Company. She was appointed as a Director on May 21, 2015 and has been redesignated as an executive Director on August 24, 2015 and is primarily responsible for the Group's strategies and overall operational management. Ms. Wang is currently a director of the following members of the Group: GenScript Bioscience (BVI) Limited (formerly known as Genscript Biotech Limited), GS HK, GS USA, Bestzyme, Bestzyme Biotech Limited, Bestzyme Biotech USA Inc., Bestzyme Hongkong Limited, Nanjing Bestzyme Bio-Engineering Co., Ltd., CustomArray, Inc., Probio Technology I Limited, Probio Cayman, Probio Technology (BVI) Limited, Probio Technology HK Limited and Probio Technology (Netherlands) B.V. Ms. Wang is currently a director of Legend Biotech, an associate of the Company, and Nanjing Legend Biotech Co., Ltd.* (南京傳奇生物科技有限公司), a subsidiary of Legend Biotech. Ms. Wang is the partner of Nanjing Genbest Enterprise Management Center (Limited Partnership)* (南京金百企業管理中心(有限合夥)). Ms. Wang is the trustee and president of Ren-Shiu Foundation, Inc. Ms. Wang is a member of the Remuneration Committee and the Nomination Committee.

She joined the Group in August 2002 and served as the sales account manager until January 2005. In the Group, she worked as the sales and marketing director from February 2005 to August 2009, vice-president of operations from September 2009 to August 2011, and executive vice-president of operations from September 2011 to March 2014. She has been the chief operating officer of the Group in April 2014 until her redesignation as the president in December 1, 2017. Prior to joining the Group, she worked as the environmental monitoring engineer at Shenzhen Futian Environment Protection Surveillance Station* (深圳市福田區環境保護監測站) from July 1993 to July 2000.

Ms. Wang obtained a Bachelor of Science in Microbiology and a Master of Science degree from Wuhan University* (武漢大學) in the PRC in July 1990 and in August 1993, respectively. She also obtained a Master of Science in Computer Sciences degree from Bridgeport University in the U.S. in December 2003. She obtained an Executive Master of Business Administration degree from the China Europe International Business School* (中歐國際工商學院) in the PRC in August 2014.

**Dr. Li Zhu (朱力)**, aged 75, is an executive Director and chief strategy officer of the Company. He is primarily responsible for strategy planning of the Company. Dr. Zhu was the vice president of strategy of the Group from March 2010 to February 2017, the chief strategy officer of the Company from February 2017 to July 2019, and a consultant for the Company from July 16, 2019 to November 21, 2020. He was appointed as an executive Director with effect from November 22, 2020. Upon his appointment as executive Director, he resumed his role as the chief strategy officer of the Company. Dr. Zhu is currently a director of the following members of the Group: GenScript Diagnostics Corporation, GenScript Diagnostics (BVI) Inc., GenScript Diagnostics HK Limited, Probio Technology I Limited, Probio Cayman, Probio Technology (BVI) Limited, Probio Technology HK Limited and GenScript Probio USA Inc.. Dr. Zhu was appointed as chairman of the board of directors of Probio Cayman with effect from December 1, 2024. Dr. Zhu is currently a director of Legend Biotech, an associate of the Company. He is a director of Nanjing Legend Biotech Co., Ltd., a subsidiary of Legend and a director of GoldenStar Investment Incorporation.

Before joining the Group, Dr. Zhu worked at Clontech Laboratories, Inc. in California, USA as a director of molecular biology from January 1990 to March 2000, where he pioneered the commercialization of yeast two-hybrid system and a series of other advanced molecular biology techniques. Dr. Zhu founded Genetastix Corporation, Inc. and acted as the president and chief executive officer from May 2000 to December 2005. Genetastix Corporation, Inc. is a biotech company with a focus in creating a human antibody library in yeast and applying the genetic method in screening such antibody. Dr. Zhu then worked at biotech companies in China, serving as vice president of research at Cathay Biotech, Inc. from July 2006 to December 2008, and as vice president of HUYA Biomedical Technology (Shanghai) Co., Limited* (滬亞生物醫藥技術(上海)有限公司) from January 2009 to December 2009. Dr. Zhu was appointed as an independent director of Adagene Inc., the shares of which are listed on the Nasdaq Global Selected Market (stock code: ADAG) with effect from August 2023.

# Directors and Senior Management

Dr. Zhu obtained a Bachelor of Science of Biology degree from the East China Normal University (華東師範大學) in June 1982 and a Doctor of Philosophy in molecular biology and immunology from Stanford University in July 1989.

## Non-executive Directors

**Dr. Larry Wang (王魯泉)**, aged 55, is co-founder and a non-executive Director of the Company. He was appointed as a Director on May 21, 2015 and redesignated as a non-executive Director of the Company on August 24, 2015 and is primarily responsible for the Group's strategies and operational management. From 2003 to 2014, Dr. Wang was the president of GS Corp and is still currently a director of GS Corp. Dr. Wang is currently a director of two of the Company's subsidiaries, namely, GS HK and GS USA.

Dr. Wang has nearly 30 years of experience in the biotechnology industry. He has been appointed as the chief executive officer and chairman of Vibrant Pharma Ltd.* (信華生物藥業(廣州)有限公司) since December 2020. Prior to joining the Group, from 1991 to 1996, he worked as a graduate research assistant, and from 1995 to 1996, a bioinformatics staff at Rutgers University in the U.S. From 1996 to 2003, Dr. Wang was a senior principal scientist at Schering-Plough Research Institute.

Dr. Wang obtained a Bachelor of Science in Biochemistry degree from Shandong University* (山東大學) in the PRC in July 1991 and a Doctor of Philosophy degree from Rutgers University in the U.S. in October 1996.

## Independent Non-executive Directors

**Mr. Edward Dai (戴祖勉)**, aged 47, was appointed as an independent non-executive Director of the Company on August 24, 2015. Mr. Dai is the chairman of the audit committee (the "**Audit Committee**") and the Remuneration Committee, and a member of the Nomination Committee and the Strategy Committee.

Mr. Dai is a member of the Chinese Institute of Certified Public Accounts as well as a fellow of Association of Chartered Certified Accountants. From July 1999 to August 2006, he gained over seven years' experience in auditing. His experience in auditing includes that gained at PricewaterhouseCoopers Zhongtian Certified Public Accountants (普華永道中天會計師事務所) from February 2005 to August 2006.

Mr. Dai was the qualified accountant and company secretary of Hisense Kelon Electrical Holdings Limited (海信科龍電器股份有限公司, HKSE: 921, SZSX: 000921), which is listed on the Main Board of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, from September 2006 to August 2007. Mr. Dai served as the chief financial officer of Shanghai Golden Monkey Food Joint Stock Co., Ltd.* (上海金絲猴食品股份有限公司) from February 2009 to April 2012, of Xiezhong International Holdings Limited (協眾國際控股有限公司, HKSE: 3663) which is listed on the Main Board of the Hong Kong Stock Exchange, from May 2012 to June 2017, of Roseonly Group Co., Ltd.* (諾誓集團有限公司) from October 2017 to April 2019, and of Shanghai Sanxi Big Data Technology Co., Ltd.* (上海三熙大數據技術有限公司) from April 2019 to June 2021. Mr. Dai served as the chief financial officer of Shanghai Sanxi Information Technology Co., Ltd.* (上海三熙信息技術有限公司, previously named Shanghai Jiuli Information Services Co., Ltd.* (上海九曆信息服務有限公司)) from July 2021 to March 2023 and was served as its chairman in March 2023 to December 2024. He was an independent non-executive director of Beijing Hanyi Keyin Information Technology Co., Ltd.* (北京漢儀創新科技股份有限公司) (SZ: 301270) from September 2019 to September 2024.

Mr. Dai graduated from Shanghai University of Finance and Economics* (上海財經大學) in the PRC with a Bachelor of International Business Administration degree in June 1999. He also holds an Executive Master of Business Administration degree from China Europe International Business School* (中歐國際工商學院) in the PRC earned in October 2013.

# Directors and Senior Management

**Mr. Ethan Pan (潘九安)**, aged 56, was appointed as an independent non-executive Director of the Company on November 26, 2018. Mr. Pan is a member of the Audit Committee, the Nomination Committee, the Risk Management and ESG Committee and the Strategy Committee.

Mr. Pan has over 25 years of experience in human resources and management across various industries, including education, kitchen electrical appliances, office automated facilities, textile and garment. He was the chief executive officer of Ningbo Liangzhixin Culture Media Co., Ltd.* (寧波良知行文化傳媒有限公司) from January 2021 to December 2024. From May 2020 to December 2020, he served as the chief executive officer of Shanghai FastLink Door Co., Limited* (上海快聯門業有限公司). From 2018 to 2020, he served as the chief human resources officer of Shanghai Lingjiao Enterprise Management Consulting Co. Ltd* (上海領教企業管理諮詢有限公司). From 2010 to 2013 and 2003 to 2010, he served as the corporate group director of human resources of each of K-Boxing Men's Wear (Shanghai) Co. Ltd.* (勁霸男裝(上海)有限公司) and Ningbo Fotile Kitchen Appliances Co. Ltd.*. (寧波方太廚具有限公司), respectively. From 1994 to 2002, he was the deputy manager, manager, and senior manager of Minolta Industries (HK) Limited* (美能達實業(香港)有限公司).

Mr. Pan obtained his bachelor degree in law from Central South University of Technology* (中南工業大學) (now known as Central South University* (中南大學)) in 1991. He obtained his qualification as a lawyer in the PRC in 1994. He also obtained the national manager qualification* (國家一級經理人資格) from Shanghai Jiao Tong University Center for Quality Management* (上海交通大學卓越管理中心) in 2016. He further obtained the certificate of chief human resources officer from Renmin University of China* (中國人民大學) in 2018.

**Mr. Yiu Leung Andy Cheung (張耀樑),** aged 65, was appointed as an independent non-executive Director on April 12, 2024. Mr. Cheung is a member of the Audit Committee, the Nomination Committee and the Risk Management and ESG Committee.

Mr. Cheung has over 30 years of professional accounting and auditing experience. He has been a member of Hong Kong Institute of Certified Public Accountants since October 1986 and was a member of its disciplinary panel from January 2015 to December 2020.

Mr. Cheung is currently serving as a director in various public companies in Hong Kong and the United States. Mr. Cheung has been an independent non-executive director and chairman of the audit committee of Hua Medicine, a company the shares of which are listed on the Stock Exchange (stock code: 2552) since January 2023. In addition, Mr. Cheung has been an independent non-executive director and chairman of the audit committee of CanSino Biologics Inc., a company the shares of which are listed on the Stock Exchange (stock code: 6185) and the Shanghai Stock Exchange (stock code: 688185), since February 2024. He is also an independent director and the chairman of the audit committee of Adagene Inc., a company the shares of which are listed on Nasdaq Stock Market (stock code: ADAG), since February 2021. From October 2020 to August 2024, Mr. Cheung served as an independent non-executive director of JW (Cayman) Therapeutics Co. Ltd., a company the shares of which are listed on the Stock Exchange (stock code: 2126).

## Directors and Senior Management

From July 2018 to June 2020, Mr. Cheung was the deputy area managing partner of Ernst & Young ("**EY**") in Asia Pacific, overseeing its business operations, finance, information technology and risk management functions. During the same period, Mr. Cheung was a member of each of the EY Asia Pacific's Area Operating Executives, EY's Global Accounts Committee and EY's Global Markets and Investment Committee. From July 2013 to June 2018, Mr. Cheung was EY's assurance managing partner in Greater China, managing its audit, financial accounting advisory, forensic and climate changes and sustainability services. During that period, he was also a member of EY Greater China's leadership team. Mr. Cheung's other prior responsibilities with EY include his service as the chief operating officer of EY Hua Ming LLP from July 2011 to June 2013, an assurance partner of EY China from July 2010 to June 2011 and the area chief financial officer of EY Asia Pacific from July 2009 to June 2010. Prior to joining EY in September 2006, Mr. Cheung was an assurance partner with PricewaterhouseCoopers Zhong Tian LLP and an assurance partner with Arthur Andersen in China and Hong Kong successively.

Mr. Cheung obtained a bachelor's degree in accounting and finance from the University of Lancaster in the United Kingdom in June 1982, and a master's degree in accounting and finance from London School of Economics in the United Kingdom in August 1983.

**Dr. Victor Shi (施晨陽),** aged 57, was appointed as an independent non-executive Director on April 12, 2024. He is currently a member of the Nomination Committee, the Remuneration Committee and the Strategy Committee.

Dr. Shi has over 30 years of experience in life science research and development, sales and marketing, business development and investment. Since January 2017, Dr. Shi has been the managing partner of Serica Partners, a China-based venture fund focused on the investment in vitro diagnostics ("**IVD**") and medical devices in China. Dr. Shi has been the chairperson of careLYFE Co., Ltd., a company dedicated to innovating medical technologies such as new cancer oncology biomarkers, precision diagnosis, and internet medical services, since December 2017. Dr. Shi has been a board member of Guangzhou AnchorDx Medical Co., Ltd., a diagnostics company focused on developing cancer early detection tests, since October 2017.

Dr. Shi previously served as an executive director and the chief executive officer of Adicon International Limited, a leading independent clinical laboratory in China, from October 2018 to April 2019, and from April 2019 to May 2020, respectively. From February 2017 to March 2019, Dr. Shi served as director and chief executive officer of NuProbe Global, Inc., a liquid biopsy technology company which he co-founded. He was the president of Asia Pacific of QIAGEN N.V., a leading company focused on IVDs and life science research tools whose shares are listed on NASDAQ (stock code: QGEN) and the Frankfurt Stock Exchange (stock code: QIA) respectively, from October 2005 to February 2015. Prior to joining QIAGEN N.V., Dr. Shi held senior positions at Bridge Pharmaceuticals, GenoSpectra Inc. (renamed as Panomics Inc. since February 2006) and A.M. Pappas & Associates, and served as a faculty member at the School of Medicine of National University of Singapore.

Dr. Shi was a founding director of BayHelix Group, a global association of Chinese life science business executives, and was elected its chairman from January 2017 to January 2019. Dr. Shi has been a member of the Biotech Advisory Panel of Hong Kong Stock Exchange since April 2018.

Dr. Shi obtained his doctoral degree in biophysics and master's degree in science from the University of Rochester in New York, the United States in April 1991 and January 1989 respectively, and a bachelor's degree in science from University of Science and Technology of China, the PRC in July 1986.

## Directors and Senior Management

**Dr. Alphonse Galdes**, aged 72, was appointed as an independent non-executive Director on September 12, 2024. He is a member of the Audit Committee.

Dr. Galdes possesses broad experience in drug discovery and biopharmaceutical chemistry and manufacturing and controls ("**CMC**") development. Dr. Galdes has worked as a director at Galdes Consulting LLC. since 2022, where he provides consulting services on overall, research and development, and CMC strategy for biopharmaceutical clients. Over the course of 27 years from 1995 to 2022, Dr. Galdes progressed towards senior executive positions at Biogen Inc. (NASDAQ: BIIB) ("**Biogen**"), most recently as executive vice president of Pharmaceutical Operations and Technology Division and a member of the executive team between 2019 and 2022. Dr. Galdes's other prior responsibilities with Biogen include his service as interim senior vice president of the Biotherapeutic and Medicinal Sciences Division between 2016 and 2017, senior vice president of Asset Development and Portfolio Management Division and Pharmaceutical Operations and Technology Division jointly between 2015 and 2019 and senior vice president of Technical Development Pharmaceutical Operations and Technology Division between 2010 and 2015.

Prior to joining Biogen in 1995, Dr. Galdes was a senior director of drug discovery and director of biology at Ohmeda Pharmaceuticals (now part of Baxter HealthCare) from 1992 to 1995, Senior Scientist of Healthcare Research & Development of the BOC Group from 1984 to 1992, and a research associate at the Department of Biological Chemistry at Harvard Medical School from 1979 to 1984.

Dr. Galdes earned a bachelor's degree in chemistry and biology and a master's degree in biochemistry from the University of Malta, Malta, in June 1973 and June 1975 respectively, and a doctorate in biochemistry from the University of Oxford, the United Kingdom, in January 1979, where he was awarded Rhodes Scholarship to The Queen's College in 1975.

**Dr. Ross Grossman**, aged 74, was appointed as a non-executive Director on September 12, 2024 and was redesignated to an independent non-executive Director on March 11, 2025. He is a member of the Remuneration Committee.

Dr. Grossman has over 35 years of experience in human resources leadership and consultancy gained from his previous service in senior and executive positions at multinational financial services, pharmaceutical and biotechnology companies in the U.S. He held various human resources leadership roles at Prudential Financial, Inc. between 1979 and 1998. From 1998 to 2000, he was the chief human resources officer and a member of the Executive Committee for the U.S. pharmaceutical business of Novartis Pharmaceuticals Corporation and served on the Novartis Global HR Leadership Team. Between 2000 and 2002, he joined UBS AG (formerly Paine Webber) as the senior vice president of human resources of the Private Client Group. Between 2002 and 2013, he led the building and formulation of human resources infrastructure, process and strategy at Regeneron Pharmaceuticals ("**Regeneron**"). He retired in December 2013 but rejoined Regeneron in 2015 and retired again in 2016. Dr. Grossman then founded Stony Point Consulting, LLC in 2014, serving as the president, which position he currently holds. Since 2023, Dr. Grossman has served on the Board of Directors of Velox, Inc., a private global services provider committed to transforming medical technology (MedTech).

Dr. Grossman joined the Group in 2023 and currently serves as a consultant for Legend.

## Directors and Senior Management

Dr. Grossman earned a bachelor's degree in English from California State University, the U.S., in 1972, a master's degree in English and American Literature from Claremont Graduate University, in 1973, a doctorate in English from Claremont Graduate University, the U.S. in 1976 and a master's degree in business administration (with a Finance and Marketing concentration) from the University of California, Los Angeles, the U.S. in 1979.

Dr. Grossman is currently the chairman of the board of trustees and a member of the executive committee of the Keck Graduate Institute in Claremont, California, one of the Claremont Colleges and a graduate university in the U.S. focused on the intersection of business and biotechnology after having served on the board of trustees since 2013. He has also served on the board of trustees and the executive committee of the Center for Excellence in Education in McLean, Virginia, since 2016, which encourages the best young scientists to focus their education and careers on the science, technology, engineering and mathematics (STEM) disciplines.

**Dr. John Quelch,** aged 73, was appointed as an independent non-executive Director on November 14, 2024. He is a member of the Strategy Committee and the Sub-Committee on Data Security and Geopolitical Resilience.

Dr. Quelch is an administrator and business school leader with more than four decades of experience in higher education, and is a renowned scholar on global strategy and branding, corporate governance, corporate sustainability, and customer behavior, especially in healthcare. Dr. Quelch has served as the executive vice chancellor of Duke Kunshan University in Kunshan, China since December 2023. From January 2023 to December 2023, he served as the Leonard M. Miller University Professor at the University of Miami Herbert Business School. From July 2017 to December 2022, he also served as dean of Miami Herbert Business School, and the University of Miami's vice provost for executive education. Prior to that, Dr. Quelch was the Charles Edward Wilson Professor of Business Administration at Harvard Business School from February 2013 to June 2017. He also held a joint appointment as professor of health policy and management at the Harvard T.H. Chan School of Public Health of Harvard University. From February 2011 to January 2013, Dr. Quelch worked at China Europe International Business School as dean, vice president and distinguished professor. From July 2001 to January 2011, he served as a senior associate dean and professor at Harvard Business School. From July 1998 to June 2001, Dr. Quelch served as the dean of London Business School. Dr. Quelch initially joined Harvard Business School in 1979, holding a number of positions over the years until 1998, including Sebastian S. Kresge Professor of Marketing and co-chair of the marketing department.

Dr. Quelch has been appointed as a director of Mynd.ai, Inc. (NYSE: MYND), a company the shares of which are listed on the New York Stock Exchange, since December 2023. He served as a director of Amerant Bancorp Inc. (NYSE: AMTB), a company the shares of which are listed on New York Stock Exchange, from April 2022 to May 2024. He served as a director of Relativity Acquisition Corp from March 2022 to March 2024. Relativity Acquisition Corp is a special purpose acquisition corporation whose units were formerly listed on the Nasdaq Stock Market with ticker symbol RACY between February 2022 and May 2024. He has served as a director of Industrial Human Capital, Inc. ("**IHCI**") between October 2021 and November 2024. IHCI is a special purpose acquisition corporation whose units were formerly listed on the New York Stock Exchange with ticker symbol AXHU between October 14, 2021 and November 30, 2022.

His other prior directorships at publicly listed companies included Aramark Corporation (NYSE: ARMK) between 2016 and 2020, Gentiva Health Services Inc. (NASDAQ: GTIV) between 2006 and 2009, Pepsi Bottling Group (now identified as PepsiCo, Inc.) (NASDAQ: PEP) between 2005 and 2010, and Reebok International Limited (NYSE: RBK) between 1985 and 1997. In 2013, Dr. Quelch retired from the board of WPP plc (LSE: WPP, NYSE: WPP), a leading marketing services company, after 25 years of service.

Dr. Quelch received a bachelor's degree in arts from University of Oxford, the United Kingdom in July 1972, a master's degree in business administration from the Wharton School, University of Pennsylvania, the United States, in June 1974, a master's degree in nutrition science from Harvard University, the U.S., in June 1978, and a doctorate in business administration from Harvard University, the U.S., in June 1977.

## SENIOR MANAGEMENT

The following table sets out certain information concerning our senior management:

| Name | Age | Year of Joining the Group | Date of Appointment |
|---|---|---|---|
| Frank Zhang | (see above) | (see above) | (see above) |
| Robin Meng | (see above) | (see above) | (see above) |
| Sally Wang | (see above) | (see above) | (see above) |
| Li Zhu | (see above) | (see above) | (see above) |
| Sherry Shao | 44 | July 1, 2005 | Appointed as the chief operating officer of the Company on July 8, 2021 and appointed as a rotating chief executive officer of the Company with effect from January 1, 2023 |
| Shiniu Wei | 45 | September 2, 2019 | December 1, 2020 |

**Dr. Frank Zhang (章方良)**, is the co-founder and an executive Director. Please refer to the previous section headed "Executive Directors" for the biography of Dr. Zhang.

**Mr. Robin Meng (孟建革)**, is the chairman of the Company and an executive Director. Please refer to the previous section headed "Executive Directors" for the biography of Mr. Meng.

**Ms. Sally Wang (王燁)**, is the co-founder, an executive Director and the president of the Company. Please refer to the previous section headed "Executive Directors" for the biography of Ms. Wang.

**Dr. Li Zhu (朱力)**, is an executive Director and chief strategy officer of the Company. Please refer to the previous section headed "Executive Directors" for the biography of Dr. Zhu.

## Directors and Senior Management

**Ms. Sherry Shao (邵煒慧)**, aged 44, has been appointed as a rotating chief executive officer of the Company with effect from January 1, 2023 and she will be on duty on yearly basis with effect from such date, subject to rotation on year basis. She was appointed as the chief operating officer of the Company on July 8, 2021 and is primarily responsible for the supporting functions of the Company, including human resources, supply chain, engineering and instrument, information technology, quality and environmental, health and safety functions. She is a member of the sanctions risk control committee (the "**Sanctions Risk Control Committee**") and the Sub-Committee on Data Security and Geopolitical Resilience.

Ms. Shao has nearly 20 years of management experience in the life-science and biologics development industry. Ms. Shao joined the Group in July 2005. From July 2005 to April 2017, Ms. Shao served in a number of positions at the Group, including a group leader of antibody department, a manager of antibody development and a vice president of reagent service production center. From April 2017 to April 2019, Ms. Shao worked as the deputy general manager of the reagent service business unit. From April 2019 to August 2020, Ms. Shao served as the president of life science group. From August 2020 to February 2021, she worked as the president of European division. From February 2021 to July 2021, she worked as China President. She was appointed as the chief operating officer of the Company in July 2021.

Ms. Shao obtained her Bachelor of Science degree in biology from Nanjing Normal University* (南京師範大學) in the PRC in June 2002 and a Master of Science degree in Preventive Veterinary from Yangzhou University* (揚州大學) in the PRC in June 2005.

**Mr. Shiniu Wei (魏師牛)**, aged 45, was appointed as the chief financial officer of the Company on December 1, 2020 and is primarily responsible for the Company's overall financial operation management. Mr. Wei joined the Group in September 2019 as vice president of strategy and investor relations. He is a member of the Sanctions Risk Control Committee and the Sub-Committee on Data Security and Geopolitical Resilience.

Prior to joining the Group, Mr. Wei worked as an executive director of secondary market investment department in Fosun Insurance Group in New York from 2017 to 2019. He served as an equity investment analyst and a portfolio manager in Investment Strategies Fund from 2010 to September 2016. From 2009 to May 2010, he worked as an analyst at Protocol Capital Management and prior to that, he worked as a researcher of Research Foundation at the City University of New York.

Mr. Wei obtained his Bachelor of Science degree in Biochemistry from Nanjing University* (南京大學), the PRC in 2000 and his Master degree in Business Administration from Baruch College, the U.S. in 2011.

# REPORT OF THE DIRECTORS

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

## CORPORATE INFORMATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on May 21, 2015 as an exempted company with limited liability under the laws of the Cayman Islands. The Shares were listed on the Main Board of the Stock Exchange on December 30, 2015 (the "**Listing**" or the "**Listing Date**").

## PRINCIPAL ACTIVITIES

The Company is a well-recognised life-science research and application service and product provider that applies its proprietary technology to various fields from basic life-science research to translational biomedical development, industrial synthetic products, and cell therapeutic solutions. The broad and integrated life-science research and application service and product portfolio comprises several major platform, namely, (i) a life-science services and products platform to provide one-stop solutions to global research communities, (ii) a biologics CDMO platform, and (iii) an industrial synthetic products platform. The services and products are primarily used by scientists and researchers for conducting fundamental life-science research, translational biomedical research, and early stage pharmaceutical development. Its development services are used by biopharmaceutical and biotech companies for the development of therapeutic antibodies, and CGT products with an integrated platform. Its industrial synthetic biology products are also used by industry users of industrial enzymes, such as those in the feed, food, grain processing, and homecare industries. Our customers are primarily located in North America, Europe, the PRC, Japan and other Asia Pacific regions. The analysis of the principal activities of the Company's subsidiaries are set out in note 1 to the financial statements in this annual report.

## RESULTS AND APPROPRIATIONS

The consolidated results of the Group for the year ended December 31, 2024 are set out on pages 109 to 111 of this annual report.

## FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board did not recommend the payment of final dividend for the year ended December 31, 2024.

## CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders to attend and vote at the forthcoming annual general meeting (the "**AGM**") to be held on Thursday, May 29, 2025, the register of members of the Company will be closed from Monday, May 26, 2025 to Thursday, May 29, 2025 (both dates inclusive), during which period no transfer of shares will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, May 23, 2025.

## FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 8 of this annual report. This summary does not form part of the audited consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

In 2024, revenue from the Group's five largest customers and purchases from the Group's five largest suppliers both accounted for less than 30% of the total revenue or purchases for the year.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, and equipment of the Group during the Year are set out in note 14 to the financial statements in this annual report.

## SHARE CAPITAL

As of December 31, 2024, 2,143,969,983 ordinary shares were issued. Details of movements in the share capital of the Company during the year ended December 31, 2024 are set out in note 32 to the financial statements in this annual report.

## RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 114 to 115, and 239 in this annual report.

## DISTRIBUTABLE RESERVES

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

## DIRECTORS

The Directors during the year ended December 31, 2024 and up to the date of this annual report were:

### Executive Directors

Dr. Frank Zhang
Mr. Robin Meng (*Chairman*)
Ms. Sally Wang
Dr. Li Zhu

### Non-executive Directors

Dr. Larry Wang
Mr. Yuexin Pan *(Resigned on June 21, 2024)*
Ms. Jiafen Wang *(Resigned on July 5, 2024)*

### Independent Non-executive Directors

Mr. Edward Dai
Mr. Ethan Pan
Mr. Yiu Leung Andy Cheung *(Appointed on April 12, 2024)*
Dr. Victor Shi *(Appointed on April 12, 2024)*
Dr. Alphonse Galdes *(Appointed on September 12, 2024)*
Dr. Ross Grossman *(Appointed as a non-executive Director on September 12, 2024 and re-designated as an independent non-executive Director on March 11, 2025)*
Dr. John Quelch *(Appointed on November 14, 2024)*
Mr. Hongxin Guo *(Resigned on June 21, 2024)*
Dr. Xuehai Wang *(Resigned on July 5, 2024)*

Pursuant to the memorandum and articles of association of the Company (the "**Articles**"), each of Ms. Sally Wang, Mr. Edward Dai, Mr. Ethan Pan, Dr. Alphonse Galdes, Dr. Ross Grossman and Dr. John Quelch will retire at the AGM and, being eligible, Ms. Sally Wang, Mr. Ethan Pan, Dr. Alphonse Galdes, Dr. Ross Grossman and Dr. John Quelch will offer themselves for re-election. Biographical details of the Directors to be re-elected at the AGM will be set out in the circular dated April 9, 2025 to the shareholders. Mr. Edward Dai has decided not to offer himself for re-election at the AGM as he desires to focus on his own business.

## DIRECTORS' PROFILES

Biographical details of Directors and senior management of the Company is set out on pages 32 to 42 in this annual report.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into service contracts with the Company for a fixed term of three years commencing on December 17, 2022 for Dr. Frank Zhang, that on December 1, 2024 for Mr. Robin Meng and Ms. Sally Wang, and that on November 22, 2023 for Dr. Li Zhu. Their appointments can be terminated before the expiration of the term by not less than six months' notice in writing served by either party on the other.

Each of the non-executive Directors has signed appointment letters with the Company for a term of three years. The effective date of the appointment of Dr. Larry Wang is August 24, 2024. His appointment is subject to termination in accordance with his terms. The appointment letters for the appointments of each of Mr. Yuexin Pan and Ms. Jiafen Wang as a non-executive Director have been terminated by mutual consent with effect from June 21, 2024 and July 5, 2024, respectively.

Each of the independent non-executive Directors has signed appointment letters with the Company for a term of three years. The effective date of the appointment of Mr. Edward Dai is August 24, 2024, that on November 26, 2024 for Mr. Ethan Pan, that on April 12, 2024 for Mr. Yiu Leung Andy Cheung, that on April 12, 2024 for Dr. Victor Shi, that on September 12, 2024 for Dr. Alphonse Galdes, and that on November 14, 2024 for Dr. John Quelch. The appointment letter for Dr. Ross Grossman as a non-executive Director took effect on September 12, 2024 and was amended to redesignate him as an independent non-executive Director, effective from March 11, 2025. Their appointments are subject to termination in accordance with their respective terms. The appointment letters for the appointment of each of Mr. Hongxin Guo and Dr. Xuehai Wang have been terminated by mutual consent with effect from June 21, 2024 and July 5, 2024, respectively.

Save as disclosed herein, none of the Directors has entered into any service contract with the Group that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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

None of the Company or any of its subsidiaries entered into, whether directly or indirectly, any transactions, arrangements and contracts of significance that a Director had a material interest in, that was related to the Company's business, and/or that subsisted during and up to the end of the Year.

## MANAGEMENT CONTRACTS

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

## PERMITTED INDEMNITY PROVISION

The Articles provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto. A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company had taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers during the Reporting Period.

## EQUITY-LINKED AGREEMENTS

Save for the Share Option Schemes and RSA Schemes as set out in this report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2024.

## SHARE SCHEMES

The Company has adopted four share schemes, namely, the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the 2019 RSA Scheme and the 2021 RSA Scheme (collectively, the "**Share Schemes**").

Amendments have been made to the Chapter 17 of the Listing Rules for the purpose of regulating share option schemes and share award schemes, with effect from January 1, 2023. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on June 21, 2024 (the "**2024 AGM**"), the Company has approved to amend the Post-IPO Share Option Scheme, the 2019 RSA Scheme and the 2021 RSA Scheme to bring them in line with the current effective Chapter 17 of the Listing Rules (the "**Share Schemes Amendments**"). For details, please refer to the circular of the Company dated April 22, 2024.

### Grant of share options and restricted shares by the Company during the Reporting Period

Since the Company was listed on the Stock Exchange, no further share options have been granted under the Pre-IPO Share Option Scheme.

During the Reporting Period, no share options have been granted under the Post-IPO Share Option Scheme.

During the Reporting Period, 1,219,801 restricted shares were granted under the 2019 RSA Scheme on June 12, 2024. Please refer to the announcement of the Company dated June 13, 2024 for details. Save as disclosed, no other restricted shares have been granted under the 2019 RSA Scheme during the Reporting Period. All the restricted shares granted under the 2019 RSA Scheme during the Reporting Period will be satisfied by the existing Shares of the Company that have been or will be acquired by the Trustee through on-market transaction.

During the Reporting Period, 444,598 restricted shares, 11,450,843 restricted shares, 68,054 restricted shares, 244,121 restricted shares and 814,302 restricted shares were granted under the 2021 RSA Scheme on March 13, 2024, June 12, 2024, July 8, 2024, August 19, 2024 and November 19, 2024, respectively. Among the restricted shares granted on June 12, 2024, a total of 70,335 restricted shares were not accepted by the relevant grantees. Please refer to the announcements of the Company dated March 13, 2024, June 13, 2024, July 8, 2024, July 9, 2024, August 19, 2024 and November 19, 2024 for details. Save as disclosed, no other restricted shares have been granted under the 2021 RSA Scheme during the Reporting Period.

11,825,106 restricted shares granted by the Company on March 13, 2024 and June 12, 2024 and accepted by the relevant grantees (the "**RSA Grant A**") will be satisfied by the Shares to be issued and allotted pursuant to the general mandate (the "**2023 General Mandate**") granted by the Shareholders at the annual general meeting of the Company held on May 25, 2023 (the "**2023 AGM**"). Pursuant to the 2023 General Mandate, the Directors may exercise the power of the Company to allot and issue new Shares up to 20% of the total number of Shares in issue as at the date of the 2023 AGM. Pursuant to the provisions of the Listing Rules, the 2023 General Mandate lapsed at the conclusion of the 2024 AGM. As at December 31, 2024, no Shares have been issued under the RSA Grant A pursuant to the 2023 General Mandate. After the issue of new Shares for the RSA Grant A, no further new Shares will be issued and allotted pursuant to the 2023 General Mandate.

Pursuant to the scheme mandate limit granted by the Shareholders at the 2024 AGM, the Directors may exercise the power to grant share options and/or awards involving issue of new Shares pursuant to the Share Schemes and any other share schemes adopted by the Company up to the limit of 212,768,651 Shares, representing 10% of the total number of Shares in issue as at the date of the 2024 AGM (the "**Scheme Mandate Limit**"), and within which, share awards involving issue of new Shares up to the limit of 21,276,865 Shares, representing 1% of the total number of issued Shares as at the 2024 AGM (the "**Service Provider Sublimit**") may be granted to the service providers of the Company as defined in the 2019 RSA Scheme and the 2021 RSA Scheme (the "**Service Provider(s)**"). The Stock Exchange had granted conditional listing approval for the new Shares underlying the share option(s) and/or award(s) within the Scheme Mandate Limit which may be granted pursuant to the Share Schemes, subject to fulfillment of all other conditions of the respective Share Schemes of the Company.

1,126,477 restricted shares granted by the Company on July 8, 2024, August 19, 2024 and November 19, 2024 and accepted by the relevant grantees will be satisfied by issuance of new Shares within the Scheme Mandate Limit. As at December 31, 2024, no Shares have been issued pursuant to the Scheme Mandate Limit.

As at December 31, 2024, no grant has been made to (i) any related entity participant or service provider with options and awards granted in excess of 0.1% of the Company's issued Shares over the 12-month period and (ii) any other participant with options and awards granted in excess of the 1% individual limit, as such terms are used in the Listing Rules.

### Number of options and awards available for grant

As at January 1, 2024, the number of options and restricted shares available for grant under the scheme mandate of the Post-IPO Share Option Scheme and the 2019 RSA Scheme and the 2021 RSA Scheme were 82,090,141 and 152,308,888, respectively. As at January 1, 2024, the Company has not adopted service provider sublimit in respect of any Share Schemes.

As at December 31, 2024, after the Share Scheme Amendments, 211,642,174 Shares remained available for grant within the Scheme Mandate Limit under all the Share Schemes adopted by the Company, and among which, 21,208,811 Shares are available for future grant within the Service Provider Sublimit.

The number of Shares that may be issued in respect of awards (i.e. 12,951,583 restricted shares, excluding the restricted shares not accepted by the relevant grantees) granted under the Share Schemes of the Company during the Reporting Period divided by the weighted average number of shares (i.e. 2,121,285,454) of the relevant class in issue (excluding treasury shares) for the Reporting Period is 0.61%.

### Share schemes of the subsidiaries of the Company

The Probio RSUA Scheme is not subject to the provision of Chapter 17 of the Listing Rules, as Probio Cayman is not a principal subsidiary of the Company pursuant to Rule 17.14 of the Listing Rules.

For details of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the 2019 RSA Scheme and the 2021 RSA Scheme, please see the paragraph headed "Share Option Schemes" and "Restricted Share Award Schemes" below.

## SHARE OPTION SCHEMES

### Summary of the Share Option Schemes

| Details | Pre-IPO Share Option Scheme | Post-IPO Share Option Scheme |
|---|---|---|
| 1. Purpose | To recognize and acknowledge the contributions that the eligible participants have or may have made to the Group and to provide the eligible participants with an opportunity to have a personal stake in the Company with a view to (1) attract skilled and experienced personnel; (2) incentivize them to remain with the Group; and (3) motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company. | To provide eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage eligible participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of either retaining, incentivizing, compensating, or providing benefits to certain eligible participants. |
| 2. Participants | Directors, employees, or consultants of any member of the Group. | Directors and employees of any member of the Group. |
| 3. The total number of shares available for issue | Save for the options which have been granted before the listing date, no further options will be granted under the Pre-IPO Share Option Scheme on or after the listing date.<br><br>The total number of Shares available for issue upon exercise of the options granted under the Pre-IPO Share Option Scheme was 17,983,652 Shares, representing approximately 0.83% of the issued Shares of the Company (i.e. 2,159,938,787 Shares) (excluding treasury shares) as of the date of this annual report. | The maximum number of Shares which may be issued in respect of all options and awards involving issue of new Shares that may be granted pursuant to the Post-IPO Share Option Scheme and any other share schemes adopted by the Company shall not exceed the Scheme Mandate Limit (i.e. 212,768,651 Shares).<br><br>The total number of Shares available for issue under the Post-IPO Share Option Scheme was 242,526,331, representing approximately 11.23% of the issued Shares of the Company (i.e. 2,159,938,787 Shares) (excluding treasury shares) as of the date of this report. |

## Report of the Directors

| Details | Pre-IPO Share Option Scheme | Post-IPO Share Option Scheme |
|---|---|---|
| 4. Maximum entitlement of each participant | – | The total number of Shares issued and to be issued in respect of all options and awards granted under the Share Option Scheme and any other share schemes of the Company to each eligible participant in any 12-month period shall not exceed 1% of the Shares in issue, unless be separately approved by the Shareholders in accordance with the requirements of the Listing Rules and the provisions of the Post-IPO Share Option Scheme.<br><br>The total number of Shares issued and to be issued in respect of all options and awards granted under the Share Option Scheme and any other share schemes of the Company to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates in any 12-month period (or such other period as may from time to time be specified by the Stock Exchange) shall not exceed 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue, unless be separately approved by the Shareholders in accordance with the requirements of the Listing Rules and the provisions of the Post-IPO Share Option Scheme. |
| 5. The period within which the option may be exercised by the grantee | The period to be determined by the Board and notified to each grantee in the notice of grant, or where applicable, any period for the exercise of an option which shall not exceed 10 years from the offer date of the option. | The period of time to be notified by the Board to each grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option. |

| Details | Pre-IPO Share Option Scheme | Post-IPO Share Option Scheme |
|---|---|---|
| 6. Vesting Period | An option is subject to performance or other vesting conditions as set forth in the notice of grant to the grantees. | Vesting shall only occur upon satisfaction (or where applicable, waiver by the Board) of the conditions set forth in the notice of grant issued to the eligible participants, unless otherwise permitted, and shall be subject to a vesting period as determined by the Board, which shall be at least 12 months commencing from (and including) the date of grant. |
| 7. Time of acceptance and the amount payable on acceptance of option | On acceptance of the offer of the option, the participant shall execute and return an acceptance letter in accordance with the terms and conditions set by the Company. | An option shall remain open for acceptance by the participant concerned for a period of 21 days from the date of the offer. HK$1.00 is payable by the grantee to the Company on acceptance of the offer of the option. |
| 8. Basis of determining the exercise price | The exercise price shall be determined by our Board at its own discretion and set out in the relevant notices of grant. | The exercise price shall be such price determined by the Board at its absolute discretion and notified to the eligible participant in the offer at the time of the offer and shall be no less than the higher of:<br>1. the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;<br>2. the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant. |
| 9. Remaining life of the scheme | The Pre-IPO Share Option Scheme expired on December 30, 2015. | It shall be valid and effective for a period of ten years commencing on December 7, 2015 |

## Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme by a resolution of then sole shareholder of the Company on July 15, 2015. No further share options are granted under the Pre-IPO Share Option Scheme after the Listing. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules, as the Pre-IPO Share Option Scheme will not involve the grant of options to subscribe for new Shares.

Set out below are details of the outstanding share options under the Pre-IPO Share Option Scheme:

| | | | | | Number of share options | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Category/Name of Grantee | Date of Grant | Vesting Period | Exercise Period | Exercise Price per Share<br>US$ | Outstanding as at January 1, 2024 | Granted during the Year | Cancelled during the Year | Lapsed during the Year | Exercised during the Year[Note 1] | Outstanding as at December 31, 2024 |
| **Directors of the Company** | | | | | | | | | | |
| Robin Meng | January 30, 2015 | January 30, 2016–July 31, 2025<br>January 30, 2017–July 31, 2025<br>January 30, 2018–July 31, 2025<br>January 30, 2019–July 31, 2025<br>January 30, 2020 –July 31, 2025 | January 30, 2016–July 31, 2025 | 0.077 | 1,643,320 | – | – | – | 600,000 | 1,043,320 |
| Sally Wang | March 20, 2014 | December 31, 2014–July 31, 2025<br>December 31, 2015–July 31, 2025<br>December 31, 2016–July 31, 2025 | December 31, 2014–July 31, 2025 | 0.062 | 38,150,000 | – | – | – | 13,142,000 | 25,008,000 |
| **Other employees** | | | | | | | | | | |
| Employees | October 17, 2005–March 30, 2015 | October 17, 2008–December 31, 2025 | October 17, 2008–December 31, 2025 | 0.003–0.103 | 218,664 | – | – | – | 24,332 | 194,332 |
| Total | | | | | 40,011,984 | – | – | – | 13,766,332 | 26,245,652 |

Notes:

1. The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$11.22.

2. For further details of the Pre-IPO Share Option Scheme, please refer to Appendix V "Statutory and General Information" of the prospectus of the Company and note 33 to the financial statements in this annual report.

### Post-IPO Share Option Scheme

The Company approved and adopted the Post-IPO Share Option Scheme by written resolutions of its then sole shareholder on December 7, 2015. Pursuant to an ordinary resolution passed at the 2024 AGM, the Company approved the amendments to the Post-IPO Share Option Scheme. The Post-IPO Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

No share options were granted under the Post-IPO Share Option Scheme during the Reporting Period.

Set out below are details of the outstanding share options under the Post-IPO Share Option Scheme:

| | | | | | | Number of share options | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Category/ Name of Grantee | Date of Grant | Vesting Period | Exercise Period | Exercise Price per Share HK$ | Closing Price per Share immediately before the date of grant HK$ | Outstanding as at January 1, 2024 | Granted during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Exercised during the Reporting Period[Note 1] | Outstanding as at December 31, 2024 |
| **Directors of the Company** | | | | | | | | | | | |
| Li Zhu | October 11, 2017 | December 31, 2019–October 10, 2027<br>December 31, 2020–October 10, 2027<br>December 31, 2021–October 10, 2027<br>December 31, 2022–October 10, 2027<br>December 31, 2023–October 10, 2027 | December 31, 2019–October 10, 2027 | 8.33 | 8.07 | 634,000 | – | – | – | – | 634,000 |
| Edward Dai | September 1, 2020 | September 1, 2020–August 31, 2025<br>September 1, 2021–August 31, 2025<br>September 1, 2022–August 31, 2025 | September 1, 2020–August 31, 2025 | 15.00 | 14.98 | 58,000 | – | – | – | – | 58,000 |
| Ethan Pan | September 1, 2020 | September 1, 2020–August 31, 2025<br>November 25, 2020–August 31, 2025<br>September 1, 2021–August 31, 2025<br>November 25, 2021–August 31, 2025<br>September 1, 2022–August 31, 2025 | September 1, 2020–August 31, 2025 | 15.00 | 14.98 | 270,000 | – | – | – | – | 270,000 |

# Report of the Directors

| | | | | | | Number of share options | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Category/<br>Name of Grantee | Date of Grant | Vesting Period | Exercise Period | Exercise Price per Share<br>HK$ | Closing Price per Share immediately before the date of grant<br>HK$ | Outstanding as at January 1, 2024 | Granted during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Exercised during the Reporting Period[Note 1] | Outstanding as at December 31, 2024 |
| **Former Directors of the Company** | | | | | | | | | | | |
| Yuexin Pan<br>*(Resigned on June 21, 2024)* | September 1, 2020 | September 1, 2020–August 31, 2025<br>September 1, 2021–August 31, 2025<br>September 1, 2022–August 31, 2025 | September 1, 2020–August 31, 2025 | 15.00 | 14.98 | 60,000 | – | – | 60,000[Note 3] | – | – |
| Jiafen Wang<br>*(Resigned on July 5, 2024)* | September 1, 2020 | September 1, 2020–August 31, 2025<br>November 25, 2020–August 31, 2025<br>September 1, 2021–August 31, 2025<br>November 25, 2021–August 31, 2025<br>September 1, 2022–August 31, 2025 | September 1, 2020–August 31, 2025 | 15.00 | 14.98 | 270,000 | – | – | 270,000[Note 4] | – | – |
| Hongxin Guo<br>*(Resigned on June 21, 2024)* | September 1, 2020 | September 1, 2020–August 31, 2025<br>September 1, 2021–August 31, 2025<br>September 1, 2022–August 31, 2025 | September 1, 2020–August 31, 2025 | 15.00 | 14.98 | 60,000 | – | – | 60,000[Note 5] | – | – |
| **Chief executives of the Company** | | | | | | | | | | | |
| Sherry Shao | April 25, 2017 | April 25, 2021–April 24, 2027<br>April 25, 2024–April 24, 2027 | April 25, 2021–April 24, 2027 | 3.512 | 3.45 | 2,000,000 | – | – | – | – | 2,000,000 |
| Zhenyu Liu<br>*(Resigned on December 31, 2024)* | June 22, 2016 | June 22, 2019–June 21, 2026<br>June 22, 2020–June 21, 2026<br>June 22, 2021–June 21, 2026<br>June 22, 2022–June 21, 2026<br>June 22, 2023–June 21, 2026 | June 22, 2019–June 21, 2026 | 1.204 | 1.21 | 5,000,000 | – | – | – | – | 5,000,000 |

| Category/ Name of Grantee | Date of Grant | Vesting Period | Exercise Period | Exercise Price per Share HK$ | Closing Price per Share immediately before the date of grant HK$ | Number of share options: Outstanding as at January 1, 2024 | Granted during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Exercised during the Reporting Period[Note 1] | Outstanding as at December 31, 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Other employees** | | | | | | | | | | | |
| Employees | June 22, 2016 | June 22, 2016– June 21, 2026 | June 22, 2016– June 21, 2026 | 1.204 | 1.21 | 2,672,000 | – | – | – | – | 2,672,000 |
| | September 23, 2016 | September 23, 2017– September 22, 2026 | September 23, 2017– September 22, 2026 | 2.406 | 2.3 | 3,277,000 | – | – | – | 545,000 | 2,732,000 |
| | April 25, 2017 | April 25, 2019– April 24, 2027 | April 25, 2019– April 24, 2027 | 3.512 | 3.45 | 9,264,950 | – | – | – | 1,435,000 | 7,829,950 |
| | October 11, 2017 | July 25, 2018– October 10, 2027 | July 25, 2018– October 10, 2027 | 8.33 | 8.07 | 5,190,000 | – | – | – | 2,337,000 | 2,853,000 |
| | November 20, 2017 | December 31, 2019– November 19, 2027 | December 31, 2019– November 19, 2027 | 9.35 | 8.91 | 2,011,000 | – | – | – | 56,000 | 1,955,000 |
| | May 4, 2018 | January 1, 2019– May 3, 2028 | January 1, 2019– May 3, 2028 | 26.46 | 26.65 | 6,505,476 | – | – | 3,000,000 | – | 3,505,476 |
| | November 29, 2018 | November 29, 2019– November 28, 2028 | November 29, 2019– November 28, 2028 | 14.04 | 14.32 | 126,000 | – | – | – | – | 126,000 |
| | July 19, 2019 | July 19, 2020– July 18, 2029 | July 19, 2020– July 18, 2029 | 18.30 | 17.86 | 1,971,000 | – | – | 45,000 | – | 1,926,000 |
| | November 29, 2019 | November 29, 2020– November 28, 2029 | November 29, 2020– November 28, 2029 | 19.132 | 19.54 | 2,296,000 | – | – | 92,000 | – | 2,204,000 |
| | April 29, 2020 | April 29, 2021– April 28, 2030 | April 29, 2021– April 28, 2030 | 13.84 | 13.698 | 2,190,500 | – | – | 110,000 | 120,000 | 1,960,500 |
| | December 28, 2020 | December 28, 2021– December 27, 2030 | December 28, 2021– December 27, 2030 | 12.10 | 11.36 | 940,000 | – | – | 160,000 | 30,000 | 750,000 |
| | March 31, 2021 | March 31, 2022– March 30, 2031 | March 31, 2022– March 30, 2031 | 13.892 | 14.04 | 100,000 | – | – | – | – | 100,000 |
| | May 31, 2021 | May 31, 2022– May 30, 2031 | May 31, 2022– May 30, 2031 | 30.45 | 27.35 | 235,531 | – | – | 50,594 | – | 184,937 |
| Total | | | | | | 45,131,457 | – | – | 3,847,594 | 4,523,000 | 36,760,863 |

Notes:

1. The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$10.75.

2. For further details of the Post-IPO Share Option Scheme, please refer to Appendix III "Summary of the Principal Terms of the Share Option Scheme" of the circular of the Company dated April 22, 2024 and note 33 to the financial statements in this annual report.

3. Mr. Yuexin Pan ceased to be a Director on June 21, 2024. Pursuant to Post-IPO Share Option Scheme, 60,000 unexercised share options were lapsed on June 21, 2024.

4. Ms. Jiafen Wang ceased to be a Director on July 5, 2024. Pursuant to Post-IPO Share Option Scheme, 270,000 unexercised share options were lapsed on July 5, 2024.

5. Mr. Hongxin Guo ceased to be a Director on June 21, 2024. Pursuant to Post-IPO Share Option Scheme, 60,000 unexercised share options were lapsed on June 21, 2024.

## RESTRICTED SHARE AWARD SCHEMES

### 2019 RSA Scheme

The Company adopted its 2019 RSA Scheme on March 22, 2019. Pursuant to an ordinary resolution passed at the 2024 AGM, the Company approved the amendments to the 2019 RSA Scheme. The 2019 RSA Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

The following is a summary of the principal terms of the 2019 RSA Scheme.

(a) Purpose of the 2019 RSA Scheme

The purposes of the 2019 RSA Scheme are (i) to provide the selected participants with the opportunity to acquire proprietary interests in the Company, (ii) to encourage the selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole, and (iii) to provide the Company with a flexible means of retaining, incentivizing, compensating or providing benefits to the selected participants.

(b) Eligible participants

The eligible participants under the 2019 RSA Scheme include (i) any director or employee of the Company or any of its subsidiaries, (ii) any director or employee of any company which is a holding company or fellow subsidiary of the Company (the "**Related Entity(ies)**") or any company in which the Group has a direct or indirect investment and controls 20% or more of its voting powers (the "**Associated Company(ies)**"), and (iii) dispatched workers, outsourced workers, consultants, advisers or suppliers who provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in relation to the principal business or business development of any member of the Group, as determined by the Board in its sole and absolute discretion (excluding any placing agent or financial adviser providing advisory services to the Group for fundraising, mergers or acquisitions, or professional services providers such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity).

(c) The total number of Shares available for issue

The total number of Shares which may be issued in respect of all awards involving issue of new Shares that may be granted pursuant to the 2019 RSA Scheme and any other share schemes adopted by the Company shall not exceed the Scheme Mandate Limit (i.e. 212,768,651 Shares). The total number of Shares available for issue under the 2019 RSA Scheme (including the restricted shares granted but unvested and the restricted shares available for future grants, and excluding treasury shares) was 211,683,587 Shares, representing 9.80% of the issued Shares of the Company (excluding treasury shares) (i.e. 2,159,938,787 Shares) as of the date of this annual report.

(d) Maximum entitlement of each selected participant

The total number of Shares issued and to be issued in respect of all options and awards granted under the 2019 RSA Scheme and any other share schemes of the Company to each selected participant in any 12-month period shall not exceed 1% of the Shares in issue, unless be separately approved by the Shareholders in accordance with the requirements of the Listing Rules.

Where any grant of the award to a Director (other than an independent non-executive Director) or chief executive of the Company (or any of their associates) would result in the number of Shares issued and to be issued in respect of all options and awards involving issue of new Shares granted under the 2019 RSA Scheme and any other share schemes of the Company to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the Shares in issue as at the date of grant, such further grant of award shall be approved by the Shareholders in general meeting in accordance with the requirements of the Listing Rules and the provisions of the 2019 RSA Scheme.

Where any grant of the award to an independent non-executive Director or a substantial Shareholder of the Company (or any of their associates) would result in the number of Shares issued and to be issued in respect of all options and awards involving issue of new Shares granted under the 2019 RSA Scheme and any other share schemes of the Company to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the Shares in issue as at the date of grant, such further grant of award shall be approved by the Shareholders in general meeting in accordance with the requirements of the Listing Rules and the provisions of the 2019 RSA Scheme.

(e) Vesting period

Vesting shall only occur upon satisfaction (or where applicable, waiver by the Board) of the conditions set forth in the notice of award issued to the selected participants, unless otherwise permitted, and shall be subject to a vesting period as determined by the Board, which shall be at least 12 months commencing from the date of grant.

(f) Time of acceptance and the amount payable on acceptance of award

A selected participant may accept the grant of an award within 21 calendar days after the delivery of the relevant notice.

A selected participant is not required to pay any grant price or make any other payment to the Company to accept an award granted.

(g) Remaining life of the 2019 RSA Scheme

The 2019 RSA Scheme will initially be valid and effective for a period of ten years commencing on the adoption date of the 2019 RSA Scheme.

The Company and Computershare Hong Kong Trustees Limited as the trustee (the "**Trustee**") entered into the trust deed in respect of the appointment of the Trustee for the administration of the 2019 RSA Scheme (the "**2019 Trust Deed**"). Pursuant to the 2019 RSA Scheme, the Shares that may be offered by the Company to any selected participant will be satisfied by (i) existing shares to be acquired by the Trustee on the market, and/or (ii) new shares to be allotted and issued to the Trustee. The restricted shares should be held by the Trustee in according with the Listing Rules and the 2019 Trust Deed until the end of the relevant vesting date and be transferred to the grantees upon satisfaction of the relevant vesting conditions as may specified by the Board at the time of making the grant of restricted shares.

For more details of the 2019 RSA Scheme, please refer to the Company's circular dated April 22, 2024.

Set out below are details of the outstanding shares under the 2019 RSA Scheme:

| Category/ Name of Grantee | Date of Grant | Vesting Period (subject to other conditions in the 2019 RSA Scheme) | Closing Price per Share Immediately Before the Date of Grant HK$ | Number of shares | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Outstanding as at January 1, 2024 | Granted during the Reporting Period (Note 1) | Vested during the Reporting Period (Note 2) | Lapsed during the Reporting Period | Outstanding as at December 31, 2024 |
| **Directors of the Company** | | | | | | | | |
| Robin Meng | December 28, 2020 | In five equal installments annually between December 28, 2021 and December 28, 2025 | 11.36 | 160,000 | – | 80,000 (Note 3) | – | 80,000 |
| Sally Wang | May 31, 2021 | In five equal installments annually between May 31, 2022 and May 31, 2026 | 27.35 | 180,000 | – | 30,000 | 30,000 | 120,000 |
| Li Zhu | December 28, 2020 | In five equal installments annually between December 28, 2021 and December 28, 2025 | 11.36 | 80,000 | – | 40,000 (Note 4) | – | 40,000 |
| | May 31, 2021 | In five equal installments annually between May 31, 2022 and May 31, 2026 | 27.35 | 60,000 | – | 10,000 | 10,000 | 40,000 |
| Edward Dai | January 18, 2023 | In three batches with the last batch vested on December 17, 2025 | 27.00 | 10,451 | – | 4,971 | – | 5,480 |
| | November 28, 2023 | In one batch on November 30, 2024 | 22.75 | 34,409 | – | 34,409 | – | – |

| Category/ Name of Grantee | Date of Grant | Vesting Period (subject to other conditions in the 2019 RSA Scheme) | Closing Price per Share Immediately Before the Date of Grant HK$ | Number of shares | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Outstanding as at January 1, 2024 | Granted during the Reporting Period (Note 1) | Vested during the Reporting Period(Note 2) | Lapsed during the Reporting Period | Outstanding as at December 31, 2024 |
| Ethan Pan | January 18, 2023 | In three batches with the last batch vested on December 17, 2025 | 27.00 | 10,451 | – | 4,971 | – | 5,480 |
| **Former Directors of the Company** | | | | | | | | |
| Yuexin Pan *(resigned on June 21, 2024)* | January 18, 2023 | In three batches with the last batch vested on December 17, 2025 | 27.00 | 10,451 | – | – | 10,451(Note 5) | – |
| | November 28, 2023 | In one batch on November 30, 2024 | 22.75 | 34,409 | – | – | 34,409(Note 5) | – |
| Jiafen Wang *(resigned on July 5, 2024)* | January 18, 2023 | In three batches with the last batch vested on December 17, 2025 | 27.00 | 10,451 | – | – | 10,451(Note 6) | – |
| Hongxin Guo *(resigned on June 21, 2024)* | January 18, 2023 | In three batches with the last batch vested on December 17, 2025 | 27.00 | 10,451 | – | – | 10,451(Note 7) | – |
| | November 28, 2023 | In one batch on November 30, 2024 | 22.75 | 34,409 | – | – | 34,409(Note 7) | – |
| Xuehai Wang *(resigned on July 5, 2024)* | November 28, 2023 | In three batches annually between November 30, 2024 and November 30, 2026 | 22.75 | 16,957 | – | – | 16,957(Note 8) | – |
| **Chief executives of the Company** | | | | | | | | |
| Sherry Shao | May 31, 2021 | In three equal installments annually between May 31, 2022 and May 31, 2024 | 27.35 | 27,675 | – | 13,838 | 13,837 | – |
| | April 3, 2023 | 20% of the restricted shares will be vested on April 3, 2024 and the remaining restricted shares will be vested on an annual basis equally between March 31, 2025 and March 31, 2028 | 16.80 | 269,398 | – | 26,940 | 26,939 | 215,519 |
| | June 1, 2023 | In five batches annually between June 1, 2024 and May 31, 2028 | 17.32 | 3,145,693 | – | 629,138 | – | 2,516,555 |
| | June 12, 2024 (Note 9) | In five batches annually between 31 August 2025 and 31 August 2029 | 9.1 | – | 1,174,263 | – | – | 1,174,263 |

# Report of the Directors

| Category/ Name of Grantee | Date of Grant | Vesting Period (subject to other conditions in the 2019 RSA Scheme) | Closing Price per Share Immediately Before the Date of Grant HK$ | Number of shares: Outstanding as at January 1, 2024 | Granted during the Reporting Period (Note 1) | Vested during the Reporting Period (Note 2) | Lapsed during the Reporting Period | Outstanding as at December 31, 2024 |
|---|---|---|---|---|---|---|---|---|
| Zhenyu Liu *(resigned on December 31, 2024)* | January 10, 2022 | In five installments annually between January 10, 2023 and January 10, 2027 | 31.15 | 131,489 | – | 16,436 | 16,436 | 98,617 |
| | March 22, 2022 | In five installments annually between March 22, 2023 and March 22, 2027 | 25.10 | 456,937 | – | 82,411 | 48,668 | 325,858 |
| | May 26, 2022 | In two equal installments annually between May 26, 2023 and May 26, 2024 | 20.65 | 11,313 | – | 11,313 | – | – |
| | April 3, 2023 | 20% of the restricted shares will be vested on April 3, 2024 and that the remaining shares will be vested on an annual basis equally between March 31, 2025 and March 31, 2028 | 16.80 | 732,945 | – | 73,295 | 73,294 | 586,356 |
| | June 1, 2023 | In two to five batches on an annual basis between June 1, 2024 and May 31, 2028 | 17.32 | 3,170,091 | – | 641,336 | – | 2,528,755 |
| | June 12, 2024 (Note 10) | In two batches on an annual basis between 31 August 2025 and 31 August 2026 | 9.1 | – | 45,538 | – | – | 45,538 |
| **Other employees** | | | | | | | | |
| Employees | April 29, 2020 | In two to five annual installments with the last batch on April 29, 2025 | 13.698 | 203,352 | – | 80,000 | 43,352 | 80,000 |
| | December 28, 2020 | In one to five annual installments with the last batch on December 28, 2025 | 11.36 | 267,290 | – | 133,645 | – | 133,645 |
| | March 31, 2021 | In two or three annual installments with the last batch on March 31, 2024 | 14.04 | 10,000 | – | 10,000 | – | – |
| | May 31, 2021 | In one to three annual installments with the last batch on May 31, 2024 | 27.35 | 1,490,939 | – | 767,249 | 723,690 | – |
| | August 27, 2021 | In two to three annual installments with the last batch on August 27, 2024 | 37.15 | 21,958 | – | 9,984 | 11,974 | – |
| | December 10, 2021 | In one to three annual installments with the last batch on December 10, 2024 | 41.80 | 70,607 | – | 35,642 | 34,965 | – |
| | March 22, 2022 | In two annual installments with the last batch on March 22, 2024 | 25.10 | 40,496 | – | 40,097 | 399 | – |
| Total (Note 11) | | | | 10,702,622 | 1,219,801 | 2,775,675 | 1,150,682 | 7,996,066 |

| Category/ Name of Grantee | Date of Grant | Vesting Period (subject to other conditions in the 2019 RSA Scheme) | Closing Price per Share Immediately Before the Date of Grant HK$ | Number of shares | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Outstanding as at January 1, 2024 | Granted during the Reporting Period (Note 1) | Vested during the Reporting Period (Note 2) | Lapsed during the Reporting Period | Outstanding as at December 31, 2024 |
| **Five highest paid employees** | December 28, 2020 | In five equal installments annually between December 28, 2021 and December 28, 2025 | 11.36 | 160,000 | – | 80,000 | – | 80,000 |
| | May 31, 2021 | In five equal installments annually between May 31, 2022 and May 31, 2026 | 27.35 | 180,000 | – | 30,000 | 30,000 | 120,000 |
| | April 3, 2023 | 20% of the restricted shares will be vested on April 3, 2024 and the remaining restricted shares will be vested on an annual basis equally between March 31, 2025 and March 31, 2028 | 16.80 | 269,398 | – | 26,940 | 26,939 | 215,519 |
| | June 1, 2023 | In two to five batches on an annual basis between June 1, 2024 and May 31, 2028 | 17.32 | 3,145,693 | – | 629,138 | – | 2,516,555 |
| | June 12, 2024 | In five batches annually between 31 August 2025 and 31 August 2029 | 9.1 | – | 1,174,263 | – | – | 1,174,263 |
| Total (Five highest paid employees) | | | | 3,755,091 | 1,174,263 | 766,078 | 56,939 | 4,106,337 |

Notes:

(1) The consideration of the restricted shares granted by the Company to the grantees during the Reporting Period is nil. For the fair value of the restricted shares granted during the Reporting Period at the grant date and the accounting standard and policy adopted, please refer to notes 2.4 and 34 to the financial statements.

(2) The weighted average closing price of the Shares immediately before the dates on which the restricted shares were vested was HK$10.55.

(3) 80,000 restricted shares were scheduled to vest on December 28, 2024 and such shares were transferred to Mr. Robin Meng on January 6, 2025.

(4) 40,000 restricted shares were scheduled to vest on December 28, 2024 and such shares were transferred to Dr. Li Zhu on January 6, 2025.

(5) On June 21, 2024, Mr. Yuexin Pan ceased to be a Director. Accordingly, a total of 44,860 unvested restricted shares granted under the 2019 RSA Scheme were lapsed.

(6) On July 5, 2024, Ms. Jiafen Wang ceased to be a Director. Accordingly, a total of 10,451 unvested restricted shares granted under the 2019 RSA Scheme were lapsed.

(7) On June 21, 2024, Mr. Hongxin Guo ceased to be a Director. Accordingly, a total of 44,860 unvested restricted shares granted under the 2019 RSA Scheme were lapsed.

(8) On July 5, 2024, Dr. Xuehai Wang ceased to be a Director. Accordingly, a total of 16,957 unvested restricted shares granted under the 2019 RSA Scheme were lapsed.

(9) The vesting conditions of the restricted shares granted to Ms. Sherry Shao on June 12, 2024 is conditional upon the achievement of certain performance targets, including without limitation, Ms. Sherry Shao having met certain key performance criteria.

(10) The restricted shares granted to Dr. Zhenyu Liu on June 12, 2024 is subject to a time-based vesting schedule without attachment of performance target.

(11) No restricted share was cancelled during the Reporting Period.

## 2021 RSA Scheme

The Company adopted the 2021 RSA Scheme on August 23, 2021. Pursuant to an ordinary resolution passed at the 2024 AGM, the Company approved the amendments to the 2021 RSA Scheme. The 2021 RSA Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

The following is a summary of the principal terms of the 2021 RSA Scheme.

(a) Purpose of the 2021 RSA Scheme

The purposes of the 2021 RSA Scheme are (i) to provide the selected participants with the opportunity to acquire proprietary interests in the Company, (ii) to encourage the selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole, and (iii) to provide the Company with a flexible means of retaining, incentivizing, compensating or providing benefits to the selected participants.

(b) Eligible participants

The eligible participants under the 2021 RSA Scheme include (i) any director or employee of the Company or any of its subsidiaries, (ii) any director or employee of any Related Entities or Associated Companies, and (iii) any Service Providers.

(c) The total number of Shares available for issue

The total number of Shares which may be issued in respect of all awards involving issue of new Shares that may be granted pursuant to the 2021 RSA Scheme and any other share schemes adopted by the Company shall not exceed the Scheme Mandate Limit (i.e. 212,768,651 Shares). The total number of Shares available for issue under the 2021 RSA Scheme (including the restricted shares granted but unvested and the restricted shares available for future grants, and excluding treasury shares) was 229,346,969 Shares, representing 10.62% of the issued Shares of the Company (excluding treasury shares) (i.e. 2,159,938,787 Shares) as of the date of this annual report.

(d) Maximum entitlement of each selected participant

The total number of Shares issued and to be issued in respect of all options and awards granted under the 2021 RSA Scheme and any other share schemes of the Company to each selected participant in any 12-month period shall not exceed 1% of the Shares in issue, unless be separately approved by the Shareholders in accordance with the requirements of the Listing Rules.

Where any grant of the award to a Director (other than an independent non-executive Director) or chief executive of the Company (or any of their associates) would result in the number of Shares issued and to be issued in respect of all options and awards involving issue of new Shares granted under the 2021 RSA Scheme and any other share schemes of the Company to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the Shares in issue as at the date of grant, such further grant of award shall be approved by the Shareholders in general meeting in accordance with the requirements of the Listing Rules and the provisions of the 2021 RSA Scheme.

Where any grant of the award to an independent non-executive Director or a substantial Shareholder of the Company (or any of their associates) would result in the number of Shares issued and to be issued in respect of all options and awards involving issue of new Shares granted under the 2021 RSA Scheme and any other share schemes of the Company to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the Shares in issue as at the date of grant, such further grant of award shall be approved by the Shareholders in general meeting in accordance with the requirements of the Listing Rules and the provisions of the 2021 RSA Scheme.

(e) Vesting period

Vesting shall only occur upon satisfaction (or where applicable, waiver by the Board) of the conditions set forth in the notice of award issued to the selected participants, unless otherwise permitted, and shall be subject to a vesting period as determined by the Board, which shall be at least 12 months commencing from the date of grant.

(f) Time of acceptance and the amount payable on acceptance of award

A selected participant may accept the grant of an award within 21 calendar days after the delivery of the relevant notice.

A selected participant is not required to pay any grant price or make any other payment to the Company to accept an award granted.

## Report of the Directors

(g) Remaining life of the 2021 RSA Scheme

The 2021 RSA Scheme will initially be valid and effective for a period of ten years commencing on the adoption date of the 2021 RSA Scheme.

The Company and the Trustee entered into the trust deed in respect of the appointment of the Trustee for the administration of the 2021 RSA Scheme (the "**2021 Trust Deed**"). Pursuant to the 2021 RSA Scheme, the Shares that may be offered by the Company to selected participant will be satisfied by (i) existing Shares to be acquired by the Trustee on the market, and/or (ii) new Shares to be allotted and issued to the Trustee or the grantees. Certain restricted shares should be held by the Trustee in accordance with the Listing Rules and the 2021 Trust Deed until the end of the relevant vesting date and be transferred to the grantees upon satisfaction of the relevant vesting conditions as may specified by the Board at the time of making the grant of restricted shares.

For more details of the 2021 RSA Scheme, please refer to the Company's circular dated April 22, 2024.

Set out below are details of the outstanding shares under the 2021 RSA Scheme:

| | | | | Number of shares | | | | |
|---|---|---|---|---|---|---|---|---|
| **Category/ Name of Grantee** | **Date of Grant** | **Vesting Period (subject to other conditions in the 2021 RSA Scheme)** | **Closing Price per Share Immediately Before the Date of Grant** HK$ | **Outstanding as at January 1, 2024** | **Granted during the Reporting Period**(Note 1) | **Vested during the Reporting Period**(Note 2) | **Lapsed during the Reporting Period** | **Outstanding as at December 31, 2024** |
| **Directors of the Company** | | | | | | | | |
| Ross Grossman | November 19, 2024 | In three installments annually between November 30, 2025 and November 30, 2027 | 10.66 | – | 21,905 | – | – | 21,905 |
| John Quelch | November 19, 2024 | In three installments annually between November 30, 2025 and November 30, 2027 | 10.66 | – | 21,905 | – | – | 21,905 |
| **Chief executive of the Company** | | | | | | | | |
| Sherry Shao | March 22, 2022 | In five installments annually between March 22, 2023 and March 22, 2027 | 25.10 | 101,345 | – | 26,865 | 8,797 | 65,683 |

| Category/ Name of Grantee | Date of Grant | Vesting Period (subject to other conditions in the 2021 RSA Scheme) | Closing Price per Share Immediately Before the Date of Grant HK$ | Number of shares: Outstanding as at January 1, 2024 | Granted during the Reporting Period (Note 1) | Vested during the Reporting Period (Note 2) | Lapsed during the Reporting Period | Outstanding as at December 31, 2024 |
|---|---|---|---|---|---|---|---|---|
| **Other employees** | | | | | | | | |
| Employees | December 10, 2021 | In three annual installments with the last batch on December 10, 2024 | 41.80 | 452,487 | – | 218,973 | 233,514 | – |
| | March 22, 2022 | In two or three annual installments with the last batch on March 22, 2025 | 25.10 | 981,443 | – | 379,911 | 108,888 | 492,644 |
| | May 26, 2022 | In two or three annual installments with the last batch on May 26, 2025 | 20.65 | 1,360,409 | – | 348,536 | 388,615 | 623,258 |
| | September 2, 2022 | In two or three annual installments with the last batch on September 2, 2025 | 24.80 | 166,404 | – | 49,361 | 57,168 | 59,875 |
| | January 18, 2023 | In one to three batches with the last batch on December 17, 2025 | 27.00 | 1,742,171 | – | 453,587 | 426,120 | 862,464 |
| | April 3, 2023 | In two to five batches with the first batch on April 3, 2024 and the remaining restricted shares will be vested on an annual basis between March 31, 2025 and March 31, 2028 | 16.80 | 965,155 | – | 160,310 | 171,401 | 633,444 |
| | June 1, 2023 | In two to three batches on an annual basis between June 1, 2024 and May 31, 2026 | 17.32 | 4,781,580 | – | 779,941 | 899,687 | 3,101,952 |
| | August 24, 2023 | In two to three batches on an annual basis between August 31, 2024 and August 31, 2026 | 17.98 | 53,881 | – | 15,390 | 4,328 | 34,163 |
| | November 28, 2023 | In three batches on an annual basis on November 30, 2024, November 30, 2025 and November 30, 2026 | 22.75 | 129,926 | – | 10,823 | 75,061 | 44,042 |
| | March 13, 2024 (Note 3) | In one to three batches on an annual basis between March 31, 2025 and March 31, 2027 | 15.7 | – | 127,665 | – | – | 127,665 |
| | June 12, 2024 (Note 3) | In two to five batches on an annual basis between August 31, 2025 and August 31, 2029 | 9.1 | – | 11,410,852 | – | 247,032 | 11,163,820 |
| | August 19, 2024 (Note 3) | In three batches on an annual basis between August 31, 2025 and August 31, 2027 | 12.8 | – | 244,121 | – | – | 244,121 |
| | November 19, 2024 (Note 3) | In three batches on an annual basis between November 30, 2025 and November 30, 2027 | 10.66 | – | 770,492 | – | – | 770,492 |

# Report of the Directors

| Category/ Name of Grantee | Date of Grant | Vesting Period (subject to other conditions in the 2021 RSA Scheme) | Closing Price per Share Immediately Before the Date of Grant HK$ | Number of shares | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Outstanding as at January 1, 2024 | Granted during the Reporting Period (Note 1) | Vested during the Reporting Period (Note 2) | Lapsed during the Reporting Period | Outstanding as at December 31, 2024 |
| **Service Providers** (Note 4) | June 1, 2023 | In three batches on an annual basis between June 1, 2024 and May 31, 2026 | 17.32 | 223,234 | – | 74,336 | – | 148,898 |
| | March 13, 2024 | In one to three batches on an annual basis between 31 March 2025 and 31 March 2027 | 15.7 | – | 316,933 | – | – | 316,933 |
| | June 12, 2024 | In one to three batches on an annual basis between 31 August 2025 and 31 August 2027 | 9.1 | – | 39,991 | – | – | 39,991 |
| | July 8, 2024 | In one to three batches on an annual basis between 31 August 2025 and 31 August 2027 | 9.19 | – | 68,054 | – | – | 68,054 |
| Total (Note 5) | | | | 10,958,035 | 13,021,918 | 2,518,033 | 2,620,611 | 18,841,309 |

Notes:

(1) The consideration of the restricted shares granted during the Reporting Period is nil. For the fair value of the restricted shares granted during the Reporting Period at the grant date and the accounting standard and policy adopted, please refer to notes 2.4 and 34 to the financial statements.

(2) The weighted average closing price of the Shares immediately before the dates on which the restricted shares were vested was HK$11.37.

(3) The vesting conditions of certain restricted shares granted to other employees on March 13, 2024, June 12, 2024, August 19, 2024 and November 19, 2024 include, among other things, the achievement of certain performance targets.

(4) The service providers are consultants who provide consultancy services in relation to strategic business, technical and/or sales consultancy services for industrial biologics and strategic scientific consultancy for products and business of the Group. Please refer to the announcements of the Company dated March 13, 2024, June 13, 2024 and July 8, 2024 for details.

(5) No restricted share was cancelled during the Reporting Period.

## REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

## CHANGES TO INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Save as disclosed in this annual report, there had been no change to any of the information required to be disclosed in relation to any Director or chief executive after the date of the Interim Report 2024 that are required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules have to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Dr. Frank Zhang, an executive Director, was appointed as the chairman of the Sub-Committee on Data Security and Geopolitical Resilience with effect from February 5, 2025.

Ms. Sally Wang, an executive Director, has been appointed as a member of the Nomination Committee with effect from March 11, 2025.

Dr. Li Zhu has been appointed as chairman of the board of directors of Probio Cayman with effect from December 1, 2024.

Mr. Edward Dai, an independent non-executive Director, resigned as an independent non-executive director of Beijing Hanyi Keyin Information Technology Co., Ltd.* (北京漢儀創新科技股份有限公司) (SZ: 301270) in September 2024.

Mr. Yiu Leung Andy Cheung, an independent non-executive Director, resigned as an independent non-executive director of JW (Cayman) Therapeutics Co. Ltd. (stock code: 2126) in August 2024.

Dr. Alphonse Galdes has been appointed as an independent non-executive Director with effect from September 12, 2024 and a member of the Audit Committee with effect from March 11, 2025.

Dr. Ross Grossman has been appointed as a non-executive Director with effect from September 12, 2024 and redesignated from a non-executive Director to an independent non-executive Director with effect from March 11, 2025. He was also appointed as a member of the Remuneration Committee with effect from March 11, 2025.

Dr. John Quelch has been appointed as an independent non-executive Director and a member of the Strategy Committee with effect from November 14, 2024, and a member of the Sub-Committee on Data Security and Geopolitical Resilience with effect from February 5, 2025.

Ms. Sherry Shao was appointed as a member of the Sub-Committee on Data Security and Geopolitical Resilience with effect from February 5, 2025.

Dr. Zhenyu Liu resigned as chairman of the board of directors of Probio Cayman with effect from December 1, 2024, and he resigned as a rotating chief executive officer of the Company, member of the Sanction Risk Control Committee, and director of CustomArray, Inc., a wholly-owned subsidiary of the Company, with effect from December 31, 2024.

Please refer to the announcements of the Company dated September 12, 2024, November 15, 2024, December 2, 2024, February 10, 2025 and 11 March, 2025 for details.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES, AND DEBENTURES

As of December 31, 2024, the interests and short positions of the Directors and chief executives 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 Securities and Futures Ordinance (the "**SFO**"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix C3 to the Listing Rules, are set out as follows:

### Long Positions in the Ordinary Shares and Underlying Shares of the Company as of December 31, 2024

| Name of Director and Chief Executive | Capacity/Nature of interest | Number of Shares/ underlying Shares held/interested | Approximate Percentage of Shareholding (%) |
|---|---|---|---|
| **Director** | | | |
| Frank Zhang | Interest in controlled corporation(Note 1), parties acting in concert(Note 5) and founder of a discretionary trust and trustee(Note 2), interest of spouse(Note 1) | 826,571,753 | 38.55 |
| Robin Meng | Beneficial owner(Note 3) | 1,484,026 | 0.07 |
| Sally Wang | Interest in controlled corporation(Note 4), parties acting in concert(Note 5), beneficial owner(Note 6), founder of a discretionary trust and trustee (Note 7) | 826,571,753 | 38.55 |
| Li Zhu | Beneficial owner(Note 8) | 1,896,318 | 0.09 |
| Larry Wang | Interest in controlled corporation(Note 9), parties acting in concert(Note 5) and interests in spouse(Note 10) | 826,571,753 | 38.55 |
| Edward Dai | Beneficial owner(Note 11) | 100,095 | 0.00 |
| Ethan Pan | Beneficial owner(Note 12) | 284,929 | 0.01 |
| Ross Grossman | Beneficial owner(Note 13) | 21,905 | 0.00 |
| John Quelch | Beneficial owner(Note 14) | 21,905 | 0.00 |
| **Chief Executive** | | | |
| Sherry Shao | Beneficial owner(Note 15) | 6,689,860 | 0.31 |
| Zhenyu Liu *(resigned on December 31, 2024)* | Beneficial owner(Note 16) | 5,511,422 | 0.26 |

* The percentage has been calculated based on 2,143,969,983 Shares in issue as at December 31, 2024.

Notes:

(1) As at December 31, 2024, Frank Zhang held approximately 9.60% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Frank Zhang was deemed, or taken to be interested in, all the Shares held by GS Corp. On June 14, 2024, the Zhang Trust(note 2) transferred 1,852,800 shares of GS Corp to Frank Zhang. On the same day, the Zhang 2023 Trust(note 2) transferred 18,306,000 shares of GS Corp to Frank Zhang. On June 14, 2024, Weihong Jin 2023 Grantor Retained Annuity Trust, of which Weihong Jin, the spouse of Frank Zhang, is the initial trustee, transferred 18,306,000 shares of GS Corp to Weihong Jin. On the same day, Weihong Jin transferred 20,700,935 shares of GS Corp to Weihong Jin 2024 Grantor Retained Annuity Trust II, of which Weihong Jin is the initial trustee.

(2) On October 12, 2017, Frank Zhang set up the 2017 Fang Liang Zhang Trust (the "**Zhang Trust**"), an irrevocable discretionary family trust, with his three children and their respective living issue as beneficiaries. Weihong Jin is the trustee of the Zhang Trust. As at December 31, 2024, the Zhang Trust (through its trustee), held approximately 20.93% of the entire issued share capital of GS Corp. As at December 31, 2024, Fang Liang Zhang 2023 Grantor Retained Annuity Trust (the "**Zhang 2023 Trust**") with Frank Zhang as the initial trustee, through its trustee, held approximately 0.53% of the entire issued share capital of GS Corp.

(3) As at December 31, 2024, Robin Meng held 80,000 underlying Shares under the 2019 RSA Scheme, 1,043,320 underlying Shares under the options conditionally granted to him under the Pre-IPO Share Option Scheme and 360,706 Shares.

(4) As at December 31, 2024, Sally Wang held approximately 4.15% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Sally Wang was deemed, or taken to be interested in, all the Shares held by GS Corp.

(5) On August 14, 2008, Frank Zhang, Sally Wang and Larry Wang entered into the GS Corp Shareholder Voting Agreement, whereby Frank Zhang, Sally Wang and Larry Wang agreed to vote unanimously in the shareholder meetings of GS Corp and, contemporaneously, proxies were conferred by Larry Wang and Sally Wang to Frank Zhang authorising Frank Zhang to vote and exercise all voting and related rights with respect to the shares that each of Larry Wang and Sally Wang beneficially owned in GS Corp, which held 799,999,123 Shares as of December 31, 2024. On May 29, 2015, Yongmei Wu signed a proxy agreement whereby she conferred all her voting and related rights in relation to all the shares that she owned in GS Corp, i.e. 108,625,000 shares of GS Corp to Frank Zhang.

(6) As at December 31, 2024, Sally Wang held 120,000 underlying Shares under the 2019 RSA Scheme, and 25,008,000 underlying Shares under the options conditionally granted to her under the Pre-IPO Share Option Scheme and 168,630 Shares.

(7) On October 5, 2017, Sally Wang set up 2017 Wang Ye Family Trust (the "**Wang Trust**"), an irrevocable discretionary family trust, with her spouse, her son and his living issue as beneficiaries. Zhiyong Hu, the spouse of Sally Wang, is the trustee of the Wang Trust. As at December 31, 2024, the Wang Trust (through its trustee) held approximately 8.06% of the entire issued share capital of GS Corp. Sally Wang is the trustee of Ren-Shiu Foundation Inc. who held 638,000 Shares.

(8) As at December 31, 2024, Li Zhu held 80,000 underlying Shares under the 2019 RSA Scheme, and 634,000 underlying Shares under the options conditionally granted to him under the Post-IPO Share Option Scheme and 1,182,318 Shares.

(9) As at December 31, 2024, Larry Wang held approximately 22.76% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Larry Wang was deemed, or taken to be interested in, all the Shares held by GS Corp.

(10) Larry Wang is the spouse of Lili Huang. For the purpose of the SFO, Larry Wang was deemed, or taken to be interested in all the Shares in which Lili Huang was interested, i.e. 638,000 Shares.

(11) As at December 31, 2024, Edward Dai held 5,480 underlying Shares under the 2019 RSA Scheme, and 58,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme and 36,615 shares.

(12) As at December 31, 2024, Ethan Pan held 5,480 underlying Shares under the 2019 RSA Scheme, and 270,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme and 9,449 shares.

(13) As at December 31, 2024, Ross Grossman held 21,905 underlying Shares under the 2021 RSA Scheme.

(14) As at December 31, 2024, John Quelch held 21,905 underlying Shares under the 2021 RSA Scheme.

(15) As at December 31, 2024, Sherry Shao held 3,906,337 underlying Shares under the 2019 RSA Scheme, 65,683 underlying Shares under the 2021 RSA Scheme, 2,000,000 underlying Shares under the options granted to her under the Post-IPO Share Option Scheme and 717,840 Shares.

(16) As at December 31, 2024, Zhenyu Liu held 5,000,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme and 511,422 Shares.

## Interests in the Ordinary Shares and Underlying Shares of Associated Corporations of the Company

**Legend Biotech Corporation** (Note 1)

| Name of Directors | Capacity/Nature of interest | Number of Shares/ underlying Shares held/interested | Approximate Percentage of Shareholding (Note 2) |
|---|---|---|---|
| Frank Zhang | Interest of controlled corporation (Note 3) and other (Note 4) | 175,972,114 | 47.91% |
| Sally Wang | Interest of controlled corporation (Note 5) and beneficial owner (Note 6) | 174,904,744 | 47.62% |
| Li Zhu | Interests in spouse (Note 7) | 8,400 | 0.00% |
| Larry Wang | Interest of controlled corporation (Note 8) | 174,904,728 | 47.62% |
| Ross Grossman | Beneficial Owner (Note 9) | 3,738 | 0.00% |

Notes:

(1) The Company beneficially owned 174,497,556 ordinary shares of Legend, representing approximately 47.51% of the outstanding share capital of Legend as of December 31, 2024. Legend is a significant associate of the Company, whose shares are listed by way of American Depositary Shares on the Nasdaq Global Select Market in the U.S.

(2) The approximately percentage of shareholding was calculated on basis of the outstanding share capital of Legend as at December 31, 2024, which was 367,298,315.

(3) As at December 31, 2024, pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Dr. Frank Zhang was deemed, or taken to be interested in, all the Shares of the Company held by GS Corp, which in turn GS Corp held 37.31% of the entire issued share capital of the Company, which in turn the Company held 174,497,556 ordinary shares of Legend. GS Corp directly held 407,172 ordinary shares of Legend. As such, Dr. Frank Zhang is deemed to be interested in 174,904,728 ordinary shares of Legend under the SFO.

(4) Dr. Frank Zhang has voting power over 1,067,386 ordinary shares of Legend pursuant to an irrevocable proxy, which became effective upon the exercise of the stock option pursuant to which such ordinary shares of Legend were issued and terminates with respect to any such ordinary shares sold by their registered owner in a public market sale.

(5) As at December 31, 2024, pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Ms. Sally Wang was deemed, or taken to be interested in, all the Shares of the Company held by GS Corp, which in turn GS Corp held 37.31% of the entire issued share capital of the Company, which in turn the Company held 174,497,556 ordinary shares of Legend. GS Corp directly held 407,172 ordinary shares of Legend. As such, Ms. Sally Wang is deemed to be interested in 174,904,728 ordinary shares of Legend under the SFO.

(6) As at December 31, 2024, Ms. Sally Wang held 8 American Depositary Shares (the equivalent of 16 ordinary shares of Legend).

(7) As at December 31, 2024, Ms. Fanny Wan, Dr. Li Zhu's spouse, held 4,200 American Depositary Shares (the equivalent of 8,400 ordinary shares of Legend).

(8) As at December 31, 2024, pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Dr. Larry Wang was deemed, or taken to be interested in, all the Shares of the Company held by GS Corp, which in turn GS Corp held 37.31% of the entire issued share capital of the Company, which in turn the Company held 174,497,556 ordinary shares of Legend. GS Corp directly held 407,172 ordinary shares of Legend. As such, Dr. Larry Wang is deemed to be interested in 174,904,728 ordinary shares of Legend under the SFO.

(9) As at December 31, 2024, Dr. Ross Grossman held 2,560 ordinary shares of Legend and 1,178 underlying ordinary shares of Legend under the 2020 restricted shares plan adopted by Legend on May 26, 2020.

Save as disclosed above, none of the Directors or chief executive and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations as at 31 December 2024.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Schemes" and "Restricted Share Award Schemes", no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouses or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouses or children under 18 years of age, to acquire such rights in any other body corporate at any time during the Year.

## SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

As of December 31, 2024, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares that would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

# Report of the Directors

## Long Position in the Ordinary Shares of the Company as of December 31, 2024

| Name | Capacity/Nature of Interest | Number of Shares/ underlying Shares held/interested | Approximate Percentage of Shareholding* (%) |
|---|---|---|---|
| GS Corp(Note 1) | Beneficial owner | 799,999,123 | 37.31 |
| Weihong Jin (Note 2) | Interest in controlled corporation, parties acting in concert and trustee | 826,571,753 | 38.55 |
| Zhiyong Hu (Note 3) | Interest in controlled corporation, parties acting in concert and trustee | 826,571,753 | 38.55 |
| Lili Huang (Note 5) | Beneficial owner and interest in spouse | 826,571,753 | 38.55 |
| Hillhouse Management V, Ltd. (Note 6) | Interest in controlled corporation | 173,348,965 | 8.09 |
| Hillhouse Management, Ltd. (Note 6) | Investment manager | 173,348,965 | 8.09 |
| Hillhouse Fund V, L.P.(Note 6) | Interest in controlled corporation | 173,348,965 | 8.09 |

* The percentage has been calculated based on 2,143,969,983 Shares in issue as at December 31, 2024.

Notes:

(1) As at December 31, 2024, GS Corp is a company incorporated in the State of Delaware in the U.S. and owned as to approximately 9.60%, approximately 20.93%, approximately 0.53%, approximately 4.06%, approximately 0.53%, approximately 4.60%, approximately 22.76%, approximately 0.43%, approximately 3.99%, approximately 3.72%, approximately 3.72%, approximately 1.85%, approximately 0.29%, approximately 8.66%, approximately 4.15%, approximately 8.06%, approximately 1.05% and approximately 1.07% by Frank Zhang, the Zhang Trust(Note 2), the Zhang 2023 Trust(Note 2), Weihong Jin, Weihong Jin 2023 Grantor Retained Annuity Trust (the "**Jin 2023 Trust**") of which Weihong Jin is the initial trustee, the Weihong Jin 2024 Grantor Retained Annuity Trust II (the "**Jin 2024 Trust**") of which Weihong Jin is the initial trustee, Larry Wang, Yongmei Wu, the Wu 2017 Trust(Note 4), the Wu 2020 Separate Trust A(Note 4), the Wu 2020 Separate Trust L(Note 4), the Wu 2022 Trust(Note 4), the Wu 2023 Trust(Note 4), the Wu 2024 Trust(Note 4), Sally Wang, the Wang Trust(Note 3), Yingjun Mu and Charity B, respectively.

(2) On October 12, 2017, Frank Zhang set up the Zhang Trust, an irrevocable discretionary family trust, with his three children and their respective living issue as beneficiaries. Weihong Jin, the spouse of Frank Zhang, is the trustee of the Zhang Trust. As at December 31, 2024, the Zhang Trust (through its trustee), held approximately 20.93% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO. As at December 31, 2024, Weihong Jin, Jin 2023 Trust, and Jin 2024 Trust held approximately 4.06%, 0.53% and 4.60% of the entire issued share capital of GS Corp respectively.

(3) On October 5, 2017, Sally Wang set up the Wang Trust, an irrevocable discretionary family trust, with her spouse, her son and his living issue as beneficiaries. Zhiyong Hu, the spouse of Sally Wang, is the trustee of the Wang Trust. As at December 31, 2024, Zhiyong Hu, as the trustee of the Wang Trust, held approximately 8.06% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.

(4) On December 17, 2017, Yongmei Wu set up 2017 Wu Yongmei Trust (the "**Wu 2017 Trust**"). On October 28, 2020, Yongmei Wu set up Descendants' Separate Trust FBO A (the "**Wu 2020 Separate Trust A**") and Descendants' Separate Trust FBO L (the "**Wu 2020 Separate Trust L**"). On October 29, 2021, Yongmei Wu set up Yongmei Wu 2021 Trust (the "**Wu 2021 Trust**") and serves as the initial trustee. On October 31, 2022, Yongmei Wu set up the Yongmei Wu 2022 Trust (the "**Wu 2022 Trust**") and serves as the initial trustee. On October 31, 2023, Yongmei Wu set up the Yongmei Wu 2023 Trust (the "**Wu 2023 Trust**"). On October 28, 2024, Wu 2021 Trust transferred 11,041,707 shares of GS Corp to Yongmei Wu. On October 29, 2024, Wu 2023 Trust transferred 15,673,697 shares of GS Corp to Yongmei Wu. On October 30, 2024, Wu 2022 Trust transferred 13,133,822 shares of GS Corp to Yongmei Wu. On October 30, 2024, Yongmei Wu set up Yongmei Wu 2024 Grantor Retained Annuity Trust (the "**Wu 2024 Trust**") and transferred 39,000,000 shares of GS Corp to Wu 2024 Trust.

(5) As at December 31, 2024, Lili Huang held 638,000 Shares. In addition, since Lili Huang is the spouse of Larry Wang, who is a non-executive Director. For the purpose of the SFO, Lili Huang was deemed, or taken to be interested in all the Shares in which Larry Wang was interested.

(6) As at December 31, 2024, 173,348,965 Shares are held by wholly-owned subsidiaries of Hillhouse Investment Management V, Ltd., which is wholly owned by Hillhouse Fund V, L.P.. Hillhouse Investment Management, Ltd. is the sole investment manager of Hillhouse Fund V, L.P..

Save as disclosed above, as at December 31, 2024, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares, which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept pursuant to Section 336 of the SFO.

## TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares.

## PURCHASE, REDEMPTION, OR SALE OF THE LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares).

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## NON-COMPETING UNDERTAKINGS

The controlling shareholders of the Company, namely Frank Zhang, Larry Wang, Sally Wang and GS Corp, or any of them (the "**Controlling Shareholders**"), have signed the deed of non-competition (the "**Deed of Non-competition**") dated December 7, 2015, pursuant to which, each of our Controlling Shareholders shall, and shall procure that their respective close associates and/or companies controlled by them (other than the Group) (i) not, directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm, or company, among other things, carry on, participate, or be interested or engage in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward, or otherwise) any activity or business that competes or is likely to compete, directly or indirectly, with the business of the Group referred to in the Prospectus and any other business from time to time conducted, carried on, or contemplated to be carried on by any member of the Group or in which any member of the Group is engaged or has invested, or which any member of the Group has otherwise publicly announced its intention to enter into, engage in, or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement), (ii) provide all information requested by the Company that is necessary for an annual review by our independent non-executive Directors of its compliance with the Deed of Non-competition and the enforcement of the Deed of Non-competition, (iii) procure the Company to disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, either through the annual report or by way of announcement(s) to the public, and (iv) make an annual declaration on compliance with its undertaking under the Deed of Non-competition in the annual reports of the Company as our independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules. Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

The Company has received the annual confirmation of controlling shareholders in respect of their compliance with the non-competition undertakings under the Deed of Non-competition during the year ended December 31, 2024.

The independent non-executive Directors also reviewed the Controlling Shareholders' compliance with the non-competition undertakings. The independent non-executive Directors confirmed that the Controlling Shareholders were not in breach of the non-competition undertakings during the year ended December 31, 2024.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, as at December 31, 2024, no executive Director, non-executive Director or any of their close associates had any interests in any business that competed or was likely to compete, either directly or indirectly, with the business of the Group under Rule 8.10(2) of the Listing Rules.

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2024, the Company had no connected transactions or continuing connected transactions that were required to be disclosed pursuant to the provisions under Chapter 14A of the Listing Rules.

## CHARITABLE DONATIONS

During the year ended December 31, 2024, the Group donated US$353,000 to non-profit organisations for charitable and community purposes.

## MATERIAL LEGAL PROCEEDINGS

As of December 31, 2024, the Group was not involved in any material litigation or arbitration, and no material litigation or claim was pending or threatened against the Group as far as the Directors were aware of.

## REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the annual results announcement for 2024 and the financial statements for the year ended December 31, 2024 prepared in accordance with the HKFRS Accounting Standards and was of the opinion that such annual results had been prepared in accordance with the relevant accounting standards, laws and regulations, and that adequate disclosures have been made in accordance with the requirements of the Listing Rules.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining the highest standards of corporate governance practices. The Company has applied the principles set out in the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix C1 to the Listing Rules. During the Reporting Period, save as disclosed in the Corporate Governance Report, the Company has complied with the mandatory code provisions of the CG Code. For details, please refer to the Corporate Governance Report on pages 78 to 102 in this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained a sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules as of the date of this annual report.

## CONSULTING PROFESSIONAL TAX ADVISERS

The Company's shareholders are recommended to consult professional advisers if they are in any doubt as to the tax implications of the purchasing, holding, disposal of, buying, and selling of the Company's Shares or exercising any rights concerned.

## AUDITOR

Ernst & Young ("**Ernst & Young**"), *Certified Public Accountants and Registered Public Interest Entity Auditor*, was appointed as the auditor to audit the financial statements prepared in accordance with the HKFRS Accounting Standards for the year ended December 31, 2024. Ernst & Young shall retire at the forthcoming AGM and is eligible and has offered itself for re-election. The resolution regarding the re-appointment of Ernst & Young as the auditor of the Company will be proposed at the forthcoming AGM. The Company did not change its auditor in the last three years.

## BUSINESS REVIEW PURSUANT TO SCHEDULE 5 OF THE COMPANIES ORDINANCE (CHAPTER 622 OF THE LAWS OF HONG KONG)

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the Reporting Period and the material factors underlying its results and financial position are provided in the section headed "Management's Discussion and Analysis" from pages 11 to 31 of this annual report.

# Report of the Directors

## PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group include commercial, operational and financial risks.

### Commercial Risks

The Group is facing keen competition with other life-science research and application services and products providers. To maintain the Group's competitiveness, the management uses cost leadership strategy as well as diversifies its business strategies to outperform other competitors.

### Operational Risks

The Group is exposed to operational risks associated with each business segment of the Group. To manage the operational risks, the senior management regularly reviews the Group's operations to ensure that the Group's risks of losses, whether financial or otherwise, resulting from fraud, errors, omissions and other operational and compliance matters, are adequately managed. The senior management is also responsible for overseeing the implementation of the Group's risk management policies and procedures and shall report any irregularities to the Directors and seek directions. The Group emphasizes ethical values and prevention of fraud and bribery. In this regard, the Directors consider that the Group's operational risks are effectively mitigated.

### Financial Risks

The principle financial risks are set out in the note 42 to the financial statements in this report headed "Financial Risk Management Objectives and Policies".

## SUBSEQUENT EVENTS

As at December 31, 2024 and up to the date of this report, the Group had no significant subsequent events which needs to be disclosed.

## FINANCIAL KEY PERFORMANCE INDICATORS

A summary of the results and assets and liabilities of the Company for the last five financial years is set out on page 8 in this annual report. This summary does not form part of the audited consolidated financial statements.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

At GenScript, we promote responsible manufacturing and operations across all aspects of our business. Our unwavering commitment to environmental stewardship is reflected in our approaches to enhance energy efficiency, reduce waste, minimize water consumption, reuse consumables and packaging, and integrate low-carbon technologies into our processes.

Our initiatives to improve efficiency in energy, water, and production resources focus on deploying energy-efficient systems, conducting energy audits and water balance testing, and applying lean manufacturing principles to streamline processes. To reduce waste, wastewater, and exhaust emissions, we have implemented stringent pollution controls throughout our production processes, including on-site waste disposal, improvements to wastewater treatment, and enhanced monitoring of air pollution.

During the Reporting Period, we obtained ISO 14001 certification for four additional operational sites. As of December 31, 2024, 31% of our operational sites have been certified to ISO 14001. In accordance with regulatory requirements and the ISO 14001 standard, we have established a set of robust policies in our major manufacturing sites, including the Environmental Sustainability Policy and the Energy Management Policy, which provide a structured framework for managing key environmental priorities.

The Group will continuously optimise operations, enhance green management, and further reduce emission intensity in an effort to achieve sustainable development.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Group has implemented procedures to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators through effective communications. During the year under review, the Group has complied in all material respects, to the best of our knowledge, with the SFO, the Listing Rules, and other relevant rules and regulations.

## RELATIONSHIPS WITH EMPLOYEES

The Group encouraged the employees to enhance their competitiveness and ability to innovate new services and products. This raised the momentum in the research and development as well as marketing efforts to increase the revenue of the Group. Through solidifying its business foundation and adjusting its operation directives, the Group is striving to forge ahead under adverse conditions to allow us to achieve new progresses in terms of production and operation under a positive and hardworking work culture.

## RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

We had established a highly diversified customer base, including pharmaceutical and biotech companies, colleges and universities, research institutes, government bodies (including government testing and diagnostic centers), and distributors. The Group strives to "Make Research Easy" by offering life-science research and application services and products for conducting fundamental life-science research, translational biomedical research, and early stage pharmaceutical development. Our drug discovery and biologics CDMO services are mainly provided to biopharma and biotechs in the drug discovery space. Our synthetic biology products are used by industry users, such as those in the feed, food, grain processing and home care industries. In 2024, we expanded the range of our services and products and developed new customer accounts. The total number of customers has increased by approximately 9.5% compared to the total number of customers in 2023.

Owing to our vast array of services and products, we procure a wide variety of raw materials from a large number of suppliers for our business segments. As of December 31, 2024, we had a total of approximately 891 suppliers of different raw materials for our production that are mostly located in the Mainland China. In 2024, we maintained sound relationships with our suppliers such that we could meet business challenges and comply with regulatory requirements, thereby deriving cost effectiveness and reaping long term business benefits.

By order of the Board
**Robin Meng**
*Chairman and Executive Director*

Hong Kong,
March 11, 2025

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report as set out in the annual report of the Company for the year ended December 31, 2024.

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code contained in Appendix C1 to the Listing Rules (as in effect from time to time) as its own code of corporate governance.

The Company has complied with all the applicable code provisions as set out in the CG Code during the year ended December 31, 2024 and up to the date of this annual report.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

## CORPORATE CULTURE

### Vision and Core Value

Founded in 2002 in New Jersey, the U.S., the Company accelerates innovation in healthcare and consumer goods by providing researchers and companies with the building blocks needed to develop groundbreaking treatments and products.

The Company remains guided by the corporate mission of "Making People and Nature Healthier Through Biotechnology" and become the trustworthy biotech company in the world.

To live up to our mission, GenScript's employees embody and are empowered by the values of: (i) Customer First; (ii) Innovation, Pursuit of Excellence and Win-Win Cooperation; and (iii) Integrity and Introspection.

#### Customer First

We have supported more than 225,000 researchers worldwide and contributed to more than 107,400 peer-reviewed publications. We continue to add value to our clients' research by providing quality and cost-effective services and products at lightning-fast speeds. We continuously improve our manufacturing and other operational processes and procedures to meet bespoke as well as standardized customer requirements.

In more recent years we have engaged in strategic collaborations with business partners and, through our Life Science Research Grant program, invested in building up a healthy collaborative biotech ecosystem. In 2024, through the Life Science Research Grant program, we proudly awarded 154 research teams with US$1.6 million in free services, reagents, and products.

#### Innovation, Pursuit of Excellence, and Win-Win Cooperation

As a life science company, continuous innovation is part of our DNA just as it is part of customers' DNA.

From investments in mRNA to viral vectors to cell therapeutics, GenScript continues to push boundaries and help our customers create new possibilities.

We are committed to increasing the quality of our products and services and offering more options for these products and services manufactured according to cGMPs (Current Good Manufacturing Practices). To achieve our pursuit of excellence, we foster a culture of continuous improvement and pushing boundaries to solve complex manufacturing challenges. We expect to continuously improve in:

- Reducing bioburden, endotoxin, and impurities through in-process quality testing;
- Increasing productivity and yields through both culturing improvements and modeling tools; and
- Streamlining processes through automated manufacturing, modeling, AI, and real-time monitoring.

Integrity and Introspection.
GenScript always adheres to the principles of honesty and high business ethics as a foundation to all we do. Through improved risk management and enhanced governance capabilities, we live up to those standards.

## Strategies to Achieve our Vision

We have been improving our clients' competitiveness through providing our superior quality, fast-delivery and cost-effective services and products. Internally, we focus on optimizing our operational processes and procedures with the aim of striving for the highest quality of end-to-end delivery. Externally, we actively enhance the value of strategic collaborations with business partners with the vision to build up a healthy biotech eco-system and contribute more of our efforts to accelerate the evolution of the whole biotech and biopharma industry.

## Responsibility and quality management

Adhering to its responsibilities, the Company unremittingly offers high-quality products and services and puts "Customer First" as a core value. We strive to establish a quality management system for the entire product life cycle and focus on suppliers' social responsibility management to grow together with suppliers. We also continuously improve customer service quality and protect information security and customer privacy. In addition, we respect the ethics of animal experiments and ensure animal health and welfare.

## Innovation spirit

With the core values of "Innovation and Pursuit of Excellence", the Company aspires to establish an excellent biotechnology platform, develop innovative products, and leverage our expertise, innovation and R&D to promote the development of the industry and benefit mankind. The Company strives to "Make Research Easy" by offering life-science research and application services and products for conducting fundamental life-science research, translational biomedical research, and early stage pharmaceutical development. Our business has made significant contributions to the global life science research community

With the core values of "Innovation through Collaboration", the CDMO segment aspires to drive technological advances that underpin higher quality with "purer" products and achieving better efficacy in biologics development and producing higher titer and "purer" products in manufacturing. We are committed to building capabilities and expertise in Biologics, Cell and Gene Therapies Process Development, and cGMP manufacturing to optimize robust upstream and downstream processes, strengthen quality control, produce and release high-standard drug substance and drug product. We also plan to expand in-house Process Analytical Development and Quality Control capabilities – creating an ecosystem based on continuous improvement and pushing boundaries to solve complex manufacturing challenges.

We will invest efforts to continually improve in the following critical areas: (i) reduced bioburden, endotoxin, and impurity levels through manufacturing controls; (ii) increased productivity and yields enabled by continuous process development with improved media, feeding strategies, and modeling tools; (iii) novel process analytical technology, continuous and automated manufacturing process, AI and modeling tool box integrating our systems to enable real-time monitoring; and (iv) data security and integrity to global standards. We also spearhead the development of innovative delivery systems to enhance our manufacturing expertise adaptive to bespoke client requirements for biologics and CGT assets.

### Operational compliance

We believe that operation compliance is the foundation of corporate development, and integrity is an important part of our core values. The Company always adheres to the principles of honesty and business ethics, established and improved the risk control system, and continuously enhanced governance capabilities.

## THE BOARD

### Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions, and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established six Board committees, including the Audit Committee, the Remuneration Committee, the Nomination Committee, the Sanctions Risks Control Committee, the Risk Management and ESG Committee, and the Strategy Committee, along with one sub-committee the Sub-Committee on Data Security and Geopolitical Resilience (together, the "**Board Committees**"). The Board has delegated responsibilities to the Board Committees as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the shareholders at all times.

### Board Composition

As of the date of this annual report, the Board comprises twelve members, consisting of four executive Directors, one non-executive Director, and seven independent non-executive Directors as set out below:

### Executive Directors

Dr. Frank Zhang
Mr. Robin Meng *(Chairman)*
Ms. Sally Wang *(President)*
Dr. Li Zhu *(Chief Strategy Officer)*

### Non-executive Director

Dr. Larry Wang

### Independent non-executive Directors

Mr. Edward Dai
Mr. Ethan Pan
Mr. Yiu Leung Andy Cheung
Dr. Victor Shi
Dr. Alphonse Galdes
Dr. Ross Grossman
Dr. John Quelch

The biographies of the Directors are set out in the section headed "Directors and Senior Management" of this report.

During the year ended December 31, 2024 and up to the date of this annual report, the Board met the requirements of Rules 3.10 (1) and 3.10 (2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules, and the Company considers each of them to be independent.

None of the Directors have any personal relationship (including financial, business, family, or other material/relevant relationship) with any other Director.

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 non-executive Director and independent non-executive Directors have been participating in Board meetings, taking the lead where potential conflicts of interests arise. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Management and ESG Committee, the Strategy Committee and the Sub-Committee on Data Security and Geopolitical Resilience.

With regards to the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments, as well as their identities and the times involved in the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

## INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules, and regulations. The Company also arranges regular seminars to provide Directors with updates on the latest developments and the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Group's performance, position and, prospects to enable the Board as a whole and each Director to discharge their duties.

According to the records kept by the Company, all the existing Directors have received continuous and professional development and training, as set out below, with an emphasis on the roles, functions, and duties of directors in listed companies:

| | **Attending internal briefings or trainings, participating seminars, or reviewing materials** |
|---|---|
| **Name of Directors** | |
| **Executive Directors** | |
| Dr. Frank Zhang | ✓ |
| Mr. Robin Meng | ✓ |
| Ms. Sally Wang | ✓ |
| Dr. Li Zhu | ✓ |
| **Non-executive Directors** | |
| Dr. Larry Wang | ✓ |
| Mr. Yuexin Pan *(Resigned on June 21, 2024)* | ✗ |
| Ms. Jiafen Wang *(Resigned on July 5, 2024)* | ✗ |
| **Independent non-executive Directors** | |
| Mr. Edward Dai | ✓ |
| Mr. Ethan Pan | ✓ |
| Mr. Yiu Leung Andy Cheung *(Appointed on April 12, 2024)* | ✓ |
| Dr. Victor Shi *(Appointed on April 12, 2024)* | ✓ |
| Dr. Alphonse Galdes *(Appointed on September 12, 2024)* | ✓ |
| Dr. Ross Grossman *(Appointed as a non-executive Director on September 12, 2024 and redesignated as an independent non-executive Director on March 11, 2025)* | ✓ |
| Dr. John Quelch *(Appointed on November 14, 2024)* | ✓ |
| Mr. Hongxin Guo *(Resigned on June 21, 2024)* | ✗ |
| Dr. Xuehai Wang *(Resigned on July 5, 2024)* | ✗ |

Dr. Alphonse Galdes, Dr. Ross Grossman, and Dr. John Quelch obtained the legal advice referred to under Rule 3.09D of the Listing Rules on September 8, 2024, September 11, 2024, and November 11, 2024, respectively. They have confirmed they understood his or her obligations as a director of a listed issuer under the Listing Rules.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICERS

The Board recognizes the recommendation of the CG Code that the chairman and the chief executive officer should be separate and performed by different individuals.

The chairman of the Board is Mr. Robin Meng and the rotating chief executive officers are Ms. Sherry Shao and Dr. Zhenyu Liu (resigned with effect from December 31, 2024) during the Reporting Period. The chairman bears the responsibility for the effective conduct of the Board whilst the rotating chief executive officer bears the executive responsibility for the operations of the Group's business. The chairman and the rotating chief executive officer are not related to each other.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into service contracts with the Company for a fixed term of three years commencing on December 17, 2022 for Dr. Frank Zhang, that on December 1, 2024 for Mr. Robin Meng and Ms. Sally Wang, and that on November 22, 2023 for Dr. Li Zhu. Their appointments can be terminated before the expiration of the term by not less than six months' notice in writing served by either party on the other.

Each of the non-executive Directors has signed appointment letters with the Company for a term of three years. The effective date of the appointment of Dr. Larry Wang is August 24, 2024. His appointment is subject to termination in accordance with his terms. The appointment letters for the appointment of each of Mr. Yuexin Pan and Ms. Jiafen Wang as a non-executive Directors have been terminated by mutual consent with effect from June 21, 2024 and July 5, 2024, respectively.

Each of the independent non-executive Directors has signed appointment letters with the Company for a term of three years. The effective date of the appointment of Mr. Edward Dai is August 24, 2024, that on November 26, 2024 for Mr. Ethan Pan, that on April 12, 2024 for Mr. Yiu Leung Andy Cheung, that on April 12, 2024 for Dr. Victor Shi, that on September 12, 2024 for Dr. Alphonse Galdes, that on March 11, 2025 for Dr. Ross Grossman, and that on November 14, 2024 for Dr. John Quelch. Their appointments are subject to termination in accordance with their respective terms. The appointment letters for the appointment of each of Mr. Hongxin Guo and Dr. Xuehai Wang have been terminated by mutual consent with effect from June 21, 2024 and July 5, 2024, respectively.

Save as disclosed herein, none of the Directors has entered into any service contract with the Group that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Pursuant to the Articles, at each annual general meeting, one-third of the Directors shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

# Corporate Governance Report

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles. The Nomination Committee is responsible for reviewing the Board composition, and making recommendations to the Board on appointment, re-election, and succession planning of Directors.

## CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation from each of the independent non-executive Directors in respect of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent throughout the year ended December 31, 2024 in accordance with Rule 3.13 of the Listing Rules.

Mr. Cheung Yiu Leung Andy was the former deputy area managing partner at EY before his retirement in June 2020. The Nomination Committee and the Board is of the view that Mr. Cheung has satisfied the independence requirements for independent non-executive Directors under Rule 3.13 of the Listing Rules taking into account the following factors: (i) Mr. Cheung has ceased to be a partner of EY for more than two years immediately prior to his proposed appointment as an independent non-executive Director, (ii) throughout his service in EY, Mr. Cheung (a) did not serve as a member or leader of the execution team in providing audit or consulting services to the Company, (b) did not serve as an audit partner or engagement partner of EY in providing services to the Company, and (c) had never been consulted on or involved in providing technical supports related to EY's audit services to the Company, (iii) since his retirement from EY, Mr. Cheung has not been involved nor has he participated in any transaction between the Company and EY, and (iv) Mr. Cheung has met all of the requirements under Rule 3.13 of the Listing Rules. Accordingly, as required under Rule 3.14 of the Listing Rules, the Company has, prior his appointment, successfully demonstrated to the satisfaction of the Stock Exchange that Mr. Cheung is independent and fulfills all independence requirements under Rule 3.13 of the Listing Rules.

Although Dr. Ross Grossman was a non-executive Director immediately prior to his redesignation as an independent non-executive Director on March 11, 2025, the Nomination Committee and the Board is of the view that Dr. Grossman is independent and has satisfied the independence requirements for independent non-executive directors under Rule 3.13 (except 3.13(7)) of the Listing Rules, taking into account the following factors: (i) Dr. Grossman served as a non-executive Director for a short period (i.e., six months) prior to his redesignation, during which he was responsible for providing advice to the Board and advising on corporate governance matters in his capacity as a non-executive Director; (ii) he has not been involved in the daily operations, and management, or any executive functions of the Company; (iii) he did not hold any other position in the Company or its subsidiary and did not have any business connections with the Company, except for performing his duties as a non-executive Director prior to his redesignation and a consultant of Legend Biotech, an associate of the Company effective October 18, 2024 (which was a subsidiary of the Company at the time of Dr. Grossman's appointment as a non-executive Director); and (iv) save for the factor as set out in Rule 3.13(7) of the Listing Rules, he satisfies other independent criteria under Rule 3.13 of the Listing Rules. The Company has demonstrated to the satisfaction of the Hong Kong Stock Exchange that Dr. Grossman is independent.

## BOARD INDEPENDENCE

In order to ensure that independent views and input of the independent non-executive Directors are made available to the Board, the Nomination Committee and the Board are committed to assess the independent non-executive Directors' independence annually with regards to all relevant factors related to the independent non-executive Directors including the following:

1. required character, integrity, expertise, experience and stability to fulfill their roles;
2. time commitment and attention to the Company's affairs;
3. commitment to their independent roles respectively pursuant to Rule 3.13 of the Listing Rules;
4. declaration of conflict of interest in their roles as independent non-executive Directors;
5. no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgment; and
6. the chairman meets with the independent non-executive Directors regularly without the presence of the executive Directors.

During the Reporting Period, the Board has reviewed the mechanisms established to ensure independent views and input are available to the Board and was satisfied with the implementation and effectiveness of such mechanisms.

## BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly. Notices of not less than 14 days are given for regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other committee meetings, a reasonable notice will be given in writing to all committee members. The meeting notice states the time and place of the meeting. The agenda and accompanying board committee papers will be provided at least three days before the date of meeting to ensure that Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

Minutes of the Board meetings and Board committee meetings will be recorded in sufficient details for the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

# Corporate Governance Report

During the Reporting Period, the Board held seven meetings on March 9, 2024, April 12, 2024, May 16, 2024, July 2, 2024, August 9, 2024, September 12, 2024 and November 14, 2024 to cover the following aspects:

(a) to consider and review the financial statements for the year ended December 31, 2023 and for the six months ended June 30, 2024 and their publication, and matters concerning corporate governance and management;

(b) to discuss overall strategies of the Group, monitor the financial and operational performance and approve the annual and interim results of the Group;

(c) to consider and approve the external investments;

(d) to consider and discuss matters concerning the implementation of the Share Option Schemes and the RSA Schemes;

(e) to consider and discuss matters concerning the Nomination Committee's recommendations regarding the composition of the board; and

(f) to consider and discuss matters relating to sanctions, audition, nomination, remuneration, risk management and ESG-related matters, and development strategies.

The attendance of the individual Directors at the Board meetings mentioned above and the general meeting is set out below:

| | Attended/Eligible to attend | |
|---|---|---|
| **Name of Directors** | **Board meetings** | **General Meeting** |
| Dr. Frank Zhang | 7/7 | 1/1 |
| Mr. Robin Meng | 7/7 | 1/1 |
| Ms. Sally Wang | 7/7 | 1/1 |
| Dr. Li Zhu | 7/7 | 1/1 |
| Dr. Larry Wang | 7/7 | 1/1 |
| Mr. Edward Dai | 7/7 | 1/1 |
| Mr. Ethan Pan | 7/7 | 1/1 |
| Mr. Yiu Leung Andy Cheung *(Appointed on April 12, 2024)* | 5/5 | 1/1 |
| Dr. Victor Shi *(Appointed on April 12, 2024)* | 5/5 | 1/1 |
| Dr. Alphonse Galdes *(Appointed on September 12, 2024)* | 1/1 | 0/0 |
| Dr. Ross Grossman *(Appointed as a non-executive Director on September 12, 2024 and re-designated as an independent non-executive Director on March 11, 2025)* | 1/1 | 0/0 |
| Dr. John Quelch *(Appointed on November 14, 2024)* | 0/0 | 0/0 |
| Mr. Yuexin Pan *(Resigned on June 21, 2024)* | 3/3 | 0/0 |
| Ms. Jiafen Wang *(Resigned on July 5, 2024)* | 3/4 | 1/1 |
| Mr. Hongxin Guo *(Resigned on June 21, 2024)* | 3/3 | 0/0 |
| Dr. Xuehai Wang *(Resigned on July 5, 2024)* | 4/4 | 1/1 |

The Company's external auditor also attended the annual general meeting of the Company held on June 21, 2024.

During the Reporting Period, the chairman of the Board met with the independent non-executive Directors without the presence of the other Directors to discuss and obtain independent advice on the business operations and financial condition of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own Code for Securities Transaction by Directors and Specified Individuals on terms no less exacting than the required standard set out in the Model Code. Specific inquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code during the Reporting Period.

The Model Code is also applicable to the Company's relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities. No incidents of non-compliance with the Model Code by the Directors and the relevant employees of the Company were noted by the Company during the Reporting Period.

## CORPORATE GOVERNANCE FUNCTION

The Board recognizes that corporate governance shall be the collective responsibility of the Directors. The main corporate governance duties of the Board include:

1. to develop and review the Group's policies and practices on corporate governance;

2. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

3. to develop, review, and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

4. to review the Group's compliance with the CG Code and disclosure in the Corporate Governance Report.

The duty to review and monitor the training record and continuous professional development of the Directors and senior management of the Group has been delegated to the Remuneration Committee.

## DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Group, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors, and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Group's senior management independently.

The daily management, administration, and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

## BOARD COMMITTEES

### Nomination Committee

The Nomination Committee currently comprises six members, including two executive Directors, namely, Mr. Robin Meng (chairman of the Nomination Committee) and Ms. Sally Wang, and four independent non-executive Directors, namely, Mr. Edward Dai, Mr. Ethan Pan, Mr. Yiu Leung Andy Cheung and Dr. Victor Shi.

The principal duties of the Nomination Committee include:

1. to review the structure, size, composition, and diversity (including but not limited to the gender, age, educational background or professional experience, skills, knowledge, and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors;

4. to make recommendations to the Board on the appointment or reappointment of members of the Board and succession planning for members of the Board;

5. to review the board diversity policy as appropriate to ensure its effectiveness and if necessary, recommend any revision suggestions to the Board for consideration and approval; and

6. to develop, review and implement, as appropriate, the policy, criteria and procedures for the identification, selection and nomination of candidates for director(s) to the Board for consideration and approval.

In fulfilling its functions, the Nomination Committee has been provided with sufficient resources by the Company to seek independent professional advice to perform its responsibilities.

The written terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code and available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee held three meetings on March 9, 2024, April 12, 2024 and November 14, 2024. The specific agenda of the Nomination Committee covered the following aspects:

(a) to review the structure, size, composition and diversity of the Board;

(b) to review the Company's board diversity policy;

(c) to assess the independence of the independent non-executive Directors of the Company;

(d) to make recommendation to the re-election of Directors; and

(e) to make recommendation to the appointment of new Directors and the re-designation of Directors.

The attendance of the individual committee members at the Nomination Committee meeting mentioned above is set out below:

| Name of Committee Member | Committee meetings attended/ eligible to attend |
|---|---|
| Mr. Robin Meng *(chairman)* | 3/3 |
| Ms. Sally Wang *(Appointed with effect from March 11, 2025)* | 0/0 |
| Mr. Edward Dai | 3/3 |
| Mr. Ethan Pan | 3/3 |
| Mr. Yiu Leung Andy Cheung *(Appointed with effect from April 12, 2024)* | 1/1 |
| Dr. Victor Shi *(Appointed with effect from April 12, 2024)* | 1/1 |

## Director Nomination Policy

The Board has adopted a director nomination policy which sets out the approach to guide the Nomination Committee in relation to the procedures and process and criteria to select and recommend candidates for directorship and aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the Company.

Pursuant to the director nomination policy, the Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill, and ability to commit time and effort to carry out the duties. The recommendations of the Nomination Committee will then be put to the Board for decision. The Nomination Committee should report back to the Board on its decisions or recommendations after every Nomination Committee meeting.

# Corporate Governance Report

## Board Diversity Policy

The Company believes that board diversity can enhance the performance of the Company. After taking into account the Company's own business model and specific needs and upon the recommendation of the Nomination Committee, the Board has adopted a board diversity policy to ensure that in designing the Board's composition, board diversity will be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, professional experience, educational background, knowledge. The Board will consider setting measurable objectives to implement the board diversity policy and review such objections from time to time to ensure appropriateness and ascertain the progress made towards achieving those objectives. As at December 31, 2024, the Board had one female Director out of twelve Directors. The Board targets to maintain at least the current level of female representation, with the ultimate goal of achieving gender parity. The Board will consider to continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. The Nomination Committee will review the board diversity policy and its implementation from time to time.

As at December 31, 2024, the Company had 2,311 male employees (41.51%) and 3,257 female employees (58.49%). The Board is satisfied with the gender diversity of our employees and no measurable objective with respect to gender diversity has been adopted as of the date of this annual report. The Company will continue to ensure that gender diversity is maintained when recruiting employees at all levels.

## Remuneration Committee

The Remuneration Committee currently comprises four members, including three independent non-executive directors, namely, Mr. Edward Dai (chairman of the Remuneration Committee), Dr. Victor Shi and Dr. Ross Grossman, and an executive director, namely, Ms. Sally Wang.

The principal duties of the Remuneration Committee include:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of members of the Board and senior management members and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

2. to make recommendations to the Board of the remuneration of members of the Board who are non-executive Directors;

3. to consult with the chairman and/or the chief executive officer of the Company and, where deemed appropriate, senior management members about the Remuneration Committee's proposals relating to, and have the delegated responsibility to determine, the specific remuneration packages for the employment of all members of the Board who are executive directors and all senior management members, including benefits in kind, pension rights, and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to review and approve performance-based remuneration payable to members of the Board who are executive directors, and senior management members by reference to corporate goals and objectives resolved by the Board from time to time and other measures of performance;

5. to review and approve any compensation additional to that provided for in the remuneration packages determined according to paragraph 3 above, which is payable to members of the Board who are executive directors and senior management members in connection with any loss or termination of their offices or appointments to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

6. to review and approve compensation arrangements relating to dismissal or removal of members of the Board who are executive directors and senior management members for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

7. to ensure that no member of the Board or the senior management members or any of his/her associates is involved in deciding his own individual remuneration;

8. to determine the participation of members of the Board who are executive directors, senior management members, and other employees of the Company in any discretionary employee share or other share-based incentive schemes operated by the Company;

9. to determine targets for any Company-wide performance-related payments for members of the Board who are executive directors and senior management members and individual incentives for members of the Board who are executive directors and senior management members;

10. to determine the provision of benefits and settlement of other provisions under the terms of the service agreements or otherwise of members of the Board who are executive directors and senior management members where these are stated as being at the discretion of the Board;

11. to operate and administer the Company's share option schemes or other incentive schemes (if any) as may be from time to time adopted by the Company; and

12. to review and monitor the training record and continuous professional development of the Directors and senior management of the Company.

In fulfilling its functions, the Remuneration Committee has been provided with sufficient resources by the Company to seek independent professional advice to perform its responsibilities.

The written terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code and available on the websites of the Stock Exchange and the Company.

## Corporate Governance Report

During the Reporting Period, the Remuneration Committee held five meetings on March 9, 2024, April 12, 2024, May 16, 2024, August 9, 2024 and November 14, 2024 to cover the following aspects:

(a) to determine the remuneration policy and structure of Directors and certain senior management and evaluate and make adjustment to the remuneration of the Directors and certain senior management;

(b) to assess performance of executive Directors;

(c) to review and approve the terms of executive Directors' service contracts; and

(d) to consider, discuss and approve matters concerning the implementation of the Share Option Schemes and the RSA Schemes under Chapter 17 of the Listing Rules, including but not limited to the amendment to the Share Schemes, grants of options and awards, and the terms and conditions attached to options and awards.

The attendance of the individual committee members at the Remuneration Committee meeting mentioned above is set out below:

| **Name of Committee Member** | **Committee meetings attended/ eligible to attend** |
|---|---|
| Mr. Edward Dai *(chairman)* | 5/5 |
| Ms. Sally Wang | 5/5 |
| Dr. Victor Shi *(Appointed on June 21, 2024)* | 2/2 |
| Dr. Ross Grossman *(Appointed on March 11, 2025)* | 0/0 |
| Mr. Hongxin Guo *(Resigned on June 21, 2024)* | 3/3 |

According to the 2019 RSA Scheme and the 2021 RSA Scheme, the Board is entitled to determine performance targets and clawback mechanism attached to any awards granted to the Directors or senior management when offering the grant.

The awards granted during the Reporting Period are generally subject to performance targets in which any circumstances as specified in the respective grant notice. The awards granted to Directors during the Reporting Period and the awards granted to Dr. Zhenyu Liu (who served as a rotating chief executive of the Company until his resignation on December 31, 2024) were without any performance targets. Having considered that (i) the grant of the awards constitutes a part of the remuneration package of such Directors upon their appointment as a Director, or (ii) the grant of the awards constitutes the fixed annual remuneration of Dr. Zhenyu Liu which was determined by the Remuneration Committee and the Board after taking into account the past performance and contribution of him, the Remuneration Committee and the Board believe that the grant of awards could align the interests of them with that of the Company and the Shareholders, which is in line with the purpose of the 2019 RSA Scheme and the 2021 RSA Scheme.

During the Reporting Period and prior to the Share Schemes Amendments, the awards granted are not subject to any clawback mechanism, as the RSA Schemes had not incorporated such provisions prior to the Share Schemes Amendments. Having considered that (i) the grantees are Directors or employees of the Group who will contribute directly to the overall business performance and sustainable development of the Group, (ii) the awards granted are subject to certain vesting conditions and terms of the RSA Schemes, which already covers situations where the awards will lapse in the event that a grantee cease to be a Director or an employee of the Group, the Remuneration Committee and the Board believe that without additional clawback mechanism, the grant of awards could align the interests of them with that of the Company and the Shareholders, provide incentive to them to devote to the future continuous competitiveness, results of operation and growth of the Company, and reinforce their commitment to long services of the Company, which is in line with the purpose of the 2019 RSA Scheme and the 2021 RSA Scheme. After the Share Schemes Amendments, the awards granted during the Reporting Period are generally subject to the clawback mechanism.

## Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended December 31, 2024 are set out in note 8 to the financial statements in this annual report.

The biographies of the senior management are disclosed in the section headed "Directors and Senior Management" in this annual report. Remuneration paid to the senior management members (excluding the Directors) for the year ended December 31, 2024 is within the range below:

| Range of remuneration | Number of Persons |
|---|---|
| Between HK$(7,999,999) and HK$(6,000,000) (equivalent to approximately US$(1,025,135) and US$(768,851)) | 1 |
| Between HK$16,000,001 and HK$18,000,000 (equivalent to approximately US$2,050,270 and US$2,306,554) | 1 |
| Between HK$28,000,001 and HK$30,000,000 (equivalent to approximately US$3,587,973 and US$3,844,256) | 1 |

## Audit Committee

The Audit Committee currently comprises four members, namely, Mr. Edward Dai (chairman of the Audit Committee), Mr. Ethan Pan, Mr. Yiu Leung Andy Cheung and Dr. Alphonse Galdes, all being independent non-executive Directors.

The principal duties of the Audit Committee include:

1. to review and monitor the Company's financial reporting system, risk management, and internal control systems;

2. to maintain the relations with the external auditor of the Company; and

3. to review the financial information of the Company.

The Audit Committee has been provided with resources required for it to discharge its function properly.

The written terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code and available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Audit Committee held five meetings on March 9, 2024, May 16, 2024, July 22, 2024, August 9, 2024 and December 17, 2024. The specific agenda of the Audit Committee covered the following aspects:

(a) to consider and review the financial statement for the year ended December 31, 2023 and for the six-month period ended June 30, 2024;

(b) to consider and review the budget of the Company for the year 2025; and

(c) to review audit planning, the financial reporting system, compliance procedures, internal audit function, risk management and internal control system and procedures and re-appointment of the external auditor.

The requirements for Environment, Social and Governance Reporting were duly noted by the Audit Committee.

The attendance record of each committee member of the said Audit Committee meeting held by the Company is set out in the table below:

| **Name of Director** | **Committee meetings attended/ eligible to attend** |
|---|---|
| Mr. Edward Dai *(chairman)* | 5/5 |
| Mr. Ethan Pan | 5/5 |
| Mr. Yiu Leung Andy Cheung *(Appointed on June 21, 2024)* | 3/3 |
| Dr. Alphonse Galdes *(Appointed on March 11, 2025)* | 0/0 |
| Mr. Hongxin Guo *(Resigned on June 21, 2024)* | 2/2 |

The Audit Committee met the external auditor twice on March 9, 2024 and December 17, 2024 without the presence of the executive Directors nor non-executive Directors.

### Sanctions Risk Control Committee

The Sanctions Risk Control Committee is headed by Dr. Zhenyu Liu (chairman of the Sanctions Risk Control Committee who resigned on December 31, 2024), with Ms. Sherry Shao, Mr. Shiniu Wei and Dr. Eric Wang as members.

The principal duties of the Sanctions Risk Control Committee include:

1. to effectively monitor the activities that may be subject to economic sanctions;

2. to provide guidance on the compliance with the relevant policies and procedures in relation to economic sanctions;

3. to provide guidance on the compliance with contractual covenants including those made in connection with the Global Offering and Listing; and

4. to ensure the establishment of effective policies in relation to economic sanctions.

During the Reporting Period, the Sanctions Risk Control Committee held five meetings on January 31, 2024, May 29, 2024, July 31, 2024, September 30, 2024 and November 27, 2024 to cover the following aspects:

(a) to discuss items regarding any sanctions related risks on the Group's commercial or other business activities;

(b) to review the activities that may be subject to economic sanctions;

(c) to review relevant policies and procedures in relation to economic sanctions;

(d) to review guidance on the compliance with contractual covenants; and

(e) to review internal control policies and procedures with respect to the sanction risks.

The attendance record of each committee member of the Sanctions Risk and Control Committee meeting held by the Company is set out in the table below:

| Name of Committee Member | Committee meetings attended/ eligible to attend |
|---|---|
| Dr. Zhenyu Liu *(chairman who resigned on December 31, 2024)* | 5/5 |
| Ms. Sherry Shao | 5/5 |
| Mr. Shiniu Wei | 5/5 |
| Dr. Eric Wang | 5/5 |

The Sanctions Risk Control Committee has reviewed the sales of the Group to the Sanctioned Countries (as defined and disclosed in the Prospectus) for the year ended December 31, 2024 and the relevant legal opinions from the Company's legal adviser as to international sanctions laws to monitor the Group's exposure to risks of sanctions violations.

### Risk Management and ESG Committee

The Risk Management and ESG Committee consists of three members, including one executive Director, namely Dr. Frank Zhang as its chairman, and two independent non-executive Directors, namely Mr. Ethan Pan and Mr. Yiu Leung Andy Cheung.

The principal duties of the Risk Management and ESG Committee include:

1. to formulate the Company's risk management and ESG vision, strategies, policies and standards, objectives and guidelines;

2. to supervise and monitor the Company's risk management activities, internal control system and ESG strategies;

3. to review the Company's ESG-related risks and opportunities (including, but not limited to climate change, equal treatment, diversity, equity and inclusion, labour conditions, human rights compliance, sustainability governance, internal sustainability control systems, culture, ethics and whistleblowing) and formulate related countermeasures and management objectives;

4. to oversee the implementation of ESG-related matters of the Company and make recommendations to the Board;

5. to review the Company's ESG report and other ESG-related disclosures and make recommendations to the Board;

6. to review the settings and responsibilities of the Company's compliance and risk management, and to advise on the same;

7. to evaluate major decisions affecting the Company's risk profile or exposure and give such directions as it considers appropriate and make recommendations to the Board;

8. to evaluate major risk management activities and make recommendations to the Board;

9. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

10. to consult with the Chairman and/or the Chief Executive Officer of the Company and, where deemed appropriate, senior management members about the Risk Management and ESG Committee's duties relating to the Company's risk management, internal control and ESG; and

11. to supervise and monitor the Sub-Committee on Data Security and Geopolitical Resilience's performance of its duties pursuant to the Terms of Reference.

During the Reporting Period, the Risk Management and ESG Committee held one meeting on March 9, 2024 to cover the following aspects:

(a) to review and discuss the Company's ESG performance work report; and

(b) to consider and review the Company's ESG planning and related suggestions.

The attendance record of each committee member of the Risk Management and ESG Committee meeting held by the Company is set out in the table below:

| **Name of Committee Member** | **Committee meetings attended/ eligible to attend** |
|---|---|
| Dr. Frank Zhang | 1/1 |
| Mr. Ethan Pan | 1/1 |
| Mr. Yiu Leung Andy Cheung *(Appointed on June 21, 2024)* | 0/0 |
| Mr. Hongxin Guo *(Resigned on June 21, 2024)* | 1/1 |

### Sub-Committee on Data Security and Geopolitical Resilience

The Board has established the Sub-Committee on Data Security and Geopolitical Resilience with effect from February 25, 2025. The Sub-Committee on Data Security and Geopolitical Resilience consists of five members, including one executive Director, namely Dr. Frank Zhang as its chairman, one independent non-executive Director, namely Dr. John Quelch, and Ms. Sherry Shao, Mr. Shiniu Wei and Dr. Kening Li.

The principal duties of the Sub-Committee on Data Security and Geopolitical Resilience include:

1. to assist the Risk Management and ESG Committee to oversee and review the effectiveness of the Company's risk management in respect of the following risk categories: (i) geopolitical risks, (ii) data security and privacy risks, (iii) cyber security and information technology (IT) system risks, and (iv) cross-border intellectual property (IP) and technology transfer risks (collectively, the "**Specific Risks**");

2. to formulate, review and assess the effectiveness of the Company's strategies, risk control and mitigation tools, approaches and methodologies relating to the Specific Risks, including but not limited to (i) investments in and remediation activities that enhance the Company's infrastructure, ensure the Company's compliance with applicable laws and regulations, and safeguard the Company operations, especially its business continuity, against any threats arising from the Specific Risks, and (ii) outreach initiatives to ensure that the public and relevant authorities properly understand the business, technology and social contributions made by the Company; and

3. to report and make recommendations to the Risk Management and ESG Committee and the Board on its activities, and provide updated information and status of progress of the matters specified to the Risk Management and ESG Committee and the Board.

### Strategy Committee

The Strategy Committee consists of five members, including one executive Director, namely Dr. Frank Zhang as its chairman, and four independent non-executive Directors, namely Mr. Edward Dai, Mr. Ethan Pan, Dr. Victor Shi and Dr. John Quelch.

The principal duties of the Strategy Committee include:

1. to review and make recommendations on the medium-to-long-term development strategies (including overall-strategies, human resources strategies, operation strategies, investment strategies and ESG strategies) of the Company;

2. to review and make recommendation on major investment, financing and capital operation plans that are subject to the Board's approval according to the Articles and the Listing Rules;

3. to review and make recommendations on major business reorganisation, acquisition, merge and asset transfer which are subject to the approval of the Board;

4. to review and make recommendations on the expansion to new markets, launch of new businesses and research and development of new products of the Company; and

5. to review the development trends of the ESG industry as well as evaluate and make recommendations on major ESG-related decisions.

During the Reporting Period, the Strategy Committee held one meeting on November 14, 2024 to cover the following aspects:

(a) to discuss the medium-to-long-term development strategies of the Company, and

(b) to review and discuss the scope of the business of the subsidiaries of the Company.

The attendance record of each committee member of the Strategy Committee meeting held by the Company is set out in the table below:

| Name of Committee Member | Committee meetings attended/ eligible to attend |
|---|---|
| Dr. Frank Zhang | 1/1 |
| Mr. Edward Dai *(Appointed on June 21, 2024)* | 1/1 |
| Mr. Ethan Pan *(Appointed on June 21, 2024)* | 1/1 |
| Dr. Victor Shi *(Appointed on July 5, 2024)* | 1/1 |
| Dr. John Quelch *(Appointed on November 14, 2024)* | 0/0 |
| Ms. Jiafen Wang *(Resigned on July 5, 2024)* | 0/0 |

## DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the consolidated financial statements of the Company for the year ended December 31, 2024, which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions, and prospects.

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

The statement by the independent auditors of the Company regarding their reporting responsibilities for the audit of the consolidated financial statements of the Company is set out in the independent auditors' report on pages 103 to 240 in this annual report.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate risk management and internal control system to safeguard shareholders' investments and the Company's assets and reviewing the effectiveness of such system on an annual basis. Such system is designed to manage rather than eliminate the risks of failure to achieve business objectives, and each only provides reasonable and not absolute assurance against material mistreatment or loss.

The Group's internal audit department plays an important role in monitoring the internal governance of the Company. The major duties of internal audit department are to regulate and review the internal control and compliance related matters of the Company and conduct comprehensive audits of all branches and subsidiaries of the Company on a regular basis. The Group's internal audit department performs regular evaluation on the effectiveness of risk control measures taken by each operating department and issues an appraisal report which shall be submitted to our Audit Committee for approval.

The Audit Committee has received an internal control report prepared by the internal audit department during the Year and has considered that the internal control system of the Group remains effective and no material issue is required to be brought to the Board's attention. The Board considers the risk management and internal control system effective after review.

The Board has established the Risk Management and ESG Committee on May 2, 2022 for the purposes of, among others, supporting the Board to review the effectiveness of the Company's risk management policies and standards and the ESG policies and guidelines.

The Company has established a risk management process, pursuant to which each operating department is required to identify any significant risks associated with their work and corporate strategies of the Company. Based on the assessment of the identified risks in terms of their likelihood and potential impact, the Company prioritises and pairs each risk with a mitigation plan. Furthermore, any emergencies are required to be reported, evaluated and managed in time to mitigate the impact.

The Group has established a three-tier risk control corporate structure in implementing our internal control and risk management policies and procedures. First, the Board and the senior management oversee and manage the overall risks associated with our business operations. Second, the Audit Committee provides the Directors with an independent review of the effectiveness of the financial reporting process and internal controls, while the Risk Management and ESG Committee reviews the risk management system of the Group regularly and provides suggestions to the Directors. Third, the Group's internal audit department supervises the implementation of our risk management policy at the corporate level and organises an annual audit progress for regularly evaluating the effectiveness of the risk management and internal control measures taken by each operating department and issues an appraisal report which shall be submitted to the Audit Committee for approval.

The Board is responsible for the management of inside information. Without the approval of the Board, the Company prohibits any inside information from being disclosed to the public.

The management has confirmed to the Board on the effectiveness of the risk management and internal control system for the Reporting Period.

## AUDITOR'S REMUNERATION

The Company's external auditor is Ernst & Young. A breakdown analysis of the remuneration paid or payable to the auditor in respect of the services provided to the Company for the year ended December 31, 2024 is set out below. The Audit Committee has confirmed the independence and objectivity of the external auditor.

| | **Fees Paid/Payable** |
|---|---|
| | US$'000 |
| Audit services | 1,534 |
| Non-audit service | 46 |
| Total | 1,580 |

Audit services included the related services in connection with the deconsolidation of Legend during the Reporting Period.

Non-audit service included advisory services for the environmental, social and governance report of the Company for the year ended December 31, 2024.

## COMPANY SECRETARY

Ms. Wai Ling Wong was appointed as the company secretary of the Company with effect from August 24, 2015. Ms. Wong is a vice president of SWCS Corporate Services Group (Hong Kong) Limited and has over 10 years of experience in providing company secretarial services in Hong Kong. Ms. Wong is an associate member of The Hong Kong Chartered Governance Institute. Ms. Wong's primary corporate contact person at the Company is Mr. Robin Meng, the chairman of the Board.

Ms. Wong has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules for the year ended December 31, 2024.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and the understanding of the Group's business, performance, and strategies. The Company also recognizes the importance of the timely and non-selective disclosure of its information, which will enable shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides an opportunity for shareholders to communicate directly with the Directors. The chairman of the Company and chairmen of the Board Committees, or in their absence, their duly appointed delegates will attend the annual general meeting to answer shareholders' questions. The external auditor of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and contents of the auditors' report, accounting policies, and auditors independence.

The Company consistently shares relevant information such as announcements, financial reports, earnings call recordings and other relevant information of the Company on its website www.genscript.com in a timely manner for public access.

To promote effective communication, the Company adopts a shareholders' communication policy that aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website at www.genscript.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices, and other information are available for public access.

The Company has regularly reviewed the implementation and effectiveness of its shareholders' communication policy through discussions amongst the Directors during the board meetings. The Company reviewed its shareholders communication activities conducted in the Reporting Period and was satisfied with the implementation and effectiveness of its shareholders' communication policy.

## SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each issue at general meetings, including the election of individual Directors.

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 the Stock Exchange in a timely manner after each general meeting.

## DIVIDEND POLICY

Subject to the applicable laws and the Articles through a general meeting, the Company may declare dividends from the profit of the forthcoming periods, but no dividends shall exceed the amount recommended by the Directors. The Directors will consider, from time to time, to pay to our shareholders such interim dividends as the Directors deem to be justified by our financial conditions and profits. The amount of any dividends to be declared or paid in the future will depend on, among other things, the Company's results of operations, cashflows, financial condition, operating and capital requirements, future prospects and other factors that our Directors may deem relevant.

## CONVENING EXTRAORDINARY GENERAL MEETINGS AND PUTTING FORWARD PROPOSALS

In accordance with the Articles, extraordinary general meetings shall also be convened on the requisition of one or more Shareholders' holdings, 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.

Such requisition shall be made in writing to the Board or the 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 requisitionist(s) himself (themselves) may do so in the same manner and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

With regards to proposing a person for election as a director, the procedures are available on the website of the Company.

Shareholders who intend to put forward their inquiries about the Company to the Board could email their inquiries to our Investor Relations Department at the email address: IR@genscript.com. The Company will not normally deal with verbal or anonymous inquires.

## CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles were adopted by the Company on December 7, 2015 and became effective on the Listing Date. On June 21, 2024, the fourth amended and restated memorandum and Articles of the Company was adopted by a special resolution of the shareholders of the Company. Please refer to the announcements of the Company dated April 12, 2024 and June 23, 2024, and the circular dated April 22, 2024, and the Articles displayed on June 24, 2024 on the website of the Stock Exchange for details.

# INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

**To the shareholders of Genscript Biotech Corporation**
***(Incorporated in the Cayman Islands with limited liability)***

## OPINION

We have audited the consolidated financial statements of Genscript Biotech Corporation (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 109 to 240, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements 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 HKFRS Accounting Standards as 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 ("**HKSAs**") as 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

# Independent Auditor's Report

| **Key audit matter (Continued)** | **How our audit addressed the key audit matter** |
| --- | --- |
| **Revenue recognition – Life science services and products** | |
| Revenue of life science services and products (including life science services and products segment, biologics development services segment and industrial synthetic biology products segment) amounted to US$594,486,000 was recognised during the year ended 31 December 2024.<br><br>Revenue recognition has been identified as a risk, particularly in respect of the occurrence and accuracy of a significant volume of transactions and the timing of revenue recognition for sales of goods and rendering of services with deliveries occurring at on or around the year end. Due to the significant volume of transactions, minor errors could, in aggregate, have a material impact on the financial statements. Therefore, we identified the revenue recognition for life science services and products as a key audit matter.<br><br>The Group's disclosure about accounting policies of revenue recognition is included in Note 2.4 material accounting policies and about revenue breakdown in Note 5 to the financial statements. | We performed the review on management's assessment of revenue recognition under HKFRS 15. We obtained an understanding, evaluated the design, and tested the operating effectiveness of the internal controls related to the revenue recognition process. On a sample basis, we examined deliveries, contracts and other supporting documents during the year to assess whether the revenue recognition criteria were met for control of goods or services were transferred to the customers at an amount that reflected the consideration to which the Group expected to be entitled in exchange for those goods or services. We traced to goods delivery notes, client acceptance notes, service report download records and other supporting documents to asses the appropriateness of revenues recognised on or around year-end. We performed monthly analysis to observe the sales trend and identify whether there were any unusual sales and evaluated its reasonableness. We performed testing on journal entries to identify any management override of internal controls related to revenue recognition. |
| **Fair value measurement of convertible redeemable preferred shares of an unlisted subsidiary** | |
| An unlisted subsidiary of the Company has issued convertible redeemable preferred shares to third party institutional investors, which were classified as financial liabilities at fair value through profit or loss. As at 31 December 2024, the fair value of the convertible redeemable preferred shares was amounted to US$473,732,000, based on estimate redemption predetermined amount, maturing dates and discount rate.<br><br>The determination of the fair value of the convertible redeemable preferred shares issued by the unlisted subsidiary involved significant judgments and estimates made by management. Therefore, we identified the fair value measurement of convertible redeemable preferred shares as a key audit matter.<br><br>The Group's disclosures about the convertible redeemable preferred shares are included in Notes 2.4, 3, 29 and 41 to the financial statements. | We obtained the related documents, including but not limited to, the share purchase agreements, shareholders' agreement and the memorandum and articles of associations of the unlisted subsidiary, and reviewed the key terms to assess the appropriateness of the Group's accounting treatments. We evaluated the significant judgments, estimates and valuation method made by management. We involved our internal valuation specialist to assist us in conducting the evaluation, particularly discount rate, key inputs used in the fair value valuation. We also assessed the adequacy of the related disclosures in the notes to the financial statements. |

| **Key audit matter (Continued)** | **How our audit addressed the key audit matter** |
|---|---|
| **Deconsolidation of Legend Biotech Corporation ("Legend")** | |
| As disclosed in Note 1 to the financial statements, the Company lost the control on Legend due to the loss of power to cast the majority of votes at Legend's general meeting since 18 October 2024. Consequently, the Company deconsolidated Legend effective from that date ("**Deconsolidation**").<br><br>Accordingly, from 18 October 2024 ("**Deconsolidation Date**"), (i) the assets and liabilities of Legend were derecognised from the consolidated statement of financial position of the Group, (ii) the retained investment in Legend was recognised at its fair value and (iii) the gain or loss associated with the loss of control attributable to the former controlling interest was recognised.<br><br>As a result of the Deconsolidation, the Company recognised a gain of US$3,232,210,000, presented as "Discontinued Operation" in the Group's consolidated statements of profit or loss, along with Legend's financial performance from 1 January 2024 to the Deconsolidation Date.<br><br>Following the Deconsolidation, the Company accounts for the investment in Legend as an associate as the Company is assessed to have significant influence in Legend. To apply the equity method from the Deconsolidation Date, the Company remeasured all identifiable assets and liabilities of Legend at their fair values, based on valuations from an independent professional valuer engaged by management.<br><br>The Company also re-presented the comparative figures for the year ended 31 December 2023 as if the business had been discontinued at the beginning of the comparative year.<br><br>We identified the Deconsolidation of Legend as a key audit matter because of the magnitude of financial impact of the Deconsolidation transaction, the complexity of the accounting treatment and significant estimates and judgements applied by management, which required a high degree of professional judgement and significant auditor effort.<br><br>The Group's disclosures about the Deconsolidation of Legend are included in Notes 1, 2.4, 11 and 18 to the financial statements. | We obtained and evaluated the Company's accounting analysis of the Deconsolidation, and assessed the Company's conclusion against relevant information and other factual evidence.<br><br>We inspected management's calculation on the gain arising from the Deconsolidation, including the determination of the fair value of the Company's retained investment in Legend and the determination of the amounts of assets and liabilities of Legend derecognised, comparing these amounts to Legend's accounting records near the Deconsolidation Date.<br><br>We reviewed the fair values of Legend's identifiable assets and liabilities as of the Deconsolidation Date, including evaluating the reasonableness of the valuation techniques, methodologies and key assumptions used in the fair value valuations, engaging our internal valuation specialists to assist us in conducting the evaluation, and assessing the competency, capability and objectivity of the independent professional valuer engaged by management.<br><br>We assessed the adequacy of the disclosures related to the Deconsolidation included in the Group's consolidated financial statements, including comparative information. |

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as 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 of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

## Independent Auditor's Report

- 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 consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Shun Lung Wai, Ricky (Practising Certificate Number: P06860).

**Ernst & Young**
*Certified Public Accountants*
Hong Kong
11 March 2025

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

| | Notes | 2024 US$'000 | 2023 US$'000 (Restated) |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| REVENUE | 5 | 594,486 | 560,480 |
| Cost of sales | | (322,361) | (289,851) |
| Gross profit | | 272,125 | 270,629 |
| Other income and gains | 5 | 39,217 | 37,878 |
| Selling and distribution expenses | | (88,121) | (80,140) |
| Administrative expenses | | (114,375) | (106,820) |
| Research and development expenses | | (53,789) | (52,697) |
| Fair value (losses)/gains of preferred shares and warrants | 29 | (123,581) | 129,207 |
| Other expenses | | (3,100) | (5,612) |
| Share of losses of associates: | 18 | | |
| Investment in a significant associate | | (37,751) | – |
| Investments in other associates | | (1,321) | (1,384) |
| Finance costs | 7 | (8,032) | (5,739) |
| Provision for impairment of long-lived assets | 6 | (45,511) | (11,659) |
| Provision for impairment of financial assets, net | 6 | (6,558) | (4,778) |
| (LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS | 6 | (170,797) | 168,885 |
| Income tax expense | 10 | (2,977) | (6,006) |
| (LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS | | (173,774) | 162,879 |
| **DISCONTINUED OPERATION** | 11 | | |
| Loss for the period from Legend, net of tax | | (203,149) | (518,000) |
| Gain on deconsolidation of Legend, net of tax | | 3,232,210 | – |
| PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATION | | 3,029,061 | (518,000) |

# Consolidated Statement of Profit or Loss

Year ended 31 December 2024

| | Notes | 2024 US$'000 | 2023 US$'000 (Restated) |
|---|---|---|---|
| PROFIT/(LOSS) FOR THE YEAR | | **2,855,287** | (355,121) |
| Attributable to: | | | |
| Owners of the parent | | **2,961,877** | (95,477) |
| Non-controlling interests | | **(106,590)** | (259,644) |
| | | **2,855,287** | (355,121) |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 13 | | |
| Basic (US cent per share) | | | |
| – For profit/(loss) for the year | | **139.63** | (4.53) |
| – For (loss)/profit from continuing operations | | **(8.19)** | 7.72 |
| Diluted (US cent per share) | | | |
| – For profit/(loss) for the year | | **135.97** | (4.53) |
| – For (loss)/profit from continuing operations | | **(8.19)** | 7.39 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

| | 2024 US$'000 | 2023 US$'000 (Restated) |
|---|---|---|
| PROFIT/(LOSS) FOR THE YEAR | **2,855,287** | (355,121) |
| OTHER COMPREHENSIVE INCOME: | | |
| **CONTINUING OPERATIONS** | | |
| Other comprehensive loss that may be reclassified to profit or loss in subsequent periods: | | |
| Share of other comprehensive loss of a significant associate | **(55,032)** | – |
| Exchange differences on translation of foreign operations | **(11,723)** | (10,139) |
| Other comprehensive loss for the year from continuing operations | **(66,755)** | (10,139) |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR FROM CONTINUING OPERATIONS | **(240,529)** | 152,740 |
| **DISCONTINUED OPERATION** | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **3,374** | 29,633 |
| Other comprehensive income for the year from discontinued operation | **3,374** | 29,633 |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATION | **3,032,435** | (488,367) |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | **2,791,906** | (335,627) |
| Attributable to: | | |
| Owners of the parent | **2,896,843** | (92,090) |
| Non-controlling interests | **(104,937)** | (243,537) |
| | **2,791,906** | (335,627) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

| | Notes | 31 December 2024 US$'000 | 31 December 2023 US$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 14 | **518,001** | 608,107 |
| Advance payments for property, plant and equipment, net | | **7,220** | 22,218 |
| Investment properties | 15 | **4,848** | 5,442 |
| Right-of-use assets | 16 | **77,617** | 120,620 |
| Goodwill | | **1,336** | 1,356 |
| Other intangible assets | 17 | **13,035** | 18,648 |
| Investments in associates | 18 | **3,667,731** | 15,291 |
| Financial assets at fair value through profit or loss | 19 | **88,643** | 31,869 |
| Deferred tax assets | 31 | **27,735** | 16,506 |
| Time deposits | 24 | **33,387** | 38,247 |
| Other non-current assets | 23 | **3,738** | 155,887 |
| Total non-current assets | | **4,443,291** | 1,034,191 |
| CURRENT ASSETS | | | |
| Inventories | 20 | **31,097** | 53,346 |
| Contract costs | 21 | **19,349** | 17,880 |
| Trade and bills receivables | 22 | **116,291** | 217,443 |
| Prepayments, other receivables and other assets | 23 | **29,137** | 103,320 |
| Financial assets at fair value through profit or loss | 19 | **224,874** | 105,645 |
| Restricted cash | 24 | **17,919** | 33,072 |
| Time deposits | 24 | **264,321** | 376,002 |
| Cash and cash equivalents | 24 | **131,990** | 1,446,403 |
| Total current assets | | **834,978** | 2,353,111 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 25 | **29,838** | 39,959 |
| Other payables and accruals | 26 | **125,530** | 273,405 |
| Interest-bearing loans and other borrowings | 27 | **88,745** | 57,011 |
| Lease liabilities | 16 | **7,524** | 8,867 |
| Tax payable | | **9,387** | 18,132 |
| Contract liabilities | 28 | **46,211** | 97,437 |
| Financial liabilities at fair value through profit or loss | 29 | **107** | – |
| Total current liabilities | | **307,342** | 494,811 |
| NET CURRENT ASSETS | | **527,636** | 1,858,300 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **4,970,927** | 2,892,491 |

# Consolidated Statement of Financial Position

31 December 2024

| | Notes | 31 December 2024 US$'000 | 31 December 2023 US$'000 |
|---|---|---|---|
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing loans and other borrowings | 27 | **17,309** | 287,207 |
| Lease liabilities | 16 | **56,990** | 63,905 |
| Contract liabilities | 28 | **–** | 47,962 |
| Deferred tax liabilities | 31 | **5,839** | 5,622 |
| Financial liabilities at fair value through profit or loss | 29 | **473,732** | 350,151 |
| Financial liabilities measured at amortised cost | 30 | **79,435** | 75,363 |
| Other non-current liabilities | 26 | **14,260** | 17,927 |
| Total non-current liabilities | | **647,565** | 848,137 |
| Net assets | | **4,323,362** | 2,044,354 |
| EQUITY | | | |
| Share capital | 32 | **2,142** | 2,121 |
| Treasury shares | 32 | **(6,091)** | (9,445) |
| Reserves | 35 | **4,325,121** | 1,398,403 |
| Equity attributable to owners of the parent | | **4,321,172** | 1,391,079 |
| Non-controlling interests | | **2,190** | 653,275 |
| Total equity | | **4,323,362** | 2,044,354 |

**Meng Jiange**
*Director*

**Zhu Li**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

| | Attributable to owners of the parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital US$'000 (Note 32) | Treasury shares US$'000 (Note 32) | Share premium* US$'000 (Note 32) | Merger reserve* US$'000 | Share-based compensation reserve* US$'000 (Notes 33 & 34) | Other reserve* US$'000 | Statutory surplus reserve* US$'000 | Accumulated profit* US$'000 | Exchange fluctuation reserve* US$'000 | Total US$'000 | Non-controlling interests US$'000 | Total equity US$'000 |
| **At 1 January 2024** | 2,121 | (9,445) | 1,939,258 | (20,883) | 98,378 | 904 | 13,790 | (611,515) | (21,529) | 1,391,079 | 653,275 | 2,044,354 |
| Profit for the year | – | – | – | – | – | – | – | 2,961,877 | – | 2,961,877 | (106,590) | 2,855,287 |
| Other comprehensive income for the year: | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | – | – | – | – | – | (10,002) | (10,002) | 1,653 | (8,349) |
| Share of other comprehensive loss of an associate | – | – | – | – | – | – | – | – | (55,032) | (55,032) | – | (55,032) |
| **Total comprehensive income for the year** | – | – | – | – | – | – | – | 2,961,877 | (65,034) | 2,896,843 | (104,937) | 2,791,906 |
| Acquisition of equity by non-controlling interests | – | – | 177 | – | – | – | – | – | – | 177 | 189 | 366 |
| Equity-settled share-based compensation expenses | – | – | – | – | 45,368 | – | – | – | – | 45,368 | 28,981 | 74,349 |
| Exercise of share options and restricted share units | 21 | 3,354 | 42,090 | – | (41,444) | – | – | – | – | 4,021 | 9,968 | 13,989 |
| Share of other reserves of an associate | – | – | – | – | 6,360 | – | – | – | – | 6,360 | – | 6,360 |
| Deconsolidation of Legend | – | – | – | – | – | – | – | – | (22,676) | (22,676) | (585,286) | (607,962) |
| **At 31 December 2024** | 2,142 | (6,091) | 1,981,525 | (20,883) | 108,662 | 904 | 13,790 | 2,350,362 | (109,239) | 4,321,172 | 2,190 | 4,323,362 |

* These reserve accounts comprise the consolidated reserves of US$4,325,121,000 (31 December 2023: US$1,398,403,000) in the consolidated statement of financial position.

# Consolidated Statement of Changes in Equity

Year ended 31 December 2024

| | Attributable to owners of the parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital US$'000 (Note 32) | Treasury shares US$'000 (Note 32) | Share premium* US$'000 (Note 32) | Merger reserve* US$'000 | Share-based compensation reserve* US$'000 (Notes 33 & 34) | Other reserve* US$'000 | Statutory surplus reserve* US$'000 | Accumulated losses* US$'000 | Exchange fluctuation reserve* US$'000 | Total US$'000 | Non-controlling interests US$'000 | Total equity US$'000 |
| **At 1 January 2023** | 2,111 | (11,922) | 1,473,027 | (20,883) | 93,775 | 1,597 | 13,790 | (516,038) | (24,916) | 1,010,541 | 352,127 | 1,362,668 |
| Loss for the year | – | – | – | – | – | – | – | (95,477) | – | (95,477) | (259,644) | (355,121) |
| Other comprehensive income for the year: | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | – | – | – | – | – | 3,387 | 3,387 | 16,107 | 19,494 |
| **Total comprehensive loss for the year** | – | – | – | – | – | – | – | (95,477) | 3,387 | (92,090) | (243,537) | (335,627) |
| Acquisition of equity by non-controlling interests | – | – | – | – | – | (693) | – | – | – | (693) | 693 | – |
| Issuance of ordinary shares of Legend Cayman for registered direct offering, private placements and exercise of Legend Warrant, net of issuance costs | – | – | 429,065 | – | – | – | – | – | – | 429,065 | 507,114 | 936,179 |
| Equity-settled share-based compensation expenses | – | – | – | – | 39,235 | – | – | – | – | 39,235 | 24,227 | 63,462 |
| Exercise of share options and restricted share units | 10 | 2,477 | 37,166 | – | (34,632) | – | – | – | – | 5,021 | 12,651 | 17,672 |
| **At 31 December 2023** | 2,121 | (9,445) | 1,939,258 | (20,883) | 98,378 | 904 | 13,790 | (611,515) | (21,529) | 1,391,079 | 653,275 | 2,044,354 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

| | Notes | 2024 US$'000 | 2023 US$'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(Loss) before tax | | | |
| From continuing operations | | **(170,797)** | 168,885 |
| From discontinued operation | | **3,033,727** | (519,864) |
| Adjustments for: | | | |
| Provision for impairment of trade receivables and other receivables | 6 | **6,558** | 4,778 |
| Provision for inventories and contract costs to net realisable value | | **9,908** | 12,602 |
| Depreciation of property, plant and equipment | 14 | **58,823** | 54,836 |
| Depreciation of investment properties | 15 | **92** | 100 |
| Depreciation of right-of-use assets | 16 | **14,960** | 14,580 |
| Amortisation of other intangible assets | 17 | **3,795** | 4,530 |
| Loss on disposal of property, plant and equipment, and other intangible assets | | **1,186** | 691 |
| Finance income | | **(76,444)** | (73,186) |
| Fair value losses/(gains) of preferred shares and warrant | 29 | **123,581** | (43,457) |
| Share of losses of associates | 18 | **39,072** | 1,384 |
| Gain on deconsolidation of Legend, net of tax | 11 | **(3,232,210)** | – |
| Fair value changes on financial assets at fair value through profit or loss | | **264** | (2,425) |
| Provision for impairment of long-lived assets | 6 | **45,511** | 11,659 |
| Finance costs | | **24,493** | 27,510 |
| Deferred subsidies | | **(1,823)** | (1,889) |
| Foreign exchange differences, net | | **(457)** | 25,684 |
| Equity-settled share-based compensation expense | | **76,515** | 60,591 |
| | | **(43,246)** | (252,991) |
| Decrease/(Increase) in trade and bills receivables | | **95,463** | (116,988) |
| Increase in prepayments, other receivables and other assets | | **(38,498)** | (11,160) |
| Increase in inventories | | **(10,534)** | (3,928) |
| (Increase)/Decrease in other non-current assets | | **(1,015)** | 292 |
| Increase in contract costs | | **(4,054)** | (565) |
| Increase/(Decrease) in trade and bills payables | | **15,987** | (37,025) |
| Increase/(Decrease) in other payables and accruals | | **64,059** | (20,281) |
| (Decrease)/Increase in contract liabilities | | **(35,752)** | 100,771 |
| Increase in other non-current liabilities | | **4** | 623 |
| (Increase)/Decrease in restricted cash | | **(221)** | 1,355 |
| Cash generated from/(used in) operations | | **42,193** | (339,897) |
| Interest received | | **54,732** | 58,832 |
| Interest paid for finance rental lease payment | | **(3,347)** | (2,683) |
| Interest paid | | **(1,329)** | (502) |
| Income taxes paid | | **(16,658)** | (4,575) |
| Income taxes received | | **56** | 1,914 |
| Net cash flows generated from/(used in) operating activities | | **75,647** | (286,911) |

# Consolidated Statement of Cash Flows

Year ended 31 December 2024

| | Notes | 2024 US$'000 | 2023 US$'000 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | | **(146,676)** | (153,662) |
| Purchases of financial assets at fair value through profit or loss | | **(653,924)** | (167,514) |
| Redemption of financial assets at fair value through profit or loss | | **474,991** | 252,893 |
| Purchases of time deposits | | **(2,710,862)** | (5,576,353) |
| Redemptions of time deposits | | **2,083,793** | 5,401,905 |
| Proceeds from disposal of property, plant and equipment | | **240** | 242 |
| Purchases of intangible assets | | **(1,244)** | (4,051) |
| Receipt of investment income | | **8,713** | 5,309 |
| Increase in restricted cash | | **(3,007)** | (5,060) |
| Purchases of investments in associates | | **–** | (12,653) |
| Deconsolidation of Legend | 11 | **(459,277)** | – |
| Prepayment to collaborator for collaboration assets | | **(49,110)** | (98,784) |
| Net cash flows used in investing activities | | **(1,456,363)** | (357,728) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issuances of shares of the Company's subsidiaries, and preferred shares and warrants of the Company's subsidiaries, net of issuance cost | | **–** | 1,012,516 |
| Exercise of share options | | **13,486** | 17,652 |
| New loans and borrowings | | **102,606** | 74,388 |
| Repayments of loans and borrowings | | **(58,166)** | (24,606) |
| Increase in restricted cash | | **17,803** | (2,171) |
| Principal portion of lease payments | 16 | **(9,576)** | (9,454) |
| Cash received from/(payments to) equity transaction with non-controlling Interests, net | | **366** | (65) |
| Net cash flows generated from financing activities | | **66,519** | 1,068,260 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | **(1,314,197)** | 423,621 |
| Cash and cash equivalents at beginning of the year | | **1,446,403** | 1,023,999 |
| Effect of foreign exchange rate changes, net | | **(216)** | (1,217) |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 24 | **131,990** | 1,446,403 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 1. CORPORATE INFORMATION

Genscript Biotech Corporation (the "**Company**") was incorporated on 21 May 2015 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the manufacture and sale of life science research products and services, mainly include life-science services and products, biologics development services and industrial synthetic biology products. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 December 2015.

In the opinion of the directors, the ultimate holding company of the Company is Genscript Corporation ("**GS Corp**"), which was incorporated in the United States of America.

### Legend Deconsolidation

The Company was previously engaged in the cell therapy business through a subsidiary, Legend Biotech Corporation ("**Legend**") and Legend's controlled subsidiaries (collectively referred as "**Legend Group**"). Pursuant to the Company's announcement dated on 22 October 2024, the Company has assessed and concluded that it has lost the control of Legend due to the loss of power to cast the majority of votes at Legend's general meeting. Therefore, the directors of the Company have resolved to deconsolidate Legend Group ("**Deconsolidation**") from 18 October 2024 ("**Deconsolidation Date**"), and subsequently account for the Company's investment in Legend as an associate using equity method as the Company is assessed to have significant influence on Legend.

Legend represents the cell therapy business, which was a separate major line of business to the Group, with its operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. In accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, Legend was presented as a discontinued operation resulting from the Deconsolidation. Accordingly, the post-tax profit or loss of the discontinued operation, and the post-tax gain or loss from the Deconsolidation were presented as "Discontinued Operation" in the Group's consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended 31 December 2024. The comparative figures in the consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended 31 December 2023 were re-presented to conform with current year's presentation and to reflect Legend's Deconsolidation as if the business had been discontinued at the beginning of the comparative year.

With Legend Group being classified as a discontinued operation, the cell therapy business is no longer included in the note for operating segment information. Refer to note 11 to the financial statements for details.

## 1. CORPORATE INFORMATION (Continued)

### Information about subsidiaries

| Name | Place and date of incorporation/ registration and place of business | Issued ordinary share/ paid-up capital | Percentage of equity interest attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct % | Indirect % | |
| GenScript (Hong Kong) Limited | PRC/ Hong Kong 8 January 2009 | HK$155,000 | – | 100.00 | Sale of life science research products and services |
| Nanjing GenScript Biotech Co., Ltd. ("**GS China**")* | PRC/ Mainland China 12 March 2009 | US$88,020,000 | – | 100.00 | Manufacture and sale of life science research products and services |
| GenScript USA Incorporated | United States of America 26 March 2009 | US$1,000 | 100.00 | – | Manufacture and sale of life science research products and services |
| Jiangsu GenScript Biotech Co., Ltd. ("**GenScript Jiangsu**")* | PRC/ Mainland China 31 August 2016 | RMB779,713,000 | – | 100.00 | Manufacture and sale of life science research products and services |
| Nanjing Bestzyme Bio-Engineering Co., Ltd. ("**BSJ Nanjing**")** | PRC/ Mainland China 6 June 2013 | RMB353,025,307 | – | 76.54 | Manufacture and sale of life science research products and services |
| Jinan Bestzyme Bio-Engineering Co., Ltd. ("**Jinan Bestzyme**")** | PRC/ Mainland China 19 August 2009 | RMB45,436,341 | – | 76.54 | Manufacture and sale of life science research products and services |
| Genscript Biotech (Netherlands) B.V. | Netherlands 6 December 2017 | – | – | 100.00 | Sale of life science research products and services |
| Genscript USA Holding Inc. | United States of America 18 August 2017 | – | – | 100.00 | Investment holding company |

## Notes to Financial Statements

31 December 2024

### 1. CORPORATE INFORMATION (Continued)

**Information about subsidiaries (Continued)**

| Name | Place and date of incorporation/ registration and place of business | Issued ordinary share/ paid-up capital | Percentage of equity interest attributable to the Company Direct % | Indirect % | Principal activities |
|---|---|---|---|---|---|
| Genscript Biotech Singapore PTE. LTD. | Singapore 28 November 2019 | SGD1,341,801 | – | 100.00 | Manufacture and sale of life science research products and services |
| Probio Technology Limited ("**Probio Cayman**") | Cayman Islands 5 July 2021 | – | – | 100.00 | Investment holding company |
| Probio Technology HK Limited | PRC/ Hong Kong 15 June 2021 | HKD1 | – | 100.00 | Sale of life science research products and services |
| Nanjing Probio Biotech Co., Ltd.* | PRC/ Mainland China 7 July 2021 | US$45,000,000 | – | 100.00 | Manufacture and sale of life sciences research products and services |
| Zhenjiang ProBio Biotech Co., Ltd.* | PRC/ Mainland China 19 July 2021 | US$186,000,000 | – | 100.00 | Manufacture and sale of life sciences research products and services |
| Probio Inc. | United States of America 13 September 2021 | – | – | 100.00 | Manufacture and sale of life sciences research products and services |
| Probio Technology (Netherlands) B.V. | Netherlands 26 August 2021 | EUR50,000 | – | 100.00 | Sale of life sciences research products and services |

* These entities are registered as wholly-foreign-owned enterprises under PRC law.

** These entities are limited liability companies.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the revenue, gross profit and total assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 2. ACCOUNTING POLICIES

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets and financial liabilities which have been measured at fair value. These financial statements are presented in United States dollars ("**US$**") and all values are rounded to the nearest thousand except when otherwise indicated.

As mentioned in note 1 to the financial statement, Legend was presented as a discontinued operation resulting from the Deconsolidation, and the comparative figures in the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the year ended 31 December 2023 was re-presented to conform with current year's presentation and to reflect Legend's Deconsolidation as if the business had been discontinued at the beginning of the comparative year.

### Basis of consolidation

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

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

# Notes to Financial Statements

31 December 2024

## 2.1 BASIS OF PREPARATION (Continued)

### Basis of consolidation (Continued)

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| Amendments to HKFRS 16 | *Lease Liability in a Sale and Leaseback* |
| Amendments to HKAS 1 | *Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**") |
| Amendments to HKAS 1 | *Non-current Liabilities with Covenants* (the "**2022 Amendments**") |
| Amendments to HKAS 7 and HKFRS 7 | *Supplier Finance Arrangements* |

The nature and the impact of the revised HKFRS Accounting Standards are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

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

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

# Notes to Financial Statements

31 December 2024

## 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised HKFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRS Accounting Standards, if applicable, when they become effective.

| | |
|---|---|
| HKFRS 18 | *Presentation and Disclosure in Financial Statements*[3] |
| HKFRS 19 | *Subsidiaries without Public Accountability: Disclosures*[3] |
| Amendments to HKFRS 9 and HKFRS 7 | *Amendments to the Classification and Measurement of Financial Instruments*[2] |
| Amendments to HKFRS 9 and HKFRS 7 | *Contracts Referencing Nature-dependent Electricity*[2] |
| Amendments to HKFRS 10 and HKAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| Amendments to HKAS 21 | *Lack of Exchangeability*[1] |
| *Annual Improvements to HKFRS Accounting Standards – Volume 11* | Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[2] |

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (Continued)

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

## Notes to Financial Statements

31 December 2024

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (Continued)

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

*Annual Improvements to HKFRS Accounting Standards – Volume 11* set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS* 7), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

## 2.4 MATERIAL ACCOUNTING POLICIES

### Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Associates are accounted for using the equity method and are initially recognised at cost, or if recognised upon deconsolidation they are initially recorded at fair value at the date of deconsolidation. The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where recognised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates. At the end of each reporting period, management considers whether there is objective evidence of impairment in associates. If there is such evidence, management determines the amount of impairment to record, if any, in relation to the associate.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognised any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that included has acquired a business when the acquired set of activities and assets included an input and a substantive process that together significantly contribute to the ability to create outputs.

# Notes to Financial Statements

31 December 2024

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Business combinations and goodwill (Continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Fair value measurement

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

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

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

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

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

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

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

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

# Notes to Financial Statements

31 December 2024

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Impairment of non-financial assets

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

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

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

(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 parent of the Group.

# Notes to Financial Statements

31 December 2024

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Property, plant and equipment and depreciation

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

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

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

| | |
|---|---|
| Freehold land | Not depreciated |
| Buildings and leasehold improvements | 2% to 20% |
| Machinery and equipment | 10% to $33^1/_3$% |
| Transportation equipment | 10% |
| Computer and office equipment | 20% to $33^1/_3$% |

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

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

Construction in progress is stated at cost less any impairment losses and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Investment properties

Investment properties are interests in buildings held to earn rental income. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 22 years.

The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each financial year end. The effects of any revision are included in the statement of profit or loss when the changes arise.

### Non-current assets or disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and satisfy any of the following criteria: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operation, including the post-tax profit or loss of discontinued operation and the post-tax gain or loss recognised on the measurement of fair value less cost to sell or on the disposal of the assets or disposal group constituting the discontinued operation, are presented separately in the consolidated statement of profit or loss. The comparative figures in the consolidated statement of profit or loss should be re-presented as if the operations that have been discontinued during the reporting year had been discontinued at the beginning of the comparative year.

# Notes to Financial Statements

31 December 2024

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

| | |
|---|---|
| Software | 2 to 10 years |
| Patents and licenses | 5 to 20 years |
| Customer relationship | 10 years |

#### Research and development costs

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Leases

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

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease component, the Group elected to allocate the consideration in the contract to the lease and non-lease components on the basis of the relative standalone price of each component.

*(a)* *Right-of-use assets*

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

| | |
|---|---|
| Leasehold land | 50 years |
| Buildings, machinery and office premises | 2 to 50 years |

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

*(b)* *Lease liabilities*

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

# Notes to Financial Statements

31 December 2024

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### Group as a lessee (Continued)

*(b) Lease liabilities (Continued)*

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

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

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

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

#### Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Investments and other financial assets

#### Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

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

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

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

# Notes to Financial Statements

31 December 2024

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Investments and other financial assets (Continued)

#### Subsequent measurement

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

#### Financial assets at amortised cost (debt instruments)

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

#### Financial assets at fair value through profit or loss

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

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

### Impairment of financial assets

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

#### General approach

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

# Notes to Financial Statements

31 December 2024

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Impairment of financial assets (Continued)

#### General approach (Continued)

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

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

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

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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

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

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

#### Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables.

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, financial liabilities at fair value through profit or loss, financial liability measured at amortised cost, interest-bearing loans and borrowings and lease liabilities.

The Group classifies financial liabilities that arise from a supplier finance arrangement within trade and bills payables in the statement of financial position if they have a similar nature and function to trade payables. This is the case if the supplier finance arrangement is part of the working capital used in the Group's normal operating cycle, the level of security provided is similar to trade payables and the terms of the liabilities that are part of the supply chain finance arrangement are not substantially different from the terms of trade payables that are not part of the arrangement. Cash flows related to liabilities arising from supplier finance arrangements that are classified in trade and bills payables in the statement of financial position are included in operating activities in the statement of cash flows.

#### Subsequent measurement

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

#### Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Financial liabilities (Continued)

#### Subsequent measurement (Continued)

*Convertible redeemable preferred shares*

The component of convertible redeemable preferred shares that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible redeemable preferred shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument; and this amount is initially carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in other reserve in equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent periods. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

#### Financial liabilities at amortised cost (trade and other payables, redemption obligation and borrowings)

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

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

### Derecognition of financial liabilities

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

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

### Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Derivative financial instruments

#### Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

### 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.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and bank balances, less restricted cash, time deposits and bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks.

### Time deposits

Time deposits represent short-term deposits with fixed maturities. The time deposits are presented as a non-current asset if the collection of time deposits is expected more than one year.

# Notes to Financial Statements

31 December 2024

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Provisions

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

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

### Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

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

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Income tax (Continued)

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

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

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

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

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

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

### Subsidies

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

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

# Notes to Financial Statements

31 December 2024

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Collaboration Arrangements

The Group enters into collaboration arrangements with pharmaceutical and biotechnology collaboration partners, under which the Group may grant licenses to its collaboration partner to further develop and commercialise one of its product candidates. The Group may also perform research, development, manufacturing and commercial activities under its collaboration arrangements. Consideration under these contracts may include an upfront payment, development and regulatory milestones, commercial sales milestones and other contingent payments, expense reimbursements, and profit-sharing.

For collaboration arrangements that contain multiple elements, at contract inception the Group determines whether elements of the collaboration are reflective of a vendor-customer relationship and therefore are within the scope of HKFRS 15. Elements of the collaboration arrangements that involve joint operating activities performed by the parties that are both active participants in the activities and exposed to significant risks and rewards of such activities are not arrangements with a customer and are outside the scope of HKFRS 15. For a distinct bundle of goods or services within the arrangement that is not with a customer, the recognition and measurement of that unit of account shall be based on other authoritative accounting literature, or if there is no appropriate authoritative accounting literature, a reasonable, rational and consistently applied accounting policy election.

If the Group concludes that its collaboration partner is not a customer for certain activities and associated payments, such as for certain collaborative research, development, manufacturing and commercial activities, the Group presents payments from its collaboration partner as a reduction of expense, based on where the Group presents the underling expense. If the Group's collaborator performs research and development, manufacturing or commercialisation-related activities, the Group recognises as expense (e.g. research and development expense or selling and distribution expense, as applicable) in the period when its collaborator incurs such expenses, the portion of the collaborator's expenses that the Group is obligated to reimburse.

### Revenue recognition

#### Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

#### Revenue from contracts with customers (Continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

*(a) Services and Products*

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

(i) Rendering of services

Revenue for services rendered mainly represent the Group's life-science services and biologics development services.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same. For contracts that contains more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price of each performance obligation is determined at contract inception. It represents the price at which the Group would sell the promised service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

Revenue is recognised at the point in time when the Group transfers the control for underlying services and has the right to payment from the customers for the services performed, upon the delivery or acceptance of the underlying services.

The Group's revenue for life science services and products is recognised at the point in time when the Group transfers the control of services/deliverable units or products to customers and has the right to payment from the customers upon the finalisation, delivery and acceptance of the promised services/deliverable units or the delivery and acceptance of the promised products.

# Notes to Financial Statements

31 December 2024

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

*(a) Services and Products (Continued)*

(ii) Sale of goods

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

*(b) Licenses of Intellectual Property*

For licenses arrangements that include a grant of a license to the Group's intellectual property, the Group considers whether the license grant is distinct from the other performance obligations included in the contract. In assessing whether a license is distinct from the other promises, the Group considers factors such as the research, development, manufacturing and commercialisation capabilities of the collaboration partner and the availability of the associated expertise in the general marketplace. In addition, the Group considers whether the counterparty can benefit from a license for its intended purpose without the receipt of the remaining promise(s) by considering whether the value of the license is dependent on the unsatisfied promise(s), whether there are other vendors that could provide the remaining promise(s), and whether it is separately identifiable from the remaining promise(s).

(i) Upfront payments

Upfront payment is allocated to the performance obligations based on the Group's best estimate of their relative stand-alone selling prices.

(ii) Milestone payments

Milestone payments represent a form of variable consideration which are included in the transaction price to the extent that it is highly probable that a significant reversal of accumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. At the inception of each arrangement that includes milestone payments, the Group evaluates whether the milestones are considered highly probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. Milestone payments that are not within the control of the Group, such as regulatory approvals, are not considered highly probable of being achieved until those approvals are received. The Group evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment. There is considerable judgement involved in determining whether it is highly probable that a significant reversal of cumulative revenue would not occur. At the end of each subsequent reporting period, the Group re-evaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price.

When the Group cannot conclude that it is highly probable that a significant revenue reversal of cumulative revenue under the contract will not occur, the Group constrains the related variable consideration resulting in its exclusion from the transaction price. At the end of each subsequent reporting period, the Group re-evaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price.

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

*(b) Licenses of Intellectual Property (Continued)*

(iii) Royalty payments

The Group recognises revenue for sales-based milestone payments promised in exchange for a license of intellectual property only when (or as) the later of the following events occurs:

(a) the subsequent sale occurs; and

(b) the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

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

### Contract liabilities

A contract liability is recognised when a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

### Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

# Notes to Financial Statements

31 December 2024

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Share-based payments

The Group operates several share option schemes and restricted stock units schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Further details of which are given in Note 33 and Note 34 to the financial statements.

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

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

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

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

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Other employee benefits

#### Pension schemes

The Group participates in the national pension schemes as defined by the laws of the countries and regions in which it has operations.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The non-PRC employees are covered by other defined contribution pension plans sponsored by the respective local governments.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the Note 12 to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## Notes to Financial Statements

31 December 2024

### 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

#### Foreign currencies

These financial statements are presented in US$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

The functional currencies of certain subsidiaries established in the PRC, Japan, Europe, Singapore and Hong Kong are currencies other than the US$. As at the end of the reporting period, the assets and liabilities of these entities are translated into US$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into US$ at the exchange rate that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Foreign currencies (Continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statements of cash flows, the cash flows established in the subsidiaries are translated into US$ at exchange rates that approximate to those prevailing at the dates of the transactions. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into US$ at the weighted average exchange rates for the year.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### Judgement

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

#### Revenue from contracts with customers

The Group has applied the following judgements that significantly affect the determination of the performance obligations and the method to estimate variable consideration of revenue from contracts with customers:

*(i) Determining the performance of obligations of the contract*

In determining whether the license, including the technology transfer service, transfers to a customer either at a point in time or over time, the Group considers whether the nature of the Group's promise in granting the license to a customer is to provide a right to access or a right to use the Group's intellectual property.

The Group use input methods to measure the progress toward the complete satisfaction of performance obligations satisfied over time. Significant management judgment is required in determining the level of effort required under an arrangement and the period over which we are expected to complete our performance obligations under an arrangement. The Group evaluate the measure of progress each reporting period and, if necessary, adjust the measure of performance and related revenue recognition.

# Notes to Financial Statements

31 December 2024

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### Judgement (Continued)

Revenue from contracts with customers (Continued)

*(ii) Determining the method to estimate variable consideration*

Certain contracts include milestone payments that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Group determined that the most likely amount method is the appropriate method to use in estimating the variable consideration for the milestone payments as this method better predicts the amount of variable consideration to which the Group will be entitled.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment.

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 the level of future taxable profits, together with future tax planning strategies.

The Group has tax losses of US$75,529,000 (2023: US$45,696,000) carried forward not recognized as deferred tax assets. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group had been able to recognise all unrecognised deferred tax assets, the profit and equity would have increased by US$38,931,000. Further details on deferred taxes are disclosed in note 31 to the financial statements.

### Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2024 was US$1,336,000 (2023: US$1,356,000).

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### Estimation uncertainty (Continued)

#### Impairment of long-lived assets

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

The Group perform impairment assessment over long-lived assets by estimating the recoverable amount (being the higher of the fair value less costs of disposal and value-in-use). Sensitivity analysis is performed by the management to assess impact of key assumptions such as pre-tax discount rate to results of the present value of estimated future cash flows. Impairment provision for long-lived assets was US$45,511,000 for the year ended 31 December 2024 (2023: US$11,659,000). More details are given in Note 14 to the financial statements.

#### Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns by product type and rating.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the life science sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 22 to the financial statements.

# Notes to Financial Statements

31 December 2024

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### Estimation uncertainty (Continued)

#### Leases – Estimating the incremental borrowing rate

In calculating the present value of lease payments, the Group uses its incremental borrowing rate ("**IBR**") because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

#### Net realisable value of inventories and contract costs

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. Net realisable value of contract cost is the carrying amount of contract costs exceed the consideration the entity expects to receive in exchange for providing those goods and services, less the remaining costs that relate directly to providing those good and services. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in market conditions. Management reassesses these estimates at each reporting date. At 31 December 2024, the net carrying value of inventories was US$31,097,000 (2023: US$53,346,000), and the net carrying value of contract costs was US$19,349,000 (2023: US$17,880,000). More details are given in Note 20 and Note 21 to the financial statements.

#### Share-based compensation

The fair value of share options granted by the Group is estimated using valuation techniques, including the binomial model and the Black-Scholes model. The use of these valuation models require management to make certain assumptions with respect to selected model inputs. Management estimates expected volatility based on the historical volatility of the stock of comparable companies. Expiration date is the basis for determining the expected life of an option. The risk-free interest rate is based on treasury yield curve rates with a remaining term which approximates to the expected life assumed at the date of grant. Changes in these input variables would affect the amount of expense associated with share-based compensation. The compensation expense recognised for all share-based awards is net of estimated forfeitures. The Group estimates forfeiture rates based on historical analysis of option forfeitures. If actual forfeitures vary from estimated forfeitures, adjustments to compensation expense may be required. For the year ended 31 December 2024, the equity-settled share-based compensation expense was US$74,349,000 (2023: US$63,462,000).

#### Fair value of convertible redeemable preferred shares

For convertible redeemable preferred shares designated by the Group as financial liabilities at fair value through profile or loss, the fair value is determined by valuation techniques that involved the use of significant accounting estimates and judgments. Further details are included in Note 29 and Note 41 to the financial statement.

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group was organised into business units based on their products and services and has five reportable operating segments as follows:

(a) The life-science services and products unit which provides comprehensive research services and products, which are widely used and are fundamental to life-science research and application;

(b) The biologics development services unit which provides comprehensive services aimed to help biopharmaceutical and biotech companies accelerate the development of therapeutic antibodies, and gene/cell therapy products with an integrated platform;

(c) The industrial synthetic biology products unit which provides industrial enzyme development and production through non-pathogenic microbial strains constructed using genetic engineering;

(d) The cell therapy unit which discovers and develops innovative CAR-T therapies for the treatment of liquid and solid tumors*; and

(e) The operation unit which mainly provides shared services to other segments.

* As disclosed in Note 1 to the financial statements, the Company was previously engaged in the cell therapy business through Legend Group. With the deconsolidation of Legend effective from 18 October 2024, the cell therapy business is being classified as a discontinued operation and no longer included in the note for operating segment information for the year ended 31 December 2024. Accordingly, the comparative segment information for the year ended 31 December 2023 has been represented to conform with the current year's presentation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax.

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the chief operating decision maker for review.

## 4. OPERATING SEGMENT INFORMATION (Continued)

| For the year ended 31 December 2024 | Life-science services and products US$'000 | Biologics development services US$'000 | Industrial synthetic biology products US$'000 | Operation unit US$'000 | Eliminations US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| **Segment revenue (Note 5)** | | | | | | |
| Sales to external customers | 450,634 | 87,771 | 53,589 | 2,492 | – | 594,486 |
| Intersegment sales | 4,313 | 7,250 | 96 | 54,394 | (66,053) | – |
| Total revenue | 454,947 | 95,021 | 53,685 | 56,886 | (66,053) | 594,486 |
| **Segment cost of sales** | (219,909) | (86,189) | (31,083) | (49,523) | 64,343 | (322,361) |
| **Segment gross profit** | 235,038 | 8,832 | 22,602 | 7,363 | (1,710) | 272,125 |
| Other income and gains | 12 | 44,949 | 2,510 | 33,321 | (41,575) | 39,217 |
| Selling and distribution expenses | (66,116) | (12,146) | (6,617) | (3,600) | 358 | (88,121) |
| Administrative expenses | (44,318) | (37,153) | (6,751) | (26,451) | 298 | (114,375) |
| Research and development expenses | (40,724) | (3,982) | (7,227) | (2,617) | 761 | (53,789) |
| Fair value losses of preferred shares | – | (130,880) | – | – | 7,299 | (123,581) |
| Other expenses | (619) | (1,034) | (591) | (30,958) | 30,102 | (3,100) |
| Finance costs | – | (4,290) | (2,461) | (2,028) | 747 | (8,032) |
| Provision for impairment of long-lived assets | – | (45,511) | – | – | – | (45,511) |
| Share of losses of associates: | | | | | | |
| Investment in a significant associate | – | – | – | (37,751) | – | (37,751) |
| Investments in other associates | – | – | (479) | (842) | – | (1,321) |
| Provision for of impairment of financial assets, net | (1,449) | (5,341) | (1) | (1,116) | 1,349 | (6,558) |
| **Profit/(Loss) before tax** | 81,824 | (186,556) | 985 | (64,679) | (2,371) | (170,797) |

## 4. OPERATING SEGMENT INFORMATION (Continued)

| For the year ended 31 December 2023 | Life-science services and products US$'000 | Biologics development services US$'000 | Industrial synthetic biology products US$'000 | Operation unit US$'000 | Eliminations US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| **Segment revenue (Note 5)** | | | | | | |
| Sales to external customers | 407,892 | 106,916 | 42,892 | 2,780 | – | 560,480 |
| Intersegment sales | 5,020 | 2,574 | 159 | 50,373 | (58,126) | – |
| Total revenue | 412,912 | 109,490 | 43,051 | 53,153 | (58,126) | 560,480 |
| **Segment cost of sales** | (190,328) | (85,524) | (26,497) | (44,581) | 57,079 | (289,851) |
| **Segment gross profit** | 222,584 | 23,966 | 16,554 | 8,572 | (1,047) | 270,629 |
| Other income and gains | 3 | 16,754 | 1,555 | 18,313 | 1,253 | 37,878 |
| Selling and distribution expenses | (59,578) | (12,607) | (4,879) | (3,272) | 196 | (80,140) |
| Administrative expenses | (49,362) | (27,871) | (5,112) | (24,524) | 49 | (106,820) |
| Research and development expenses | (39,283) | (6,129) | (4,815) | (3,018) | 548 | (52,697) |
| Fair value gains of preferred shares and warrants | – | 144,823 | – | – | (15,616) | 129,207 |
| Other expenses | (103) | (763) | (45) | (19,038) | 14,337 | (5,612) |
| Finance costs | – | (3,268) | (1,254) | (1,960) | 743 | (5,739) |
| Provision for impairment of long-lived assets | (11,659) | – | – | – | – | (11,659) |
| Share of losses of associates | – | – | (1,165) | (219) | – | (1,384) |
| Provision for impairment of financial assets, net | (1,285) | (3,405) | 297 | (385) | – | (4,778) |
| **Profit/(Loss) before tax** | 61,317 | 131,500 | 1,136 | (25,531) | 463 | 168,885 |

# Notes to Financial Statements

31 December 2024

## 4. OPERATING SEGMENT INFORMATION (Continued)

### Geographic information

#### (a) Revenue from external customers

| | 2024 US$'000 | 2023 US$'000 |
|---|---|---|
| The United States of America | 265,092 | 252,452 |
| Mainland China | 176,883 | 167,223 |
| Europe | 80,930 | 69,289 |
| Asia Pacific (excluding Mainland China) | 53,077 | 53,234 |
| Others | 18,504 | 18,282 |
| Total | 594,486 | 560,480 |

The revenue information above is based on the locations of the customers.

#### (b) Non-current assets

| | 2024 US$'000 | 2023 US$'000 |
|---|---|---|
| Mainland China | 479,290 | 539,693 |
| The United States of America | 122,872 | 243,685 |
| Others | 23,633 | 148,900 |
| Total | 625,795 | 932,278 |

The non-current asset information above is based on the locations of assets and excludes deferred tax assets, financial instruments and investments in associates.

### Information about a major customer

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenues during the year ended 31 December 2024 (2023: Nil).

# Notes to Financial Statements

31 December 2024

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | 2024 US$'000 | 2023 US$'000 |
|---|---|---|
| Revenue from contracts with customers | 591,865 | 557,577 |
| Revenue from other sources: | | |
| Gross rental income from operating leases | 1,446 | 1,258 |
| Others | 1,175 | 1,645 |
| Total | 594,486 | 560,480 |

### Revenue from contracts with customers

(a) Disaggregated revenue information

**For the year ended 31 December 2024**

| | Life-science services and products US$'000 | Biologics development services US$'000 | Industrial synthetic biology products US$'000 | Total US$'000 |
|---|---|---|---|---|
| **Types of goods or services** | | | | |
| Rendering of services and sales of products | 450,634 | 85,370 | 53,460 | 589,464 |
| License and collaboration revenue | – | 2,401 | – | 2,401 |
| Total revenue from contracts with customers | 450,634 | 87,771 | 53,460 | 591,865 |
| **Timing of revenue recognition** | | | | |
| Goods and services transferred at a point in time | 450,634 | 85,370 | 53,460 | 589,464 |
| Licenses recognised at a point in time | – | 2,401 | – | 2,401 |
| Total revenue from contracts with customers | 450,634 | 87,771 | 53,460 | 591,865 |

## Notes to Financial Statements

31 December 2024

## 5. REVENUE, OTHER INCOME AND GAINS (Continued)

### Revenue from contracts with customers (Continued)

#### (a) Disaggregated revenue information (Continued)

**For the year ended 31 December 2023**

| | Life-science services and products US$'000 | Biologics development services US$'000 | Industrial synthetic biology products US$'000 | Total US$'000 |
|---|---|---|---|---|
| **Types of goods or services** | | | | |
| Rendering of services and sales of products | 404,892 | 104,066 | 42,769 | 551,727 |
| License and collaboration revenue | 3,000 | 2,850 | – | 5,850 |
| Total revenue from contracts with customers | 407,892 | 106,916 | 42,769 | 557,577 |
| **Timing of revenue recognition** | | | | |
| Goods and services transferred at a point in time | 404,892 | 104,066 | 42,769 | 551,727 |
| Licenses recognised at a point in time | 3,000 | 2,850 | – | 5,850 |
| Total revenue from contracts with customers | 407,892 | 106,916 | 42,769 | 557,577 |

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

| | **2024 US$'000** | 2023 US$'000 |
|---|---|---|
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Rendering of services and sales of products | **42,479** | 41,675 |

## 5. REVENUE, OTHER INCOME AND GAINS (Continued)

### Revenue from contracts with customers (Continued)

(b) Performance obligations

Information about the Group's performance obligations is summarised in Note 2.4 to the financial statements.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2024 and 2023 are as follows:

| | **2024 US$'000** | 2023 US$'000 |
|---|---|---|
| Amounts expected to be recognised as revenue: | | |
| Within one year | **46,211** | 44,456 |

### Other income and gains

| | **2024 US$'000** | 2023 US$'000 |
|---|---|---|
| **Other income** | | |
| Finance income | **28,894** | 22,584 |
| Subsidies | **6,874** | 9,212 |
| Management service income | **929** | 665 |
| | **36,697** | 32,461 |
| **Gains** | | |
| Foreign currency exchange gain, net | **1,568** | 2,540 |
| Fair value gains on financial assets at fair value through profit or loss, net | **–** | 1,762 |
| Others | **952** | 1,115 |
| | **2,520** | 5,417 |
| Total | **39,217** | 37,878 |

## Notes to Financial Statements

31 December 2024

## 6. LOSS BEFORE TAX

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

| | Notes | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|---|
| Cost of services and products | | **192,050** | 167,765 |
| Depreciation of property, plant and equipment | | **51,244** | 44,132 |
| Depreciation of investment properties | 15 | **92** | 100 |
| Depreciation of right-of-use assets | | **7,972** | 7,234 |
| Amortisation of other intangible assets | | **2,230** | 2,882 |
| Impairment of financial assets, net: | | | |
| Provision for impairment of trade receivables and other receivables | | **6,558** | 4,778 |
| Provision for impairment of long-lived assets | | **45,511** | 11,659 |
| Lease payments not included in the measurement of lease liabilities | | **1,390** | 2,063 |
| Provision for inventories to net realisable value | | **2,626** | 6,919 |
| Provision for contract costs to net realisable value | | **454** | 2,056 |
| Auditors' remuneration | | **1,534** | 749 |
| Employee benefit expenses (including directors' and chief executives' remuneration): | | | |
| Wages and salaries | | **245,682** | 220,628 |
| Pension scheme contributions (defined contribution schemes) | | **19,022** | 17,353 |
| Equity-settled share-based compensation expense | | **18,796** | 15,782 |
| Less: Amount capitalised | | **2,166** | (2,871) |
| | | **285,666** | 250,892 |
| Foreign exchange differences, net | | **(1,568)** | (2,540) |
| Losses on disposal of property, plant and equipment and other intangible assets | | **1,184** | 465 |
| Service fee and other cost for equity financing activities | | **4,632** | 3,618 |
| Gains on wealth management products | | **(8,584)** | (2,941) |
| Losses of foreign currency forward and option contracts, net | | **933** | 4,366 |
| Fair value losses of other non-current financial assets | | **1,660** | 628 |

## 7. FINANCE COSTS

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| Interest on financial liabilities measured at amortised cost | **4,632** | 3,443 |
| Interest on lease liabilities | **2,184** | 1,312 |
| Interest on bank loans | **1,666** | 999 |
| Less: Interest capitalised | **(450)** | (15) |
| Total | **8,032** | 5,739 |

## 8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION

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

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| Fee | **414** | 276 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **2,182** | 2,158 |
| Performance related bonuses | **732** | 305 |
| Equity-settled share-based compensation expense | **2,479** | 5,300 |
| Pension scheme contributions | **54** | 53 |
| Subtotal | **5,447** | 7,816 |
| Total | **5,861** | 8,092 |

For the years ended 31 December 2024 and 2023, the Group granted restricted stock shares to certain directors in respect of their services to the Group, under the restricted stock shares scheme of the Group, further details of which are set out in Note 34 to the financial statements. The fair value of such restricted stock shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executives' remuneration disclosures.

# Notes to Financial Statements

31 December 2024

## 8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (Continued)

### (a) Independent non-executive directors

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

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| Mr. Hongxin Guo* | 23 | 46 |
| Mr. Edward Dai | 69 | 46 |
| Mr. Ethan Pan | 70 | 46 |
| Dr. Xuehai Wang* | 24 | 46 |
| Mr. Yiu Leung Andy Cheung | 60 | – |
| Dr. Victor Shi | 60 | – |
| Dr. Alphonse Galdes | 30 | – |
| Dr. John Quelch | 9 | – |
| Total | 345 | 184 |

The equity-settled share-based compensation expense of independent non-executive directors during the year was as follows:

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| Mr. Hongxin Guo * | 97 | 40 |
| Mr. Edward Dai | 110 | 40 |
| Mr. Ethan Pan | 16 | 31 |
| Dr. Xuehai Wang * | 13 | 16 |
| Dr. John Quelch | 2 | – |
| Total | 238 | 127 |

* Mr. Hongxin Guo resigned on 21 June 2024
Dr. Xuehai Wang resigned on 5 July 2024.

## 8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (Continued)

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

| | Fees US$'000 | Salaries Allowances and benefits in kind* US$'000 | Performance Related Bonuses US$'000 | Equity-settled share-based compensation expense US$'000 | Pension Scheme Contributions US$'000 | Total remuneration US$'000 |
|---|---|---|---|---|---|---|
| **2024** | | | | | | |
| **Executive directors:** | | | | | | |
| Dr. Frank Zhang | – | 441 | 153 | – | 17 | 611 |
| Mr. Robin Meng | – | 340 | 124 | 60 | 7 | 531 |
| Ms. Sally Wang | – | 509 | 176 | 213 | 16 | 914 |
| Dr. Li Zhu | – | 205 | 78 | 101 | – | 384 |
| Subtotal | – | 1,495 | 531 | 374 | 40 | 2,440 |
| **Non-executive directors:** | | | | | | |
| Mr. Yuexin Pan*** | 23 | – | – | 97 | – | 120 |
| Ms. Jiafen Wang*** | 25 | – | – | 3 | – | 28 |
| Dr. Larry Wang | – | – | – | – | – | – |
| Dr. Ross Grossman**** | 21 | – | – | 2 | – | 23 |
| Subtotal | 69 | – | – | 102 | – | 171 |
| **Chief executives:** | | | | | | |
| Ms. Sherry Shao (On duty from 1 January 2024) | – | 352 | 201 | 3,055 | 7 | 3,615 |
| Dr. Zhenyu Liu (On duty till 31 December 2023)** | – | 335 | – | (1,290) | 7 | (948) |
| Subtotal | – | 687 | 201 | 1,765 | 14 | 2,667 |
| Total | 69 | 2,182 | 732 | 2,241 | 54 | 5,278 |

## Notes to Financial Statements

31 December 2024

## 8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (Continued)

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

| | Fees US$'000 | Salaries Allowances and benefits in kind* US$'000 | Performance Related Bonuses US$'000 | Equity-settled share-based compensation expense US$'000 | Pension Scheme Contributions US$'000 | Total remuneration US$'000 |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| **Executive directors:** | | | | | | |
| Dr. Frank Zhang | – | 428 | 86 | – | 17 | 531 |
| Mr. Robin Meng | – | 330 | 70 | 88 | 7 | 495 |
| Ms. Sally Wang | – | 510 | 99 | 35 | 15 | 659 |
| Dr. Li Zhu | – | 203 | 44 | 73 | – | 320 |
| Subtotal | – | 1,471 | 299 | 196 | 39 | 2,005 |
| **Non-executive directors:** | | | | | | |
| Mr. Yuexin Pan | 46 | – | – | 40 | – | 86 |
| Ms. Jiafen Wang | 46 | – | – | 31 | – | 77 |
| Dr. Larry Wang | – | – | – | – | – | – |
| Subtotal | 92 | – | – | 71 | – | 163 |
| **Chief executives:** | | | | | | |
| Ms. Sherry Shao | – | 353 | 6 | 2,111 | 7 | 2,477 |
| Dr. Zhenyu Liu | – | 334 | – | 2,795 | 7 | 3,136 |
| Subtotal | – | 687 | 6 | 4,906 | 14 | 5,613 |
| Total | 92 | 2,158 | 305 | 5,173 | 53 | 7,781 |

* The benefits in kind include contributions made for directors' social security in the United States of America and other commercial insurance paid by the Group.

** Dr. Zhenyu Liu completed his term of duty on 31 December 2023 and still remained as a rotating chief executive officer of the Company, who resigned on 31 December 2024.

*** Mr. Yuexin Pan resigned on 21 June 2024. Ms. Jiafen Wang resigned on 5 July 2024.

**** Dr. Ross Grossman appointed as a non-executive Director with effect from 12 September 2024 and re-designated as an independent non-executive director on 11 March 2025.

No emoluments were paid by the Group to the directors and five highest paid employees disclosed in note 8 of as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2024 (2023: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2024 (2023: Nil).

# Notes to Financial Statements

31 December 2024

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2023: Nil) and one chief executive (2023: Nil) whose emoluments are reflected in the analysis shown in Note 8 to the financial statements. Details of the remuneration for the year of the remaining three (2023: five) highest paid employees who are neither a director nor chief executive of the Group are as follows:

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | 1,469 | 2,927 |
| Performance related bonuses | 561 | 1,429 |
| Equity-settled share-based compensation expense | 2,452 | 11,780 |
| Pension scheme contributions | 16 | 44 |
| Total | 4,498 | 16,180 |

The number of the non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

| | Number of employees | |
|---|---|---|
| | 2024 | 2023 |
| HK$7,000,001 to HK$8,000,000 | – | 1 |
| HK$8,000,001 to HK$9,000,000 | 1 | – |
| HK$9,000,001 to HK$10,000,000 | 1 | 1 |
| HK$11,000,001 to HK$12,000,000 | – | 1 |
| HK$16,000,001 to HK$17,000,000 | 1 | – |
| HK$47,000,001 to HK$48,000,000 | – | 1 |
| HK$50,000,001 to HK$51,000,000 | – | 1 |
| Total | 3 | 5 |

Note: The five highest paid employees for the year ended 31 December 2023 included employees of Legend Group. No employee of Legend Group was included for year ended 31 December 2024 as Legend has been deconsolidated by the Group.

# Notes to Financial Statements

31 December 2024

## 10. INCOME TAX

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

### Cayman and British Virgin Islands

Pursuant to the rules and regulations of Cayman and the British Virgin Islands, the Group was not subject to any income tax in Cayman and the British Virgin Islands. The Company is subject to withholding tax on interest income from Mainland China.

### United States of America

The subsidiaries of the Group operating in the United States of America were subject to federal tax at a rate of 21% (2023: 21%) and state tax at an average rate of 0.75% to 9.99% (2023: 0.75% to 9.99%) during the reporting period.

### Greater China

The provision for China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in China which are granted tax concession and are taxed at preferential tax rates.

Jinan Bestzyme is qualified as High and New Technology Enterprises. It was subject to income tax at a preferential tax rate of 15% (2023: 15%) for the reporting period.

GenScript Jiangsu is qualified as High and New Technology Enterprises and Advanced Technology Service Enterprises. It was subject to income tax at a preferential tax rate of 15% (2023: 15%) for the reporting period.

GS China qualified as High and New Technology Enterprises. It was subject to income tax at a preferential tax rate of 15% (2023: 15%) for the reporting period.

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| Current – Mainland China | **10,079** | 4,881 |
| Current – the U.S. | **7,338** | 5,886 |
| Current – Others | **642** | (2,775) |
| Deferred (Note 31) | **(10,416)** | (3,850) |
| Total | **7,643** | 4,142 |
| Less: Total tax (charge)/credit for the period from discontinued operation | **(4,666)** | 1,864 |
| Total tax charge for the year from continuing operations | **2,977** | 6,006 |

## 10. INCOME TAX (Continued)

### Greater China (Continued)

A reconciliation of the tax charge/(credit) applicable to loss/profit before tax at the statutory rate for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rate is as follows:

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| (Loss)/Profit before tax from continuing operations | **(170,797)** | 168,885 |
| Profit/(Loss) before tax from discontinued operation | **3,033,727** | (519,864) |
| Total | **2,862,930** | (350,979) |
| Tax at the statuary rate of 25% (2023: 25%) | **715,733** | (87,745) |
| Effect of tax rate differences in other countries and regions | **(763,090)** | 2,883 |
| Tax losses utilised from previous periods | **(58)** | (718) |
| Effect on deferred tax of change in rates | **(3,191)** | 19,711 |
| Additional deductible allowance for research and development expenses | **(11,863)** | (13,028) |
| Effect of non-deductible expenses | **5,007** | 3,637 |
| Tax losses and deductible temporary differences not recognised | **68,918** | 86,491 |
| Adjustments in respect of current tax of previous periods | **(1,613)** | (44) |
| Option income tax benefit | **(1,434)** | (7,589) |
| Effect of withholding tax on interest income | **848** | 1,664 |
| Others | **(1,614)** | (1,120) |
| Total | **7,643** | 4,142 |

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, it is expected that the group would fall into the scope of the Pillar Two model rules in 2025. The assessment of the potential exposure to Pillar Two income taxes is undertaken by the Group based on the most recent information available regarding the financial performance of the constituent entities in the Group. The Company continues to monitor its adoption of Pillar Two, legislative developments, additional guidance from countries that have enacted Pillar Two legislation, and progress on the assessment of the potential future tax impact on its financial statements.

# Notes to Financial Statements

31 December 2024

## 11. DISCONTINUED OPERATION

As mentioned in Note 1 to the financial statements, the Company deconsolidated Legend Group effective from 18 October 2024. Legend Group was presented as a discontinued operation resulting from the Deconsolidation in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, with the comparative figures for the year ended 31 December 2023 in the consolidated statement of profit or loss and consolidated statement of comprehensive income was re-presented to conform with current year's presentation.

The board of directors assessed and concluded that it is appropriate to perform the below accounting analysis of discontinued operation based on the consolidated financial statements of Legend as at 30 September 2024 and for the nine month ended then, as the financial position, financial performance and cash flows of Legend at that time do not significantly change compared to those at the Deconsolidation Date (i.e., 18 October 2024), as well as comparative information presented accordingly.

The results of Legend are presented below:

| | **Nine months ended 30 September 2024 US$'000** | For the year ended 31 December 2023 US$'000 |
|---|---|---|
| REVENUE | **440,719** | 285,143 |
| Cost of revenue | **(160,659)** | (144,214) |
| Other income and gains | **49,148** | 58,126 |
| Research and development expenses | **(309,112)** | (382,218) |
| Administrative expenses | **(102,582)** | (106,769) |
| Selling and distribution expenses | **(98,556)** | (94,158) |
| Other expenses | **(1,139)** | (28,484) |
| Fair value loss of warrants | **–** | (85,750) |
| Finance costs | **(16,463)** | (21,794) |
| Loss before tax | **(198,644)** | (520,118) |
| Income tax (expense)/credit | **(4,666)** | 1,864 |
| Loss for the period | **(203,310)** | (518,254) |
| Add: Intra-group unrealised gain before deconsolidation | **161** | 254 |
| Loss for the period from Legend, net of tax | **(203,149)** | (518,000) |
| Gain on deconsolidation of Legend, net of tax | **3,232,210** | – |
| Profit/(Loss) for the year from discontinued operation | **3,029,061** | (518,000) |

## 11. DISCONTINUED OPERATION (Continued)

The financial position of Legend are as follows:

| | 30 September 2024 US$'000 | 31 December 2023 US$'000 |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | **104,031** | 108,725 |
| Advance payments for property, plant and equipment | **376** | 451 |
| Right-of-use assets | **99,452** | 80,502 |
| Other intangible assets | **2,507** | 4,061 |
| Time deposits | **4,509** | 4,362 |
| Other non-current assets | **174,913** | 152,709 |
| Total non-current assets | **385,788** | 350,810 |
| CURRENT ASSETS | | |
| Inventories | **23,548** | 19,433 |
| Trade and bills receivables | **705** | 100,041 |
| Prepayments, other receivables and other assets | **112,801** | 69,251 |
| Financial assets at fair value through profit or loss | **–** | 663 |
| Restricted cash | **583** | 357 |
| Time deposits | **753,123** | 30,341 |
| Cash and cash equivalents | **459,277** | 1,277,713 |
| Total current assets | **1,350,037** | 1,497,799 |
| CURRENT LIABILITIES | | |
| Trade and bills payables | **26,906** | 20,160 |
| Other payables and accruals | **165,418** | 132,870 |
| Lease liabilities | **4,342** | 3,175 |
| Tax payable | **11,067** | 7,203 |
| Contract liabilities | **63,161** | 53,010 |
| Total current liabilities | **270,894** | 216,418 |
| NON-CURRENT LIABILITIES | | |
| Interest-bearing loans and other borrowings | **296,623** | 281,328 |
| Lease liabilities | **45,626** | 44,169 |
| Contract liabilities | **–** | 47,962 |
| Other non-current liabilities | **6,575** | 7,361 |
| Total non-current liabilities | **348,824** | 380,820 |
| EQUITY | | |
| Share capital | **37** | 36 |
| Reserves | **1,116,070** | 1,251,335 |
| Total equity | **1,116,107** | 1,251,371 |

## Notes to Financial Statements

31 December 2024

### 11. DISCONTINUED OPERATION (Continued)

The gain arising from the Deconsolidation was calculated as follows:

| | At the Deconsolidation Date US$'000 |
|---|---|
| Net assets of Legend | **1,116,107** |
| Less: Non-controlling interests | **(585,286)** |
| Legend's net assets attributable to the Company | **530,821** |
| Fair value of the Company's retained investment in Legend (note) | **3,740,355** |
| Less: Legend's net assets that attributable to the Company | **(530,821)** |
| Add: The reclassification of accumulated currency translation differences that attributable to the Company | **22,676** |
| Gain on deconsolidation of Legend, net of tax | **3,232,210** |

Note: The fair value of the Company's retained investment in Legend was determined based on quoted market price of Legend's shares on Deconsolidation Date on the Nasdaq Global Select Market in the United States.

The cash flows of Legend are as follows:

| | Nine months ended 30 September 2024 US$'000 | For the year ended 31 December 2023 US$'000 |
|---|---|---|
| Operating activities | **(61,955)** | (393,276) |
| Investing activities | **(762,702)** | 92,786 |
| Financing activities | **6,031** | 791,490 |
| Net foreign exchange differences | **190** | 682 |
| Net cash (outflow)/inflow for the period from the discontinued operation | **(818,436)** | 491,682 |

## 11. DISCONTINUED OPERATION (Continued)

An analysis of the cash flows of cash and cash equivalents in respect of the Deconsolidation is as follows:

| | 2024<br>US$'000 |
|---|---|
| Cash consideration received | – |
| Less: Cash and cash equivalents at the Deconsolidation Date | 459,277 |
| Net cash outflows of cash and cash equivalents from the deconsolidation of Legend | (459,277) |

## 12. DIVIDENDS

At the date of the approval of these financial statements, the board of directors resolved not to declare any dividend for the year ended 31 December 2024 (2023: Nil).

# Notes to Financial Statements

31 December 2024

## 13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the reporting period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,121,285,454 (2023: 2,109,365,328) in issue during the reporting period.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

| | **2024 US$'000** | 2023 US$'000 |
|---|---|---|
| **Profit/(Loss)** | | |
| Profit/(Loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation | | |
| (Loss)/Profit from continuing operations | **(173,800)** | 162,824 |
| Profit/(Loss) from the discontinued operation | **3,135,677** | (258,301) |
| Total profit/(loss) attributable to ordinary holders of parent | **2,961,877** | (95,477) |

| | **Number of shares** | |
|---|---|---|
| | **2024** | 2023 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year | **2,125,610,314** | 2,115,102,955 |
| Effect of shares repurchased | **(4,324,860)** | (5,737,627) |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation | **2,121,285,454** | 2,109,365,328 |
| Effect of dilution – weighted average number of ordinary shares | **57,016,286** | 93,107,379 |
| Weighted average number of ordinary shares in issue during the year used in the diluted earnings/(loss) per share calculation | **2,178,301,740** | 2,202,472,707 |

## 13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

| | 2024<br>US$ Cent | 2023<br>US$ Cent |
|---|---|---|
| Basic earnings/(loss) per share arising from | | |
| Continuing operations (note) | **(8.19)** | 7.72 |
| Discontinued operation | **147.82** | (12.25) |
| Profit/(Loss) for the year | **139.63** | (4.53) |
| Diluted earnings/(loss) per share arising from | | |
| Continuing operations (note) | **(8.19)** | 7.39 |
| Discontinued operation | **143.95** | (12.25) |
| Profit/(Loss) for the year | **135.97** | (4.53) |

Note: For the continuing operations, the diluted loss per share is the same as the basic loss per share because the effect of share options and restricted share units were anti-dilutive for the years ended December 31, 2024.

# Notes to Financial Statements

31 December 2024

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Land, buildings and leasehold improvements US$'000 | Machinery and equipment US$'000 | Transportation equipment US$'000 | Computer and office equipment US$'000 | Construction In progress US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| **31 December 2024** | | | | | | |
| At 1 January 2024 | | | | | | |
| Cost | 350,488 | 302,966 | 1,018 | 15,639 | 131,595 | 801,706 |
| Accumulated depreciation | (56,085) | (124,911) | (563) | (10,680) | (1,360) | (193,599) |
| Net carrying amount | 294,403 | 178,055 | 455 | 4,959 | 130,235 | 608,107 |
| At 1 January 2024, net of accumulated depreciation | 294,403 | 178,055 | 455 | 4,959 | 130,235 | 608,107 |
| Additions | 10,245 | 2,728 | 38 | 131 | 112,253 | 125,395 |
| Deconsolidation of Legend (note 11) | (75,693) | (24,462) | (16) | (807) | (3,053) | (104,031) |
| Disposals | (73) | (1,574) | – | (91) | (68) | (1,806) |
| Depreciation provided during the year | (18,754) | (37,622) | (83) | (2,364) | – | (58,823) |
| Impairment | – | (735) | – | – | (43,931) | (44,666) |
| Transfers | 56,838 | 49,910 | – | 3,239 | (109,987) | – |
| Exchange realignment | (3,069) | (1,760) | (7) | 29 | (1,368) | (6,175) |
| At 31 December 2024, net of accumulated depreciation and impairment | 263,897 | 164,540 | 387 | 5,096 | 84,081 | 518,001 |
| At 31 December 2024 | | | | | | |
| Cost | 320,666 | 296,937 | 986 | 13,755 | 129,372 | 761,716 |
| Accumulated depreciation and impairment | (56,769) | (132,397) | (599) | (8,659) | (45,291) | (243,715) |
| Net carrying amount | 263,897 | 164,540 | 387 | 5,096 | 84,081 | 518,001 |

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Land, buildings and leasehold improvements US$'000 | Machinery and equipment US$'000 | Transportation equipment US$'000 | Computer and office equipment US$'000 | Construction In progress US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| **31 December 2023** | | | | | | |
| At 1 January 2023 | | | | | | |
| Cost | 265,520 | 238,653 | 959 | 17,585 | 142,061 | 664,778 |
| Accumulated depreciation | (38,533) | (91,509) | (491) | (12,678) | – | (143,211) |
| Net carrying amount | 226,987 | 147,144 | 468 | 4,907 | 142,061 | 521,567 |
| At 1 January 2023, net of accumulated depreciation | 226,987 | 147,144 | 468 | 4,907 | 142,061 | 521,567 |
| Additions | 2,478 | 6,707 | – | 673 | 141,682 | 151,540 |
| Disposals | (87) | (177) | (14) | (581) | (6) | (865) |
| Depreciation provided during the year | (18,282) | (33,992) | (80) | (2,482) | – | (54,836) |
| Impairment | – | (2,947) | – | – | (1,360) | (4,307) |
| Transfers | 85,105 | 62,447 | 89 | 2,505 | (150,146) | – |
| Exchange realignment | (1,798) | (1,127) | (8) | (63) | (1,996) | (4,992) |
| At 31 December 2023, net of accumulated depreciation and impairment | 294,403 | 178,055 | 455 | 4,959 | 130,235 | 608,107 |
| At 31 December 2023 | | | | | | |
| Cost | 350,488 | 302,966 | 1,018 | 15,639 | 131,595 | 801,706 |
| Accumulated depreciation and impairment | (56,085) | (124,911) | (563) | (10,680) | (1,360) | (193,599) |
| Net carrying amount | 294,403 | 178,055 | 455 | 4,959 | 130,235 | 608,107 |

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2024, no property, plant and equipment were pledged for the interest-bearing bank loan (2023: US$2,895,000).

As at 31 December 2024, properties amounting to approximately US$31,974,000 (2023: US$33,370,000) were pledged to an affiliate of the Series B Preferred Shareholder of Probio Cayman to secure the redemption right held by such preferred shareholder. More details are given in Note 30 to the financial statements.

During the year, the management reviewed impairment indicators of Group's long-lived assets, and recognised an impairment loss of US$44,666,000 for certain property, plant and equipment of the Group's biologics development services segment due to current operation results and foreseeable market competitiveness. The management evaluated the recoverable amount at the level of the cash- generating unit and based on a value-in-use calculation using discounted cash flow projections. Discount rates reflect market assessments of the time value and the specific risks relating to the industry, pre-tax and post-tax discount rate applied to the cash flow projections is 18.4% and 16.0%, respectively (2023: Not applicable).

With all other variables held constant, if the pre-tax discount rate increased or decreased by 0.5% from 18.4%, the impairment loss would increase by US$2,675,000 or decrease by US$2,781,000, respectively, during the year.

## 15. INVESTMENT PROPERTIES

| | 2024 US$'000 | 2023 US$'000 |
|---|---|---|
| Carrying amount at 1 January | **5,442** | 6,833 |
| Depreciation provided during the year | **(92)** | (100) |
| Exchange realignment | **(502)** | (1,291) |
| Carrying amount at 31 December | **4,848** | 5,442 |

As at 31 December 2024, the Group's investment properties are located in Japan with estimated useful lives of 22 years and a carrying amount of US$4,848,000 (2023: US$5,442,000).

The investment properties are leased to third parties under operating leases, further details of which are included in Note 5 to the financial statements.

As at 31 December 2024, the Group's investment properties were valued at US$5,351,000 (2023: US$5,576,000) based on valuation performed by an independent professionally qualified valuer.

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

**As at 31 December 2024**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) US$'000 | Significant Observable Inputs (Level 2) US$'000 | Significant Unobservable Inputs (Level 3) US$'000 | Total US$'000 |
| Recurring fair value measurement for: | | | | |
| Investment properties | – | – | 5,351 | 5,351 |

## Notes to Financial Statements

31 December 2024

## 15. INVESTMENT PROPERTIES (Continued)

### Fair value hierarchy (Continued)

**As at 31 December 2023**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) US$'000 | Significant Observable Inputs (Level 2) US$'000 | Significant Unobservable Inputs (Level 3) US$'000 | Total US$'000 |
| Recurring fair value measurement for: | | | | |
| Investment properties | – | – | 5,576 | 5,576 |

During the year ended 31 December 2024, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for investment properties (2023: Nil).

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

## 16. LEASES

### The Group as a lessee

The Group has lease contracts for leasehold land, buildings and office promises. Leases of buildings and office premises generally have lease terms between 2 and 50 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

## 16. LEASES (Continued)

### The Group as a lessee (Continued)

(a) Right-of-use assets

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

| | Leasehold land US$'000 | Buildings and office premises US$'000 | Total US$'000 |
|---|---|---|---|
| As at 1 January 2023 | 22,647 | 80,458 | 103,105 |
| Additions | – | 33,548 | 33,548 |
| Depreciation | (510) | (14,070) | (14,580) |
| Disposal | – | (1,797) | (1,797) |
| Exchange realignment | (369) | 713 | 344 |
| As at 31 December 2023 and 1 January 2024 | **21,768** | **98,852** | **120,620** |
| Additions | **13** | **71,506** | **71,519** |
| Depreciation | **(479)** | **(14,481)** | **(14,960)** |
| Disposal | **–** | **(426)** | **(426)** |
| Exchange realignment | **(216)** | **532** | **316** |
| Deconsolidation of Legend (note 11) | **(4,167)** | **(95,285)** | **(99,452)** |
| As at 31 December 2024 | **16,919** | **60,698** | **77,617** |

As at December 31, 2024, the leasehold land amount of approximately US$4,865,000 (2023: US$5,036,000) were pledged for interest-bearing loans of a subsidiary.

# Notes to Financial Statements

31 December 2024

## 16. LEASES (Continued)

### The Group as a lessee (Continued)

(b) Lease liabilities

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

| | 2024 US$'000 | 2023 US$'000 |
|---|---|---|
| Carrying amount at 1 January | **72,772** | 55,112 |
| New leases | **51,553** | 28,148 |
| Accretion of interest recognised during the year | **3,347** | 2,683 |
| Payments | **(12,923)** | (12,137) |
| Disposal | **(375)** | (1,879) |
| Exchange realignment | **108** | 845 |
| Deconsolidation of Legend (note 11) | **(49,968)** | – |
| Carrying amount at 31 December | **64,514** | 72,772 |
| Analysed into: | | |
| Current portion | **7,524** | 8,867 |
| Non-current portion | **56,990** | 63,905 |
| Total | **64,514** | 72,772 |

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

| | 2024 US$'000 | 2023 US$'000 |
|---|---|---|
| Interest on lease liabilities | **2,184** | 1,312 |
| Depreciation charge of right-of-use assets | **7,972** | 7,234 |
| Expense relating to short-term leases and leases of low-value assets | **1,390** | 2,063 |
| Total amount recognised in profit or loss | **11,546** | 10,609 |

## 16. LEASES (Continued)

### The Group as a lessor

The Group leases its investment property in Japan to external customers and certain properties to Legend Group. Rental income recognised by the Group during the year was US$1,446,000 (2023: US$1,258,000), in which amount of US$1,030,000 (2023：US$912,000) came from Legend Group, details of which are included in Note 5 to the financial statements.

At 31 December 2024, the undiscounted minimum lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

| | **2024 US$'000** | 2023 US$'000 |
|---|---|---|
| Within one year | **521** | 1,928 |
| More than one year but within five years | **39** | – |
| Total | **560** | 1,928 |

## 17. OTHER INTANGIBLE ASSETS

| | **Software US$'000** | **Patents and licenses US$'000** | **Customer relationship US$'000** | **Total US$'000** |
|---|---|---|---|---|
| **31 December 2024** | | | | |
| Cost at 1 January 2024, net of accumulated amortisation and impairment | **5,652** | **12,960** | **36** | **18,648** |
| Additions | **749** | **29** | **–** | **778** |
| Amortisation provided during the year | **(1,956)** | **(1,824)** | **(15)** | **(3,795)** |
| Disposal | **(18)** | **–** | **–** | **(18)** |
| Deconsolidation of Legend (note 11) | **(516)** | **(1,991)** | **–** | **(2,507)** |
| Exchange realignment | **(37)** | **(34)** | **–** | **(71)** |
| At 31 December 2024 | **3,874** | **9,140** | **21** | **13,035** |
| At 31 December 2024 | | | | |
| Cost | **6,445** | **26,829** | **158** | **33,432** |
| Accumulated amortisation and impairment | **(2,571)** | **(17,689)** | **(137)** | **(20,397)** |
| Net carrying amount | **3,874** | **9,140** | **21** | **13,035** |

# Notes to Financial Statements

31 December 2024

## 17. OTHER INTANGIBLE ASSETS (Continued)

| | Software US$'000 | Patents and licenses US$'000 | Customer relationship US$'000 | Total US$'000 |
|---|---|---|---|---|
| **31 December 2023** | | | | |
| Cost at 1 January 2023, net of accumulated amortisation | 4,161 | 19,581 | 69 | 23,811 |
| Additions | 4,031 | 2,054 | – | 6,085 |
| Amortisation provided during the year | (2,165) | (2,350) | (15) | (4,530) |
| Impairment | – | (6,184) | – | (6,184) |
| Disposal | (61) | (167) | – | (228) |
| Exchange realignment | (314) | 26 | (18) | (306) |
| At 31 December 2023 | 5,652 | 12,960 | 36 | 18,648 |
| At 31 December 2023 | | | | |
| Cost | 13,978 | 29,220 | 158 | 43,356 |
| Accumulated amortisation and impairment | (8,326) | (16,260) | (122) | (24,708) |
| Net carrying amount | 5,652 | 12,960 | 36 | 18,648 |

During the year, no impairment was recognised for other intangible assets (2023: US$6,184,000).

## 18. INVESTMENTS IN ASSOCIATES

| | **2024 US$'000** | 2023 US$'000 |
|---|---|---|
| Investment in a significant associate | **3,653,932** | – |
| Investments in other associates | **13,799** | 15,291 |
| Net carrying amount | **3,667,731** | 15,291 |
| Loan to an associate | **–** | 37 |

## 18. INVESTMENTS IN ASSOCIATES (Continued)

Legend, a significant associate of the Company, whose shares are listed by way of American Depositary Shares on the Nasdaq Global Select Market in the United States.

Particulars of Legend and Legend's material subsidiaries as at 31 December 2024, are as follows:

| Name | Particulars of issued shares held | Place of incorporation/ registration and business | Percentage of ownership interest attributable to the Group % | Principal activity |
|---|---|---|---|---|
| Legend Biotech Corporation ("**Legend Cayman**" or "**Legend**") | Ordinary shares | Cayman Islands 27 May 2015 | 47.51 | Investment holding |
| Nanjing Legend Biotech Co., Ltd. ("**Legend Nanjing**")* | Ordinary shares | PRC/Mainland China 17 November 2014 | 47.51 | Performance and rendering of research and development services |
| Legend Biotech USA Incorporated ("**Legend USA**") | Ordinary shares | United States of America 31 August 2017 | 47.51 | Manufacture and sale of life science research products and services |
| Legend Biotech Ireland Limited | Ordinary shares | Ireland 13 November 2017 | 47.51 | Manufacture and sale of life science research products and services |

* These entities are registered as wholly-foreign-owned enterprises under PRC law.

# Notes to Financial Statements

31 December 2024

## 18. INVESTMENTS IN ASSOCIATES (Continued)

The following tables illustrate the condensed financial information of Legend as included in its own consolidated financial statements, subject for appropriate adjustments made in order to account, for example, identifiable intangible assets based on the fair values at the Deconsolidation Date and adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

| | 31 December 2024 US$'000 | 30 September 2024 US$'000 |
|---|---|---|
| Non-current assets | **6,503,503** | 6,616,978 |
| Current assets | **1,283,918** | 1,350,037 |
| Current liabilities | **277,645** | 270,894 |
| Non-current liabilities | **1,320,526** | 1,333,502 |
| Total identifiable net assets at fair value (note) | **6,189,250** | 6,362,619 |
| Proportion of the Group's ownership | **47.51%** | 47.56% |
| Group's share of identifiable net assets of Legend | **2,940,413** | 3,026,061 |
| Equity method goodwill (note) | **713,519** | 714,294 |
| Carrying amount of the investment in Legend | **3,653,932** | 3,740,355 |

Note: As disclosed in note 1 to the financial statement, subsequent to the Deconsolidation, the Group accounts for the Company's investment in Legend as an associate using equity method as the Company is assessed to have significant influence on Legend. On initial recognition, the Company remeasured all the identified assets and liabilities of Legend at their fair value (i.e. performed a new purchase price allocation) to apply the equity method from the Deconsolidation Date, and the difference between the fair value of the retained investment in Legend at the Deconsolidation Date and the Company's shares of the fair value of Legend's identified net assets are recognised as goodwill.

## 18. INVESTMENTS IN ASSOCIATES (Continued)

| | For the period from 1 October 2024 to 31 December 2024 US$'000 |
|---|---|
| Revenue | 186,522 |
| Loss for the period, including: | (71,524) |
| Legend's profit for the period, net of tax | 26,284 |
| Amortisation and depreciation for fair value on Legend's net identifiable assets on Deconsolidation Date, net of tax | (97,808) |
| Other comprehensive loss | (115,836) |
| Total comprehensive loss | (187,360) |

The movement on interest in Legend is as follows:

| | 2024 US$'000 |
|---|---|
| Initial carrying amount in Legend upon Deconsolidation on the Deconsolidation Date | 3,740,355 |
| Share of loss for the period | (33,980) |
| Loss on deemed dilution of interests during the period | (3,771) |
| Share of other comprehensive loss | (55,032) |
| Share of the change in other reserves | 6,360 |
| At 31 December 2024 | 3,653,932 |
| Fair value of the Group's investment in Legend as at 31 December 2024 | 2,839,075 |

## Notes to Financial Statements

31 December 2024

## 18. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

| | 2024 US$'000 | 2023 US$'000 |
|---|---|---|
| Share of the associates' loss for the year | **(1,321)** | (1,384) |
| Share of the associates' total comprehensive loss | **(1,321)** | (1,384) |
| Aggregate carrying amount of the Group's investments in other associates | **13,799** | 15,291 |

During the year ended 31 December 2024, no provision for impairment was recognised for interests in associates in the consolidated statement of profit or loss (2023: Nil).

## 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Notes | 2024 US$'000 | 2023 US$'000 |
|---|---|---|---|
| **Non-current** | | | |
| Investments in financial products | i | **65,344** | 13,044 |
| Unlisted equity investments | ii | **23,299** | 18,825 |
| | | **88,643** | 31,869 |
| **Current** | | | |
| Investments in financial products | i | **224,851** | 105,282 |
| Listed equity investments | ii | **23** | 21 |
| Foreign currency forward and option contracts | | **–** | 342 |
| Total | | **224,874** | 105,645 |

Notes:

(i) The balance represents the investments in wealth management products issued by reputable commercial banks or institutions in the PRC, Hong Kong, Europe and the U.S., which were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(ii) The balance mainly represents the Group's investments in certain funds, listed and unlisted companies. These investments are not regarded as associates of the Group because the Group has no right to participate in the relevant activities of these limited partnerships.

## 20. INVENTORIES

| | 2024 US$'000 | 2023 US$'000 |
|---|---|---|
| Raw materials | **21,626** | 37,873 |
| Work in progress | **2,806** | 6,461 |
| Finished goods | **18,937** | 27,792 |
| | **43,369** | 72,126 |
| Provision for inventories | **(12,272)** | (18,780) |
| Total | **31,097** | 53,346 |

As at 31 December 2024, there were no collaboration inventories relating to the collaboration cost with a collaborator, as Legend has been deconsolidated from the Group (2023: with net carrying amount of US$19,433,000).

## 21. CONTRACT COSTS

| | 2024 US$'000 | 2023 US$'000 |
|---|---|---|
| Costs to fulfill contracts | **21,815** | 19,927 |
| Provision for contract costs | **(2,466)** | (2,047) |
| Total | **19,349** | 17,880 |

# Notes to Financial Statements

31 December 2024

## 22. TRADE AND BILLS RECEIVABLES

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| Trade receivables | **123,746** | 219,064 |
| Bills receivable | **6,404** | 6,346 |
| | **130,150** | 225,410 |
| Impairment of trade receivables | **(13,859)** | (7,967) |
| Total | **116,291** | 217,443 |

The Group's trading terms with its customers are mainly on credit and the credit period granted by the Group is 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The Group's trade receivables are related to a large number of diversified customers, there is no significant concentration of credit risk. The Group's trade receivables are non-interest-bearing.

Amounts due from the Group's related parties of US$1,446,000 (2023:US$18,000) are included in the Group's trade receivables, which are repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of the gross carrying amount of trade receivables as at the end of the year, based on the invoice date, is as follows:

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| Within 3 months | **83,598** | 179,954 |
| 3 to 6 months | **15,058** | 12,556 |
| 6 to 12 months | **9,325** | 14,198 |
| Over 1 year | **15,765** | 12,356 |
| Total | **123,746** | 219,064 |

## 22. TRADE AND BILLS RECEIVABLES (Continued)

Movements in the loss allowance for impairment of trade receivables were as follows:

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| At 1 January | **7,967** | 3,361 |
| Impairment losses recognised | **6,665** | 5,193 |
| Impairment losses reversed | **(300)** | (415) |
| Amount written off as uncollectible | **(473)** | (172) |
| At 31 December | **13,859** | 7,967 |

The Group applies the simplified approach in calculating ECLs for trade receivables prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. Certain trade receivables are assessed individually for impairment allowance. and remaining trade receivables are grouped and collectively assessed for impairment allowance.

Under the collective approach, 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 by product and service type and rating. 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. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

# Notes to Financial Statements

31 December 2024

## 22. TRADE AND BILLS RECEIVABLES (Continued)

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 | | |
|---|---|---|---|
| | Gross carrying amount US$'000 | Expected loss rate | Expected credit loss US$'000 |
| Provision on an individual basis: | **28,311** | **36.38%** | **10,300** |
| Provision on a collective basis, aged: | | | |
| Less than 1 year | **90,025** | **0.97%** | **869** |
| Within 1 to 2 years | **3,517** | **35.26%** | **1,240** |
| Within 2 to 3 years | **1,637** | **72.94%** | **1,194** |
| Over 3 years | **256** | **100.00%** | **256** |
| Total | **123,746** | | **13,859** |

| | As at 31 December 2023 | | |
|---|---|---|---|
| | Gross carrying amount US$'000 | Expected loss rate | Expected credit loss US$'000 |
| Provision on an individual basis: | 134,830 | 4.00% | 5,393 |
| Provision on a collective basis, aged: | | | |
| Less than 1 year | 80,077 | 1.04% | 834 |
| Within 1 to 2 years | 3,881 | 38.24% | 1,484 |
| Within 2 to 3 years | 96 | 79.17% | 76 |
| Over 3 years | 180 | 100.00% | 180 |
| Total | 219,064 | | 7,967 |

The Group applies a general approach in calculating ECLs for bills receivable. All of the bills receivables are not past due and the Group classified such instruments as Stage 1 and measured ECLs on a 12-month basis. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECLs. For bank acceptance bills, as the relevant financial institutions have a high credit rating, the loss rate is expected to be minimal. For commercial acceptance bills, which were not yet past due, the loss rate is expected to be minimal as well.

## 23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| **Current** | | |
| Value-added tax recoverable | 17,414 | 24,483 |
| Prepayments | 5,877 | 18,558 |
| Prepaid expense | 2,926 | 1,991 |
| Other receivables | 2,651 | 56,210 |
| Prepaid income tax | 444 | 471 |
| Deposits | 52 | 216 |
| Loan to an associate | – | 37 |
| Lease receivables | – | 1,388 |
| | 29,364 | 103,354 |
| Impairment of other receivables | (227) | (34) |
| Total | 29,137 | 103,320 |
| **Non-current** | | |
| Deposits | 3,567 | 3,176 |
| Prepaid expense | 171 | 1,210 |
| Collaboration prepaid leases | – | 151,216 |
| Lease receivables | – | 285 |
| Total | 3,738 | 155,887 |

The Group applies a general approach in calculating ECLs for other receivables. Other receivables related to debtors that are in default are classified as Stage 1 without any significant increase in credit risk tracked since initial recognition. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts.

# Notes to Financial Statements

31 December 2024

## 24. CASH AND BANK BALANCES

| | Notes | 2024 US$'000 | 2023 US$'000 |
|---|---|---|---|
| Cash and bank balances | | **447,617** | 1,893,724 |
| Less: | | | |
| Restricted cash | (a) | **17,919** | 33,072 |
| Non-pledged time deposits: | | | |
| Current portion | | **264,321** | 376,002 |
| Non-current portion | | **33,387** | 38,247 |
| Cash and cash equivalents | (b) | **131,990** | 1,446,403 |

(a) The Group's restricted cash includes the followings:

| | 2024 US$'000 | 2023 US$'000 |
|---|---|---|
| Pledged as security deposits for rentals | **12,891** | – |
| Pledged as guarantee of certain financial products | **3,421** | – |
| Pledged for the letter of guarantee | **1,607** | 9,662 |
| Pledged for bills payable | **–** | 23,053 |
| Pledged for credit cards' facilities | **–** | 357 |
| | **17,919** | 33,072 |

(b) The Group's cash and cash equivalents include the followings:

| | 2024 US$'000 | 2023 US$'000 |
|---|---|---|
| Denominated in US$ | **105,584** | 1,365,261 |
| Denominated in RMB | **19,723** | 65,335 |
| Denominated in EUR | **1,837** | 11,634 |
| Denominated in other currencies | **4,846** | 4,173 |
| Cash and cash equivalents | **131,990** | 1,446,403 |

## 24. CASH AND BANK BALANCES (Continued)

At 31 December 2024, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to US$19,723,000 (2023: US$65,335,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

## 25. TRADE AND BILLS PAYABLES

| | **2024 US$'000** | 2023 US$'000 |
|---|---|---|
| Trade payables | **29,794** | 39,097 |
| Bills payable | **44** | 862 |
| Total | **29,838** | 39,959 |

The trade payables are non-interest-bearing and are normally settled on turnover of 30 to 90 days. An ageing analysis of the trade payables as at the end of the year, based on the invoice date, is as follows:

| | **2024 US$'000** | 2023 US$'000 |
|---|---|---|
| Within 3 months | **26,281** | 36,059 |
| 3 to 6 months | **1,298** | 996 |
| 6 to 12 months | **975** | 1,516 |
| Over 1 year | **1,240** | 526 |
| Total | **29,794** | 39,097 |

# Notes to Financial Statements

31 December 2024

## 26. OTHER PAYABLES AND ACCRUALS

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| **Current** | | |
| Accrued expenses | 17,270 | 84,466 |
| Accrued payroll and welfare | 47,236 | 72,871 |
| Payables for purchases of property, plant and equipment | 39,833 | 71,489 |
| Payable for collaboration assets | – | 16,338 |
| Other tax payables | 5,352 | 7,437 |
| Subsidies (note) | 1,151 | 1,141 |
| Other payables | 14,688 | 19,663 |
| Total | 125,530 | 273,405 |
| **Non-current** | | |
| Subsidies (note) | 13,025 | 16,716 |
| Others | 1,235 | 1,211 |
| Total | 14,260 | 17,927 |

Note: The subsidies received from the local government authorities for the purpose of compensation for the expenditure on certain facilities were credited to a deferred income account. The grants were released to profit or loss over the expected useful lives of the relevant assets.

The Group also received certain financial subsidies from the local government authorities to support local business. There were no unfulfilled conditions or other contingencies attached to these government subsidies. These government subsidies of US$5,481,000 (2023: US$7,951,000) were recognised in profit or loss upon receipt.

## 27. INTEREST-BEARING LOANS AND OTHER BORROWINGS

| | | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|---|
| | Note | Effective interest rate (%) | Maturity | US$'000 | Effective interest rate (%) | Maturity | US$'000 |
| **Current** | | | | | | | |
| Bank loans – unsecured | | 1.9–2.6 | 2025 | 88,745 | 2.4–2.6 | 2024 | 23,155 |
| Bank loans – secured | | | | – | 1.1–1.7 | 2024 | 33,785 |
| Current portion of long term bank loans – secured | | | | – | 0.33 | 2024 | 71 |
| Total | | | | 88,745 | | | 57,011 |
| **Non-current** | | | | | | | |
| Other borrowings – unsecured | | – | – | – | 8.07 | No specific | 281,328 |
| Non-current portion of long term bank loans – secured | (a) | 3.95–4.2 | 2026–2029 | 17,309 | 4.20 | 2026 | 5,879 |
| Total | | | | 17,309 | | | 287,207 |

| | 2024 US$'000 | 2023 US$'000 |
|---|---|---|
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year or on demand | 88,745 | 57,011 |
| In the second year | 3,863 | – |
| In the third to fifth years, inclusive | 13,446 | 5,879 |
| Other borrowings repayable: | | |
| No agreed repayment period | – | 281,328 |
| Total | 106,054 | 344,218 |

# Notes to Financial Statements

31 December 2024

## 27. INTEREST-BEARING LOANS AND OTHER BORROWINGS (Continued)

As at 31 December 2024, the Group's total bank facilities amounted to US$685,787,000 (2023: US$417,456,000), of which US$108,230,000 (2023: US$43,518,000) had been utilised by the Group.

(a) Certain of the Group's bank loans were secured by the land with a book value of approximately US$4,865,000 (2023: US$5,036,000) (note 16). The effective interest rate bank loan was based on the Loan Prime Rate ("**LPR**"), and the average effective interest rate for the period was calculated as 4.08% (2023: 4.20%).

## 28. CONTRACT LIABILITIES

| | **2024 US$'000** | 2023 US$'000 |
|---|---|---|
| **Non-current** | | |
| Rendering of services and sales of products | **–** | 47,962 |
| **Current** | | |
| Rendering of services and sales of products | **46,211** | 97,437 |
| Total | **46,211** | 145,399 |

## 29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2024 US$'000 | 2023 US$'000 |
|---|---|---|
| **Current** | | |
| Foreign currency forward contracts | 107 | – |
| **Non-current** | | |
| Probio Series A Preferred Shares | 235,500 | 159,810 |
| Probio Series C Preferred Shares | 238,232 | 190,341 |
| | 473,732 | 350,151 |
| Total | 473,839 | 350,151 |

### Probio Series A Preferred Shares and Probio Series C Preferred Shares

During the year ended 31 December 2021, Probio Cayman issued a total of 300,000,000 Probio Series A Preferred Shares, together with the issuance of Probio Warrant in the Probio Series A Financing.

During the year ended 31 December 2023, Probio Cayman issued a total of 319,998,370 Probio Series C Preferred Shares in its Series C Financing, of which 42,857,000 Series C Preferred Shares was subscribed by the Company at consideration of US$30,000,000.

The key terms of the Probio Series A Preferred Shares and Probio Series C Preferred Shares are summarised as follows:

(1) Dividends right

Each of the holders of Probio Series C Preferred Shares and Probio Series A Preferred Shares is entitled to receive non-cumulative dividends in preference to any dividend on the Probio Shares when, as and if declared by the board of directors of Probio Cayman, for each Series C Preferred Share and Series A Preferred Share held by such holder, at a rate of 8% per annum.

No non-cumulative dividends to Probio Series A Preferred Shares will be paid unless and until the full payment of the non-cumulative dividends to Probio Series C Preferred Shares.

# Notes to Financial Statements

31 December 2024

## 29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

### Probio Series A Preferred Shares and Probio Series C Preferred Shares (Continued)

(2) Conversion right

Probio Series A Preferred Shares and Probio Series C Preferred Shares shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such preferred shares into such number of fully paid and non-assessable ordinary shares as determined by dividing the issue price by the then effective conversion price of such series of preferred shares, in effect at the time of the conversion. The initial Series A conversion price shall be the Series A issue price (US$0.50 per Probio Series A Preferred Share) and the initial Series C conversion price shall be the Series C issue price (US$0.70 per Probio Series C Preferred Share), and such initial conversion price for Series A Preferred Shares and Series C Preferred Shares shall be subject to adjustments for certain further events, including but not limited to dilutive issuances, share splits, share combinations and etc.

Probio Series A Preferred Shares and Probio Series C Preferred Shares shall automatically be converted into the ordinary shares of Probio Cayman at then respective effective conversion price of such series of preferred shares upon the completion of a qualified IPO of Probio Cayman.

(3) Redemption feature

Each eligible holder of Probio Series C Preferred Shares (excluding the Company in its capacity as the holder of Probio Series C Preferred Shares) shall be entitled to request Probio Cayman and the Company, jointly and severally, to redeem all or any of part of such holder's Series C Preferred Shares at a price per share (the "**Series C Redemption Price**") at earliest occurrence of any of the redemption events agreed in the documents of Series C Financing. The Series C Redemption Price equals to the aggregate amount of:

(i) 100% of the Series C issue price, which shall be subject to adjustments for certain dilutive issuances, splits and combinations;

(ii) interest accrued based on the Series C issue price and calculated at an agreed rate in the documents of the Probio Series C Financing, from the date of issuance thereof through and including the redemption date; and

(iii) any declared but unpaid dividends thereto as of the date of redemption.

## 29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

### Probio Series A Preferred Shares and Probio Series C Preferred Shares (Continued)

(3) Redemption feature (Continued)

Each holder of Probio Series A Preferred Shares shall be entitled to request Probio Cayman and the Company, jointly and severally, to redeem all or any part of such holder's Series A Preferred Shares at a price per share (the "**Series A Redemption Price**") at earliest occurrence of any of the redemption events agreed in the documents of Series A Financing. The Series A Redemption Price equals to the aggregate amount of:

(i) 100% of the Series A issue price, which shall be subject to adjustments for certain dilutive issuances, splits and combinations;

(ii) interest accrued based on the Series A issue price and calculated at an agreed rate in the documents of the Probio Series A Financing, from the date of issuance thereof through and including the redemption date; and

(iii) any declared but unpaid dividends thereto as of the date of redemption.

No Series A Redemption Price or Series B Redemption Price (which measured at amortised cost) will be paid unless and until all Series C Redemption Price of the eligible holders of Series C Preferred Shares is fully paid.

(4) Liquidation Preference

Upon any liquidation, dissolution or winding up or other liquidation events of Probio Cayman, all assets of funds of Probio Cayman legally available for distribution to the shareholders are distributed in the sequence as follows:

(i) Series C liquidation amount

(ii) Series A liquidation amount

The Series C liquidation amount and Series A liquidation amount equal to the sum of (i) 100% of their respective issue price; (ii) interests thereon at an agreed rate per annum for each series of preferred shares and plus (iii) all declared and unpaid dividends on such preferred shares.

If the assets and funds thus distributed among the holders of Probio Series C Preferred Shares or Probio Series A Preferred Shares are insufficient to permit the payment to such holders of full Series C liquidation amount or Series A liquation amount, then all such assets and funds of the Probio Cayman legally available for distribution shall be distributed ratably among the holders of such series of preferred shares in proportion to the liquidation amount that each such holder is otherwise entitled.

## Notes to Financial Statements

31 December 2024

## 29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

### Probio Series A Preferred Shares and Probio Series C Preferred Shares (Continued)

(4) Liquidation Preference (Continued)

If there are any assets or funds remaining after the Series C liquidation amount and the Series A liquidation amount have been distributed or paid in full, the remaining assets and funds of Probio Cayman available for distribution shall be distributed ratably among holders of the preferred shares and ordinary shares based on the number of shares held by each such holder, on an as-if-converted basis.

*Presentation and classification*

The Group does not bifurcate the embedded conversion derivatives from the host debt liability arising from the redemption right hold by the shareholders of the Probio Series A Preferred Shares and Probio Series C Preferred Shares and has designated the entire instruments of Probio Series A Preferred Shares and Probio Series C Preferred Shares as financial liabilities at FVTPL. The change in fair value of financial liabilities at FVTPL is charged to profit or loss except for the portion attributable to own credit risk change that shall be charged to other comprehensive income.

As at 31 December 2024, the fair value of Probio Series A Preferred Shares was assessed at US$235,500,000 (31 December 2023: US$159,810,000) and the fair value of Probio Series C Preferred Shares was assessed at US$238,232,000 (31 December 2023: US$190,341,000), and an aggregate fair value loss of US$123,581,000 (2023: fair value gain of US$113,308,000) was recognised during the year ended 31 December 2024.

The movements of the above preferred shares and warrants are set out below:

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| As at 1 January | **350,151** | 352,359 |
| Issuance | **–** | 193,999 |
| Exercise of Legend Warrant* | **–** | (152,750) |
| Fair value changes during the year | **123,581** | (43,457) |
| As at 31 December | **473,732** | 350,151 |

* Legend issued warrant in May 2021 ("**Legend Warrant**"), of which were fully exercised by the holder of the Legend Warrant in May 2023.

The details of the valuation of the preferred shares are disclosed in Note 41 to the financial statements.

## 29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

### Probio Series A Preferred Shares and Probio Series C Preferred Shares (Continued)

*Presentation and classification (Continued)*

During the years ended 31 December 2024 and 2023, management considered that there was no significant change of the credit risk of the Group that drives the change of the fair value of each financial liability.

As at 31 December 2024 and 2023, the Probio Series A Preferred Shares and Probio Series C Preferred Shares were presented as non-current liabilities as management does not expect that these amounts will be repaid within one year.

## 30. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

| | Notes | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|---|
| **Non-current** | | | |
| Probio Series B Preferred Shares | (a) | 41,218 | 38,987 |
| BSJ Series A Capital Increase | (b) | 38,217 | 36,376 |
| Total | | 79,435 | 75,363 |

### (a) Probio Series B Preferred Shares

On 2 July 2022, the ProBio entered into an agreement with an institutional investor relating to the offer and sale of 57,314,000 series B convertible redeemable preferred shares of Probio Cayman ("**Probio Series B Preferred Shares**"), with a par value of US$0.00002 per share, at a purchase price of US$0.65 per preferred share for an aggregate consideration of US$37,254,100 ("**Probio Series B Financing**"). The Probio Series B Financing was completed on 6 July 2022.

The key terms of the Probio Series B Preferred Shares are summarised as follows:

(1) Conversion right

Probio Series B Preferred Shares shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such preferred shares into such number of fully paid and non-assessable ordinary share. The conversion ratio for each Series B Preferred Share shall be determined by dividing the Series B issue price by the then Series B conversion price, in effect at the time of the conversion. The initial Series B conversion price shall be the Series B issue price (US$0.65 per Probio Series B Preferred Share), and such initial Series B conversion price shall be subject to adjustments for share dividend, share split or otherwise.

## Notes to Financial Statements

31 December 2024

### 30. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST (Continued)

#### (a) Probio Series B Preferred Shares (Continued)

(1) Conversion right (Continued)

Probio Series B Preferred Shares shall automatically be converted into the ordinary shares of Probio Cayman at the then respective effective Conversion Price upon the completion of an IPO of Probio Cayman.

(2) Redemption feature

Each holder of Probio Series B Preferred Shares shall be entitled to request Probio Cayman and the Company, jointly and severally, to redeem all or any part of such holder's Series B Preferred Shares at a price per share (the "**Series B Redemption Price**") at earliest occurrence of any of the redemption events agreed in the documents of Series B Financing. The Series B Redemption Price equals to the aggregate amount of:

(i) 100% of the Series B issue price, which shall be subject to adjustments for certain dilutive issuances, splits and combinations;

(ii) interest accrued based on the Series B issue price and calculated at an agreed rate in the documents of the Series B Financing, from the date of issuance thereof through and including the redemption date; and

(iii) any declared but unpaid dividends thereto as of the date of redemption.

Presentation and classification

The Probio Series B Preferred Shares contain only liability and equity components, of which the initial fair value of the liability component was determined at US$35,657,000 which was subsequently measured at amortised cost using effective interest method, and the remainder of the proceeds from the Series B Financing amounted to US$1,597,100 was allocated to the conversion option and recognised in the Group's equity.

#### (b) BSJ Series A Capital Increase

On 26 May 2023, BSJ Nanjing, an indirect non-wholly owned subsidiary of the Company, entered into capital increase agreement with certain investors (collectively referred as "**BSJ Series A Investors**"), pursuant to which BSJ Nanjing issued additional registered capital of RMB37,609,070 for a total consideration of RMB250,000,000 ("**BSJ Series A Capital Increase**"). The BSJ Series A Capital Increase was completed on 25 June 2023.

Pursuant to the BSJ Series A Capital Increase documents, each of BSJ Series A Investors shall be entitled to request BSJ Nanjing to redeem all or part of such registered capital at a price per share ("**BSJ Series A Redemption Obligations**") at earliest occurrence of any redemption events agreed in BSJ Series A Capital Increase documents. The BSJ Series A Redemption Obligations equals to the aggregate amount of:

(i) 100% of the issue price for each registered capital;

## 30. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST (Continued)

### (b) BSJ Series A Capital Increase (Continued)

(ii) interest accrued based on the issue price for each registered capital and calculated at an agreed rate in the documents of the BSJ Series A Capital Increase, from the date of issuance thereof through and including the redemption date; and

(iii) any declared but unpaid dividends thereto as of the date of redemption.

#### Presentation and classification

Since the BSJ Series A Capital Increase contains an obligation for BSJ Nanjing purchase its own equity instruments for cash, it gives rise to a financial liability for the present value of the redemption amount even if the obligation to purchase is conditional on BSJ Series A Investors exercising a right to redeem.

Therefore, the Company initially recognised the BSJ Series A Redemption Obligations as a financial liability at approximately US$35,089,000, which is the present value of the redemption amount, and subsequently measured at amortised cost using effective interest method.

The movements of liability components for Probio Series B Preferred Shares and BSJ Series A Redemption Obligations are set out below:

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| As at 1 January | **75,363** | 36,761 |
| Issuance | **–** | 35,089 |
| Interest expenses accrued during the year | **4,632** | 3,443 |
| Exchange realignment | **(560)** | 70 |
| As at 31 December | **79,435** | 75,363 |

## Notes to Financial Statements

31 December 2024

## 31. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

### Deferred tax liabilities

| | Depreciation allowance in excess of related depreciation US$'000 | Fair value adjustments arising from acquisition of a subsidiary US$'000 | Right-of-use assets US$'000 | Unrealised fair value of financial assets at fair value through profit or loss US$'000 | Withholding Tax US$'000 | License revenue -transitional adjustment US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2024 | **28,130** | **1,205** | **10,853** | **196** | **925** | **3,144** | **44,453** |
| Deferred tax credited to profit or loss during the year | **(220)** | **(70)** | **(494)** | **(52)** | **(632)** | **(1,121)** | **(2,589)** |
| Deconsolidation of Legend | **(2,581)** | **–** | **(5,787)** | **–** | **–** | **(2,023)** | **(10,391)** |
| Exchange realignment | **(255)** | **(20)** | **–** | **3** | **–** | **–** | **(272)** |
| Gross deferred tax liabilities at 31 December 2024 | **25,074** | **1,115** | **4,572** | **147** | **293** | **–** | **31,201** |
| At 1 January 2023 | 28,378 | 2,666 | 114 | – | – | – | 31,158 |
| Deferred tax charged/(credited) to profit or loss during the year | 87 | (1,459) | 10,739 | 196 | 925 | 3,144 | 13,632 |
| Exchange realignment | (335) | (2) | – | – | – | – | (337) |
| Gross deferred tax liabilities at 31 December 2023 | 28,130 | 1,205 | 10,853 | 196 | 925 | 3,144 | 44,453 |

## 31. DEFERRED TAX (Continued)

### Deferred tax assets

| | Accrued expenses US$'000 | Difference in intangible assets amortisation US$'000 | Impairment of assets US$'000 | Unrealised profit from intercompany transactions US$'000 | Subsidies US$'000 | Losses available for offsetting against future taxable profits US$'000 | Unrealised fair value of financial assets at fair value through profit or loss US$'000 | Lease liabilities US$'000 | Cost recovery of R&D expense and R&D credit US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2024** | **6,650** | **2,801** | **3,849** | **3,850** | **1,573** | **21,219** | **–** | **11,729** | **3,666** | **55,337** |
| **Deferred tax credited/(charged) to profit or loss during the year** | **2,594** | **1,803** | **3,528** | **(358)** | **392** | **(1,112)** | **–** | **(418)** | **1,398** | **7,827** |
| **Deconsolidation of Legend** | **–** | **(4,604)** | **–** | **–** | **–** | **–** | **–** | **(5,787)** | **–** | **(10,391)** |
| **Exchange realignment** | **(34)** | **–** | **(70)** | **751** | **(28)** | **(295)** | **–** | **–** | **–** | **324** |
| **Gross deferred tax assets at 31 December 2024** | **9,210** | **–** | **7,307** | **4,243** | **1,937** | **19,812** | **–** | **5,524** | **5,064** | **53,097** |
| At 1 January 2023 | 9,232 | 1,250 | 1,326 | 3,243 | 1,436 | 18,388 | 150 | 120 | 3,046 | 38,191 |
| Deferred tax (charged)/credited to profit or loss during the year | (2,544) | 1,551 | 2,553 | 592 | 162 | 3,089 | (150) | 11,609 | 620 | 17,482 |
| Exchange realignment | (38) | – | (30) | 15 | (25) | (258) | – | – | – | (336) |
| Gross deferred tax assets at 31 December 2023 | 6,650 | 2,801 | 3,849 | 3,850 | 1,573 | 21,219 | – | 11,729 | 3,666 | 55,337 |

## 31. DEFERRED TAX (Continued)

For presentation purposes, deferred tax assets and liabilities amounted to US$25,362,000 (2023: US$38,831,000) have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| Net deferred tax liabilities recognised in the consolidated statement of financial position | 5,839 | 5,622 |
| Net deferred tax assets recognised in the consolidated statement of financial position | 27,735 | 16,506 |

Deferred tax assets have not been recognised in respect of the following item as of the end of the year:

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| Tax losses and deductible temporary differences | 123,699 | 1,705,386 |

During the year ended 31 December 2024, tax losses amounting to US$4,236,000 (2023: US$7,503,000) arising in Mainland China will expire in 5 to 10 years if not utilised, and the rest of the tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these 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.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2024, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such remaining earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was US$290,933,000 at 31 December 2024 (2023: US$220,784,000).

## 32. SHARE CAPITAL AND SHARE PREMIUM

### Shares

| | 31 December 2024 US$'000 | 31 December 2023 US$'000 |
|---|---|---|
| Authorised: | | |
| Ordinary shares of US$0.001 each | 5,000 | 5,000 |
| Issued and fully paid: | | |
| Ordinary shares of US$0.001 each | 2,142 | 2,121 |

A summary of movements in the Group's share capital and share premium is as follows:

| | Notes | Number of shares in issue | Share Capital US$'000 | Treasury Shares US$'000 | Share Premium US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| At 1 January 2023 | | 2,111,225,635 | 2,111 | (11,922) | 1,473,027 | 1,463,216 |
| Issuance of ordinary shares of Legend Cayman | (a) | – | – | – | 429,065 | 429,065 |
| Exercise of share options and restricted share units | | 9,396,823 | 10 | 2,477 | 37,166 | 39,653 |
| At 31 December 2023 and 1 January 2024 | | 2,120,622,458 | 2,121 | (9,445) | 1,939,258 | 1,931,934 |
| Equity transaction with non-controlling interests | | – | – | – | 177 | 177 |
| Exercise of share options and restricted share units | | 21,674,175 | 21 | 3,354 | 42,090 | 45,465 |
| At 31 December 2024 | | 2,142,296,633 | 2,142 | (6,091) | 1,981,525 | 1,977,576 |

# Notes to Financial Statements

31 December 2024

## 32. SHARE CAPITAL AND SHARE PREMIUM (Continued)

(a) On 24 April 2023, 2 May 2023 and 19 May 2023, Legend sold 7,656,968, 484,992 and 692,782 ordinary shares to institutional investors in private placement transactions, respectively, for net proceeds of US$234,410,000, after deduction of related issuance costs.

On 10 May 2023, Legend sold 10,937,500 ordinary shares to certain investors in a registered direct offering at a price of US$32.00 per Legend's share, for net proceeds of US$349,278,000, after deduction of related issuance costs.

On 11 May 2023, the Private Investment in Public Equity ("**PIPE**") Investor exercised Legend Warrant in full for an aggregate exercise price of US$200,000,000, and, as a result, Legend issued 10,000,000 ordinary shares to the PIPE Investor.

## 33. SHARE OPTION SCHEME

The Company's Pre-IPO and Post-IPO share option scheme are generally vested over a 5-year term. The performance goals are determined by the board of directors. For those awards, evaluations are made as of each reporting period to assess the likelihood of performance criteria being met. Share-based compensation expenses are then adjusted to reflect the reversion of original estimates.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. The only condition for vesting is service condition.

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Weighted average exercise price US$ per share** | **Number of options '000** | Weighted average exercise price US$ per share | Number of options '000 |
| At 1 January | **0.6891** | **85,143** | 0.7382 | 92,647 |
| Forfeited during the year | **3.0610** | **(1,148)** | 2.0240 | (1,442) |
| Exercised during the year | **0.2459** | **(18,289)** | 1.0085 | (5,788) |
| Expired during the year | **3.0852** | **(2,700)** | 3.3710 | (274) |
| At 31 December | **0.6719** | **63,006** | 0.6891 | 85,143 |
| Exercisable at 31 December | **0.6603** | **62,327** | 0.6102 | 77,799 |

The weighted average share price at the date of exercise for share options exercised during the year was HK$10.700 (2023: HK$21.996) per share.

## 33. SHARE OPTION SCHEME (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the year are as follows:

| 31 December 2024 Number of options '000 | Exercise price* US$ per share | Exercise period |
|---|---|---|
| 25,008 | 0.0617 | 2014/12/31–2025/07/31 |
| 1,238 | 0.0772 | 2013/09/01–2025/07/31 |
| 7,672 | 0.1552 | 2016/06/22–2026/06/21 |
| 2,732 | 0.3102 | 2017/09/23–2026/09/22 |
| 9,830 | 0.4514 | 2019/04/25–2027/04/24 |
| 3,487 | 1.0672 | 2018/07/25–2027/10/10 |
| 1,955 | 1.1969 | 2019/12/31–2027/11/19 |
| 1,960 | 1.7857 | 2021/04/29–2030/04/28 |
| 126 | 1.7948 | 2018/11/29–2028/11/28 |
| 1,926 | 2.3444 | 2020/07/19–2029/07/18 |
| 2,204 | 2.4444 | 2020/11/29–2029/11/28 |
| 3,505 | 3.3710 | 2019/01/01–2028/05/03 |
| 328 | 1.9355 | 2020/09/01–2025/08/31 |
| 750 | 1.5606 | 2021/11/21–2030/12/27 |
| 100 | 1.7857 | 2022/03/31–2031/03/30 |
| 185 | 3.9228 | 2022/05/31–2031/05/30 |
| 63,006 | | |

# Notes to Financial Statements

31 December 2024

## 33. SHARE OPTION SCHEME (Continued)

| 31 December 2023 Number of options '000 | Exercise price* US$ per share | Exercise period |
|---:|---:|---:|
| 24 | 0.0515 | 2013/08/10–2025/07/31 |
| 38,150 | 0.0617 | 2014/12/31–2025/07/31 |
| 1,838 | 0.0772 | 2013/09/01–2025/07/31 |
| 7,672 | 0.1552 | 2016/06/22–2026/06/21 |
| 3,277 | 0.3102 | 2017/09/23–2026/09/22 |
| 11,265 | 0.4514 | 2019/04/25–2027/04/24 |
| 5,824 | 1.0672 | 2018/07/25–2027/10/10 |
| 2,011 | 1.1969 | 2019/12/31–2027/11/19 |
| 2,190 | 1.7857 | 2021/04/29–2030/04/28 |
| 126 | 1.7948 | 2018/11/29–2028/11/28 |
| 1,971 | 2.3444 | 2020/07/19–2029/07/18 |
| 2,296 | 2.4444 | 2020/11/29–2029/11/28 |
| 6,505 | 3.3710 | 2019/01/01–2028/05/03 |
| 718 | 1.9355 | 2020/09/01–2025/08/31 |
| 940 | 1.5606 | 2021/11/21–2030/12/27 |
| 100 | 1.7857 | 2022/03/31–2031/03/30 |
| 236 | 3.9228 | 2022/05/31–2031/05/30 |
| 85,143 | | |

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

No share options were granted during the year ended 31 December 2024 (2023:Nil). The Group recognised a share option expense of US$(1,061,000) (2023: US$463,000) during the year ended 31 December 2024.

At 31 December 2024, the Company had 63,006,000 share options outstanding under the share option scheme, which represented approximately 3.0% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 63,006,000 additional ordinary shares of the Company, an additional share capital of approximately US$63,006 and a share premium of approximately US$42,271,000 (before issue expenses).

## 34. RESTRICTED STOCK SHARES

### (a) The Company

The Company operates the restricted stock unit schemes 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 restricted share award scheme adopted by the Company on 22 March 2019 (the "**2019 RSU Scheme**") include the Company's directors, including independent non-executive directors, and employees of any member of the Group. Eligible participants of the restricted share award scheme adopted by the Company on 23 August 2021 (the "**2021 RSU Scheme**", together with the 2019 RSU Scheme, the "**RSU Schemes**") include (i) directors or employees of the Group, and/or (ii) person who has made significant contribution, or will potentially make significant contribution to, the development of the Group. The RSU Schemes have a performance vesting condition and is subject to forfeiture if the participants cannot meet certain performance target (if any) set by the board of directors.

The movement in the number of RSUs outstanding for the year ended 31 December 2024 was as follows:

| | **2024 Number '000** | 2023 Number '000 |
|---|---|---|
| At 1 January | **22,030** | 11,388 |
| Granted during the year | **14,171** | 16,354 |
| Forfeited during the year | **(3,701)** | (996) |
| Vested during the year | **(5,407)** | (4,716) |
| At 31 December | **27,093** | 22,030 |

The weighted-average remaining contractual life for outstanding RSUs granted under the RSU Scheme was 3.72 years as of 31 December 2024 (2023: 3.56 years).

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date.

The fair value of the RSUs granted during the year was US$17,661,000 (US$1.246 each) (2023: US$40,233,000 (US$2.460 each)). The Group recognised RSUs expense of US$15,560,000 (2023: US$16,251,000) during the year ended 31 December 2024.

At the end of the reporting period, the Company had 27,093,000 RSUs outstanding under the RSU Scheme, which represented approximately 1.3% of the Company's shares in issue as at that date.

## Notes to Financial Statements

31 December 2024

### 34. RESTRICTED STOCK SHARES (Continued)

#### (b) The ProBio

The ProBio operates a restricted stock unit plan (the "**Probio RSU Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of ProBio's operations. Eligible participants of the Probio RSU Scheme include the Probio's directors, including independent non-executive directors, and employees of any member of the ProBio. The Probio RSU Scheme became effective on 3 August 2021 unless otherwise cancelled or amended. The Probio RSU Scheme has performance vesting conditions and is subject to forfeiture if the participants cannot meet certain performance targets set by the board of directors, and if employment is terminated, the vested part has to be transferred back to the Probio's RSU pool unless otherwise agreed, the unvested part will lapse.

The movements in the number of RSUs outstanding for the year ended 31 December 2024 were as follows:

| | **2024 Number '000** | 2023 Number '000 |
|---|---|---|
| At 1 January | **79,976** | 88,932 |
| Granted during the year | **18,237** | 28,467 |
| Forfeited during the year | **(27,974)** | (20,282) |
| Vested during the year | **(9,966)** | (17,141) |
| At 31 December | **60,273** | 79,976 |

The weighted average remaining contractual life for the outstanding RSUs granted under the Probio RSU Scheme was 3.01 years as at 31 December 2024 (2023: 3.44 years).

## 34. RESTRICTED STOCK SHARES (Continued)

### (b) The ProBio (Continued)

The fair value of the awarded shares was calculated based on the fair value of the ordinary shares of Probio Cayman at the respective grant date, which was estimated using the discounted cash flow method with the below key assumptions applied in the valuation technique:

| | 2024 | 2023 |
|---|---|---|
| Fair value of ordinary shares of Probio Cayman | **US$0.12–0.29** | US$0.48–0.58 |
| Risk-free interest rate | **3.86%-4.37%** | 3.56%-4.13% |
| DLOM | **22.52%-28.68%** | 20.00%-27.00% |
| Volatility | **51.09%-55.95%** | 54.96%-57.49% |

The fair value of the RSU granted during the year was US$4,148,000 (US$0.23 each) (2023:US$15,104,000 (US$0.53 each)). The Group recognised RSUs expenses of US$4,220,000 (2023: US$(932,000)) during the year ended 31 December 2024.

At the end of the reporting period, ProBio had 60,273,000 restricted share units outstanding under the Probio RSU Scheme (including vested but not exercised RSUs), which represented approximately 2.6% of ProBio's ordinary shares in issue as at that date.

### (c) The BSJ Nanjing

The BSJ Nanjing operates a restricted stock unit plan (the "**BSJ RSU Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success operations of Bestzyme Biotech Corporation ("**Bestzyme**"), a subsidiary of the Group engaged in the industrial synthetic biology fields. Eligible participants of the BSJ RSU Scheme include the Bestzyme's directors, including independent non-executive directors, and employees of any member of the Bestzyme. The BSJ RSU Scheme has performance vesting conditions and is subject to forfeiture if the participants cannot meet certain performance targets set by the board of directors, and if employment is terminated, the vested part has to be transferred back to the BSJ RSU pool unless otherwise agreed, the unvested part will lapse. The Bestzyme recognised a RSU expense of US$77,000 during the year ended 31 December 2024 (2023: Nil).

## 35. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting periods are presented in the consolidated statement of changes in equity on pages 114 to 115 of the financial statements.

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with a functional currency other than US$.

# Notes to Financial Statements

31 December 2024

## 36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

For the year ended 31 December 2024, the Group had non-cash deductions to interest-bearing loans and borrowings of Nil (2023: US$20,882,000) which was related to maturity of issued the bank acceptance bills within the Group.

For the years ended 31 December 2024, the Group had non-cash additions to collaboration prepaid leases included in the other payables and accruals for the assets leased from the collaboration partner of US$8,563,000 (2023: US$16,338,000) and had non-cash additions to property, plant and equipment included in other payables and accruals of US$3,984,000 (2023: US$6,588,000), which was related to Legend prior to the Deconsolidation.

For the year ended 31 December 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of US$71,519,000 (2023: US$33,548,000) and US$51,553,000 (2023: US$28,148,000), respectively, in respect of lease arrangements for buildings and office premises.

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

2024

| | Financial liabilities at fair value through profit or loss US$'000 | Lease liabilities US$'000 | Interest-bearing loans and borrowings US$'000 |
|---|---|---|---|
| At 1 January 2024 | 350,151 | 72,772 | 344,218 |
| Changes from financing cash flows | – | (9,576) | 44,440 |
| Fair value changes | 123,688 | – | – |
| New leases | – | 51,553 | – |
| Exchange realignment | – | 108 | (1,166) |
| Disposal | – | (375) | – |
| Interest expense | – | 3,347 | 16,514 |
| Interest paid classified as operating cash flows | – | (3,347) | (1,329) |
| Deconsolidation of Legend (note 11) | – | (49,968) | (296,623) |
| At 31 December 2024 | 473,839 | 64,514 | 106,054 |

## 36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (b) Changes in liabilities arising from financing activities (Continued)

**2023**

| | Financial liabilities at fair value through profit or loss US$'000 | Lease liabilities US$'000 | Interest-bearing loans and borrowings US$'000 |
|---|---|---|---|
| At 1 January 2023 | 353,709 | 55,112 | 294,687 |
| Changes from financing cash flows | – | (9,454) | 49,782 |
| Issuance | 193,999 | – | – |
| Fair value changes | (44,807) | – | – |
| Exercise of Legend Warrant | (152,750) | – | – |
| New leases | – | 28,148 | – |
| Non-cash decrease (Note 36(a)) | – | – | (20,882) |
| Exchange realignment | – | 845 | (251) |
| Disposal | – | (1,879) | – |
| Interest expense | – | 2,683 | 21,384 |
| Interest paid classified as operating cash flows | – | (2,683) | (502) |
| At 31 December 2023 | 350,151 | 72,772 | 344,218 |

### (c) Total cash outflow for leases

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

| | **2024 US$'000** | 2023 US$'000 |
|---|---|---|
| Within operating activities | **4,737** | 7,084 |
| Within financing activities | **9,576** | 9,454 |
| Total | **14,313** | 16,538 |

# Notes to Financial Statements

31 December 2024

## 37. PLEDGE OF ASSETS

Details of the Group's restricted cash are included in Note 24 to the financial statements.

Details of the Group's pledged property, plant and equipment, investment properties and leasehold land are included in Notes 14, 15 and 16 to the financial statements.

## 38. COMMITMENTS

### (a) The Group had the following capital commitments at the end of the year:

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| Property, plant and equipment | **32,335** | 50,924 |
| Capital commitments to unlisted equity investments | **31,917** | 35,343 |

**(b)** The Group has various lease contracts that have not yet commenced as at 31 December 2024. The future lease payments for these non-cancellable lease contracts are US$1,166,000 due within one year and US$167,000 due in two to five years.

## 39. RELATED PARTY TRANSACTIONS

Details of the Group's principal related parties are as follows:

| Company | Relationship |
|---|---|
| Maple Bio HK Limited ("**Maple Bio HK**") | Associate |
| Deyang Tara Biotechnology Co., Ltd. ("**Tara**") | Associate |
| Nanjing Huatai GenScript Biotech Venture Capital LP ("**Huatai**") | Associate |
| Nanjing Legend Biotechnology Co., Ltd. ("**Legend Nanjing**") (note) | Associate |
| Legend Biotech USA Inc. ("**Legend USA**") (note) | Associate |

Note: For presentation purpose, the Company presented the related party balances with Legend Group as at December 31, 2023 and 2024, and related party transactions with Legend Group during the years ended 31 December 2023 and 2024, including transactions incurred prior to the Deconsolidation of Legend.

**(a)** In addition to the rental transactions detailed in Note 16 provided to Legend Group, the Group had the following material transactions with related parties during the year:

| | **2024 US$'000** | 2023 US$'000 |
|---|---|---|
| Sales of products and service to Legend Nanjing | **6,886** | 4,392 |
| Sales of products and service to Legend USA | **641** | 402 |
| Sales of service to Huatai | **929** | 665 |
| Sales of products and service to Tara | **141** | 128 |
| Purchase of products from Tara | **1,467** | 1,359 |
| Purchase of products from Legend Nanjing | **320** | 179 |

Note: The prices are mutually agreed after taking into account the prevailing market prices.

# Notes to Financial Statements

31 December 2024

## 39. RELATED PARTY TRANSACTIONS (Continued)

### (b) Outstanding balances with related parties:

The Group had the following significant balances with its related parties including trade receivables and other receivables at the end of the reporting period:

(i) Due from related parties

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| Legend Nanjing | **2,052** | 1,489 |
| Legend USA | **966** | 3 |
| Maple Bio HK | **–** | 223 |
| Total | **3,018** | 1,715 |

(ii) Due to related parties

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| Tara | **745** | 359 |

### (c) Compensation of key management personnel of the Group:

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| Short-term employee benefits | **3,770** | 3,091 |
| Pension scheme contributions | **59** | 59 |
| Equity-settled share-based compensation expense | **4,163** | 6,506 |
| Total compensation paid to key management personnel | **7,992** | 9,656 |

Further details of directors' emoluments are included in Note 8 to the financial statements.

## 40. FINANCIAL INSTRUMENTS BY CATEGORY

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

### 2024

Financial assets

| | Financial assets at fair value through profit or loss designated as such upon initial recognition US$'000 | Financial assets at amortised cost US$'000 | Total US$'000 |
|---|---|---|---|
| Financial assets at fair value through profit or loss | 313,517 | – | 313,517 |
| Financial assets included in other non-current assets | – | 3,567 | 3,567 |
| Time deposits | – | 297,708 | 297,708 |
| Trade and bills receivables | – | 116,291 | 116,291 |
| Financial assets included in prepayments, other receivables and other assets | – | 2,703 | 2,703 |
| Restricted cash | – | 17,919 | 17,919 |
| Cash and cash equivalents | – | 131,990 | 131,990 |
| Total | 313,517 | 570,178 | 883,695 |

## Notes to Financial Statements

31 December 2024

## 40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

### 2024 (Continued)

Financial liabilities

| | Financial liabilities at fair value through profit or loss designated as such upon initial recognition US$'000 | Financial liabilities at amortised cost US$'000 | Total US$'000 |
|---|---|---|---|
| Financial liabilities at fair value through profit or loss | 473,839 | – | 473,839 |
| Financial liability measured at amortised cost | – | 79,435 | 79,435 |
| Trade and bills payables | – | 29,838 | 29,838 |
| Financial liabilities included in other payables and accruals | – | 54,521 | 54,521 |
| Interest-bearing loans and other borrowings | – | 106,054 | 106,054 |
| Lease liabilities | – | 64,514 | 64,514 |
| Total | 473,839 | 334,362 | 808,201 |

## 40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

### 2023

Financial assets

| | Financial liabilities at fair value through profit or loss designated as such upon initial recognition US$'000 | Financial liabilities at amortised cost US$'000 | Total US$'000 |
|---|---|---|---|
| Financial assets at fair value through profit or loss | 137,514 | – | 137,514 |
| Financial assets included in other non-current assets | – | 3,176 | 3,176 |
| Time deposits | – | 414,249 | 414,249 |
| Trade and bills receivables | – | 217,443 | 217,443 |
| Financial assets included in prepayments, other receivables and other assets | – | 57,851 | 57,851 |
| Restricted cash | – | 33,072 | 33,072 |
| Cash and cash equivalents | – | 1,446,403 | 1,446,403 |
| Total | 137,514 | 2,172,194 | 2,309,708 |

# Notes to Financial Statements

31 December 2024

## 40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

### 2023 (Continued)

Financial liabilities

| | Financial liabilities at fair value through profit or loss designated as such upon initial recognition US$'000 | Financial liabilities at amortised cost US$'000 | Total US$'000 |
|---|---|---|---|
| Financial liabilities at fair value through profit or loss | 350,151 | – | 350,151 |
| Financial liability measured at amortised cost | – | 75,363 | 75,363 |
| Trade and bills payables | – | 39,959 | 39,959 |
| Financial liabilities included in other payables and accruals | – | 91,152 | 91,152 |
| Interest-bearing loans and other borrowings | – | 344,218 | 344,218 |
| Lease liabilities | – | 72,772 | 72,772 |
| Total | 350,151 | 623,464 | 973,615 |

## 41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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:

| | Carrying amounts | | Fair values | |
|---|---|---|---|---|
| | **2024 US$'000** | 2023 US$'000 | **2024 US$'000** | 2023 US$'000 |
| **Financial assets** | | | | |
| Financial assets at fair value through profit or loss | **313,517** | 137,514 | **313,517** | 137,514 |
| **Financial liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | **473,839** | 350,151 | **473,839** | 350,151 |

Management has assessed that the fair values of time deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, restricted cash, cash and cash balances, trade and bills payables, financial liability measured at amortised cost, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

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

# Notes to Financial Statements

31 December 2024

## 41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### Fair value hierarchy

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

Assets measured at fair value:

**As at 31 December 2024**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets* (Level 1) US$'000 | Significant observable inputs (Level 2) US$'000 | Significant unobservable inputs (Level 3) US$'000 | Total US$'000 |
| Financial assets at fair value through profit or loss | **31,734** | **281,783** | **–** | **313,517** |

**As at 31 December 2023**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets* (Level 1) US$'000 | Significant observable inputs (Level 2) US$'000 | Significant unobservable inputs (Level 3) US$'000 | Total US$'000 |
| Financial assets at fair value through profit or loss | 13,749 | 123,765 | – | 137,514 |

* Financial assets measured at fair value represent money market funds, which are classified as Level 1 in the fair value hierarchy.

## 41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### Fair value hierarchy (Continued)

Liabilities measured at fair value:

**As at 31 December 2024**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) US$'000 | Significant observable inputs (Level 2) US$'000 | Significant unobservable inputs (Level 3) US$'000 | Total US$'000 |
| Financial liabilities at fair value profit or loss | – | 107 | 473,732 | 473,839 |

**As at 31 December 2023**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) US$'000 | Significant observable inputs (Level 2) US$'000 | Significant unobservable inputs (Level 3) US$'000 | Total US$'000 |
| Financial liabilities at fair value profit or loss | – | – | 350,151 | 350,151 |

The movement in fair value measurements within Level 3 is as follows:

| | 2024 US$'000 |
|---|---|
| Financial liabilities at fair value through profit or loss | |
| As at 1 January | 350,151 |
| Fair value change during the year | 123,581 |
| As at 31 December 2024 | 473,732 |

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).

# Notes to Financial Statements

31 December 2024

## 41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### Fair value hierarchy (Continued)

Valuation techniques and significant inputs used to determine fair values:

*(a) Level 2 financial instruments:*

Financial assets:

The fair value of investments in unlisted equity investments were calculated based on a) the net assets value of the investee which approximates the fair value and b) the investees' recent transaction prices.

The fair value of wealth management products issued by banks and reputation investment management Companies was estimated based on the expected return that reflects the credit risk of the products.

Forward currency contracts and option contracts, are measured using valuation techniques similar to forward pricing, using present value calculations. The model incorporates market observable inputs including foreign exchange spot, forward exchange rates and risk-free interest rate curves.

*(b) Level 3 financial instruments:*

Financial liabilities:

As at 31 December 2024, the Group measured fair value of Probio Series A Preferred Shares and Probio Series C Preferred Shares using discounted cash flows method based on estimate redemption predetermined amount and maturing dates, which involved the use of significant accounting estimates and judgments. The Group estimated the discount rate based on the yield of the United States Treasury Constant Maturity with maturity close to the expected exit timing as of the valuation date, and adjusted credit spread that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Discount rate used in determining fair value of preferred share was 7.18%. Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis:

| | 31 December 2024 |
|---|---|
| Probio Series A and Series C Preferred Shares | |
| Discount rate* | **7.18%** |

* 5% increase/decrease in the discount rate with all other variables held constant would decrease/increase the fair value of Probio Preferred Shares by US$2,633,000 and US$2,656,000 as at 31 December 2024, respectively.

## 41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### Fair value hierarchy (Continued)

Valuation techniques and significant inputs used to determine fair values: (Continued)

*(b) Level 3 financial instruments: (Continued)*

Financial liabilities: (Continued)

As at 31 December 2023, the Group measured the Probio Series A and Series C Preferred Shares using the valuation techniques, including the discounted cash flow method and the back-solve method. Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis:

| Probio Series A and Series C Preferred Shares | 31 December 2023 |
|---|---|
| Fair value of ordinary shares of Probio Cayman | US$0.32 |
| Risk-free interest rate (Note i) | 3.84%–3.97% |
| DLOM (Note ii) | 23.86%–26.50% |
| Volatility (Note iii) | 53.45% |

The Group estimated the risk-free interest rate based on the yield of the United States Government Bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on the annualised standard deviation of the daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

Notes:

i. 0.25% increase/decrease in the risk-free interest rate with all other variables held constant would decrease/increase the fair value of Probio Preferred Shares by US$909,000 and US$912,000 as at 31 December 2023, respectively.

ii. 5% increase/decrease in DLOM with all other variables held constant would decrease/increase the fair value of Probio Preferred Shares by US$22,727,000 and US$22,727,000 as at 31 December 2023, respectively.

iii. 5% increase/decrease in volatility with all other variables held constant would decrease/increase the fair value of Probio Preferred Shares by US$12,590,000 and US$12,660,000 as at 31 December 2023, respectively.

The Group also continues to assess the estimated redemption value of the preferred shares based on predetermined redemption conditions and compare the redemption value of the preferred shares to the value of the preferred shares based on discounted cash flow and back-solve method. As at 31 December 2024, management's estimate of the redemption value of the preferred shares is higher than the valuation based on discounted cashflow and back-solve method. Therefore, estimated redemption value is used to reflect the fair value of such financial liabilities.

# Notes to Financial Statements

31 December 2024

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing loans and other borrowings, convertible redeemable preferred shares, cash and cash equivalents, time deposits and restricted cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into forward currency contracts and option contracts transaction. The purpose is to manage the currency risks arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

### Interest rate risk

As at 31 December 2024, the Group's exposure to the risk of changes in interest rates was primarily relates to the Group's interest-bearing loans and other borrowings as disclosed in Note 27 to the financial statements. If the interest rates had been 50 basis point higher or lower, with all other variables held constant, the pre-tax gain of the Group would have been approximately US$530,000 (2023: US$1,250,000) lower or higher for the year ended 31 December 2024.

### Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 6% (2023: 4%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sales, whilst approximately 2% (2023: 1%) of costs were denominated in currencies other than the units' functional currencies.

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Foreign currency risk (Continued)

The following table demonstrates the sensitivity to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity (due to changes in the fair value of monetary assets and liabilities).

| | Increase/ (Decrease) in the rate of foreign currency % | (Decrease)/ Increase in profit before tax US$'000 | (Decrease)/ Increase in equity US$'000 |
|---|---|---|---|
| Year ended 31 December 2024 | | | |
| If US$ strengthens against RMB | **5** | **(2,126)** | **(2,084)** |
| If US$ weakens against RMB | **(5)** | **2,126** | **2,084** |
| Year ended 31 December 2023 | | | |
| If US$ strengthens against RMB | 5 | (1,117) | (1,146) |
| If US$ weakens against RMB | (5) | 1,117 | 1,146 |

### Credit risk

The carrying amounts of cash and cash equivalents, time deposits, financial assets at fair value through profit or loss and restricted cash are the Group's maximum exposure to credit risk in relation to its financial assets. The group expects that there is no significant credit risk associated with above financial assets since they are substantially held in reputable state-owned banks and other medium or large-sized listed bank.

In respect of trade and other receivables, individual credit rating is performed on customers and counterparties. These evaluations focus on the counterparty's business performance, including but not limited to, financing activities, financial position and market economic environment, and past history of payment punctuality. Prepayment requirement is determined, and credit limit is granted based on the credit rating and historical contracting amount, which will be reviewed quarterly. Monitoring procedures have been implemented to ensure that follow-up actions will be taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual transaction and accounts' revenue volume, outstanding balances, long-time past due invoices and payment records monthly to ensure that adequate impairment losses are made for irrecoverable amounts.

# Notes to Financial Statements

31 December 2024

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Maximum exposure and year-end staging

**As at 31 December 2024**

| | 12 months ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 US$'000 | Stage 2 US$'000 | Stage 3 US$'000 | Simplified approach US$'000 | Total US$'000 |
| Financial assets included in other non-current assets | 3,567 | – | – | – | 3,567 |
| Trade and bills receivables* | – | – | – | 116,291 | 116,291 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| – Normal** | 2,703 | – | – | – | 2,703 |
| – Doubtful** | – | – | – | – | – |
| Restricted cash | 17,919 | – | – | – | 17,919 |
| Time deposits | | | | | |
| – not yet past due | 297,708 | – | – | – | 297,708 |
| Cash and cash bank balance | | | | | |
| – not yet past due | 131,990 | – | – | – | 131,990 |
| Total | 453,887 | – | – | 116,291 | 570,178 |

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Maximum exposure and year-end staging (Continued)

**As at 31 December 2023**

| | 12 months ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 US$'000 | Stage 2 US$'000 | Stage 3 US$'000 | Simplified approach US$'000 | Total US$'000 |
| Financial assets included in other non-current assets | 3,176 | – | – | – | 3,176 |
| Trade and bills receivables* | – | – | – | 217,443 | 217,443 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| – Normal** | 57,851 | – | – | – | 57,851 |
| – Doubtful** | – | – | – | – | – |
| Restricted cash | 33,072 | – | – | – | 33,072 |
| Time deposits | | | | | |
| – not yet past due | 414,249 | – | – | – | 414,249 |
| Cash and cash bank balance | | | | | |
| – not yet past due | 1,446,403 | – | – | – | 1,446,403 |
| Total | 1,954,751 | – | – | 217,443 | 2,172,194 |

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in Note 22 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in Notes 22 and 23 to the financial statements, respectively.

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

**Year ended 31 December 2024**

| | Notes | Less than 1 year US$'000 | Over 1 year US$'000 | Total US$'000 |
|---|---|---|---|---|
| Interest-bearing bank borrowings | | 90,147 | 18,094 | 108,241 |
| Trade and bills payables | | 29,838 | – | 29,838 |
| Other payables and accruals | | 54,520 | – | 54,520 |
| Lease liabilities | | 10,658 | 71,262 | 81,920 |
| Financial liabilities at fair value through profit or loss | i | – | 531,768 | 531,768 |
| Financial liability measured at amortised cost | ii | – | 99,585 | 99,585 |
| Total | | 185,163 | 720,709 | 905,872 |

**Year ended 31 December 2023**

| | Notes | Less than 1 year US$'000 | Over 1 year US$'000 | Total US$'000 |
|---|---|---|---|---|
| Interest-bearing bank borrowings | | 57,416 | 287,567 | 344,983 |
| Trade and bills payables | | 39,959 | – | 39,959 |
| Other payables and accruals | | 91,152 | – | 91,152 |
| Lease liabilities | | 11,420 | 84,356 | 95,776 |
| Financial liabilities at fair value through profit or loss | i | – | 531,768 | 531,768 |
| Financial liability measured at amortised cost | ii | – | 99,585 | 99,585 |
| Total | | 199,947 | 1,003,276 | 1,203,223 |

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk (Continued)

Notes:

(i) The liquidity risk of the Probio Series A and C Preferred Shares is the initial investment amount principal plus the pre-determined agreed interest rate in the documents of the Series A and Series C Financing, assuming that they will be due in September 2026, without any conversion into ordinary share of Probio Cayman.

(ii) The liquidity risk of the Probio Series B Preferred Shares and BSJ Series A Preferred Shares.

The liquidity risk of Probio Series B Preferred Shares is the initial investment amount principal plus the pre-determined agreed interest rate in the documents of the Series B Financing, assuming that it will be due in July 2027 without any conversion into ordinary share of Probio Cayman.

The liquidity risk of the BSJ Series A Capital Increase is the initial investment amount principal plus the pre-determined agreed interest rate in the documents of the Series A Financing, assuming that it will be due in June 2029.

### Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The capital structure of the Group was constantly monitored by the Company and aimed to monitor its working capital and financial resources to maintain a solid financial position. The use of any capital instruments, including banking facilities, by each subsidiary was under the central coordination and arrangement of the company. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023.

The Group monitors capital using a gearing ratio, which is total liabilities divided by total assets. The gearing ratios as at the end of the years were as follows:

| | **2024 US$'000** | 2023 US$'000 |
|---|---|---|
| Total liabilities | **954,907** | 1,342,948 |
| Total assets | **5,278,269** | 3,387,302 |
| Gearing ratio | **18.1%** | 39.6% |

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2024<br>US$'000 | 2023<br>US$'000 |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Loans to subsidiaries | 91,833 | 128,626 |
| Investments in subsidiaries | 222,064 | 274,094 |
| Investment in associates | 3,653,932 | – |
| Financial assets at fair value through profit or loss | 102,652 | 103,119 |
| Total non-current assets | 4,070,481 | 505,839 |
| CURRENT ASSETS | | |
| Due from subsidiaries | 110,105 | 109,944 |
| Prepayments, other receivables and other assets | 154 | 149 |
| Financial assets at fair value through profit or loss | 23,298 | 32,600 |
| Time deposits | 61,811 | 45,166 |
| Cash and cash equivalents | 1,624 | 14,699 |
| Total current assets | 196,992 | 202,558 |
| CURRENT LIABILITIES | | |
| Due to subsidiaries | 2,504 | 2,563 |
| Trade and bills payables | 10 | 8 |
| Tax payable | 950 | 356 |
| Other payables and accruals | – | 29 |
| Total current liabilities | 3,464 | 2,956 |
| NET CURRENT ASSETS | 193,528 | 199,602 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 4,264,009 | 705,441 |
| NON-CURRENT LIABILITIES | | |
| Deferred tax liabilities | 244 | 163 |
| Total non-current liabilities | 244 | 163 |
| Net assets | 4,263,765 | 705,278 |
| EQUITY | | |
| Share capital | 2,142 | 2,121 |
| Treasury shares | (6,091) | (9,445) |
| Reserves | 4,267,714 | 712,602 |
| Total equity | 4,263,765 | 705,278 |

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: A summary of the Company's reserves are as follows:

| | Share premium US$'000 | Share-based compensation reserve US$'000 | Exchange fluctuation reserve US$'000 | Retained profits/ (accumulated losses) US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| **At 1 January 2023** | 659,746 | 10,326 | – | 1,839 | 671,911 |
| Total comprehensive income for the year | – | – | – | (12,494) | (12,494) |
| Exercise of share options | 5,849 | (2,481) | – | – | 3,368 |
| Equity-settled share-based compensation arrangements | – | 49,817 | – | – | 49,817 |
| **At 31 December 2023** | 665,595 | 57,662 | – | (10,655) | 712,602 |
| Deconsolidation of Legend | – | – | 21,071 | 477,061 | 498,132 |
| **At 1 January 2024** | 665,595 | 57,662 | 21,071 | 466,406 | 1,210,734 |
| Total comprehensive income for the year | – | – | – | 3,088,484 | 3,088,484 |
| Share of other comprehensive income of an associate | – | – | (53,427) | – | (53,427) |
| Exercise of share options | 4,421 | (3,357) | – | – | 1,064 |
| Equity-settled share-based compensation arrangements | – | 14,499 | – | – | 14,499 |
| Share of other reserves of an associate | – | 6,360 | – | – | 6,360 |
| **At 31 December 2024** | 670,016 | 75,164 | (32,356) | 3,554,890 | 4,267,714 |

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in Note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised or be transferred to retained profits should the related options expire or be forfeited.

## 44. COMPARATIVE AMOUNTS

As mentioned in Notes 1 and 11 to the financial statements, the comparative consolidated statement of profit or loss and consolidated statement of comprehensive income have been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period. Besides that, certain comparative amounts in the notes to the financial statements have been reclassified to conform with the current year's presentation.

## 45. SUBSEQUENT EVENT

There were no material events undertaken after 31 December 2024 and up to the date of approval of these financial statements.

## 46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 March 2025.

GenScript

MIX
Paper | Supporting responsible forestry
FSC® C120915
FSC
www.fsc.org