



Beijing Luzhu Biotechnology Co., Ltd.  
北京綠竹生物技術股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)  
Stock Code : 2480

2023  
Annual Report



# Contents

Corporate Information	2
Financial and Operational Data Highlights	4
Corporate Profile	5
Chairman's Statement	6
Management Discussion and Analysis	8
Directors, Supervisors and Senior Management	21
Report of the Directors	32
Report of the Supervisory Board	48
Corporate Governance Report	49
Environmental, Social and Governance Report	66
Independent Auditor's Report	108
Consolidated Statement of Profit or Loss and Other Comprehensive Income	113
Consolidated Statement of Financial Position	114
Consolidated Statement of Changes in Equity	115
Consolidated Statement of Cash Flows	116
Notes to the Consolidated Financial Statements	118
Financial Summary	169
Definitions	170

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. KONG Jian (孔健) (*Chairman*)  
Ms. ZHANG Yanping (張琰平)  
Ms. JIANG Xianmin (蔣先敏)

### Non-executive Directors

Mr. MA Biao (馬彪)  
Mr. KONG Shuangquan (孔雙泉)

### Independent Non-executive Directors

Mr. LEUNG Wai Yip (梁偉業)  
Mr. LIANG Yeshe (梁冶矢)  
Ms. HOU Aijun (侯愛軍)

## SUPERVISORS

Ms. PENG Ling (彭玲)  
Ms. KONG Xi (孔茜)  
Mr. CHEN Liang (陳亮)

## JOINT COMPANY SECRETARIES

Mr. LIU Siyu (劉斯宇)  
Ms. YUEN Wing Yan, Winnie (袁穎欣) (*FCG HKFCG(PE)*)

## AUTHORISED REPRESENTATIVES

Mr. KONG Jian (孔健)  
Ms. YUEN Wing Yan, Winnie (袁穎欣) (*FCG HKFCG(PE)*)

## AUDIT COMMITTEE

Ms. HOU Aijun (侯愛軍) (*Chairlady*)  
Mr. KONG Shuangquan (孔雙泉)  
Mr. LEUNG Wai Yip (梁偉業)

## REMUNERATION COMMITTEE

Mr. LIANG Yeshe (梁冶矢) (*Chairman*)  
Mr. KONG Jian (孔健)  
Mr. LEUNG Wai Yip (梁偉業)

## NOMINATION COMMITTEE

Mr. KONG Jian (孔健) (*Chairman*)  
Mr. LIANG Yeshe (梁冶矢)  
Ms. HOU Aijun (侯愛軍)

## AUDITOR

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

## COMPLIANCE ADVISER

Fosun International Capital Limited  
Suite 2101-2105  
21/F, Champion Tower  
3 Garden Road  
Central  
Hong Kong

## LEGAL ADVISER

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

*As to PRC law*  
Commerce & Finance Law Offices  
12-14/F, China World Office 2  
No. 1 Jianguomenwai Avenue  
Beijing  
PRC

### PRINCIPAL BANKS

Agricultural Bank of China Limited Beijing Free Trade Zone Zhangjiawan Design Town Branch  
No. 7 Guanghua Road  
Zhangjiawan Town  
Tongzhou District  
Beijing  
PRC

China Construction Bank Corporation Beijing Desheng Branch  
Hesheng Fortune Plaza  
No. 13 Dewai Street  
Xicheng District  
Beijing  
PRC

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 3 Guangtong Street  
Industrial Development Zone  
Tongzhou District  
Beijing  
PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon  
Hong Kong

### REGISTERED OFFICE

No. 3 Guangtong Street  
Industrial Development Zone  
Tongzhou District  
Beijing  
PRC

### H SHARE REGISTRAR

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### STOCK CODE

2480

### COMPANY'S WEBSITE

[www.luzhubiotech.com](http://www.luzhubiotech.com)

### DATE OF LISTING

May 8, 2023

## Financial and Operational Data Highlights

The following table summarizes our results of operations for the year ended December 31, 2022 and 2023:

	For the year ended December 31,		Change (%)
	2023 RMB'000	2022 RMB'000	
Other income	<b>20,085</b>	13,923	44.3
Other expenses	<b>(603)</b>	(3,137)	(80.8)
Other gains and losses, net	<b>18,167</b>	15,100	20.3
Fair value loss of financial liabilities at fair value through profit or loss ("FVTPL")	<b>–</b>	(551,546)	(100.0)
Administrative expenses	<b>(87,011)</b>	(85,830)	1.4
Research and development expenses	<b>(172,685)</b>	(91,426)	88.9
Finance costs	<b>(844)</b>	(722)	16.9
Listing expenses	<b>(26,459)</b>	(21,542)	22.8
Loss before tax	<b>(249,350)</b>	(725,180)	(65.6)
Income tax expense	<b>–</b>	–	–
Loss and total comprehensive expense for the period	<b>(249,350)</b>	(725,180)	(65.6)
Loss per share	<b>RMB</b>	RMB	
– Basic	<b>(1.25)</b>	(4.98)	(74.9)
– Diluted	<b>(1.25)</b>	(4.98)	(74.9)
<b>Non-IFRSs Measure</b>			
Adjusted loss for the period <sup>(Note)</sup>	<b>(222,891)</b>	(152,092)	46.6

Note: Adjusted for (i) fair value loss of financial liabilities at FVTPL, and (ii) listing expenses.

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Non-current assets	<b>545,722</b>	469,166
Current assets	<b>620,972</b>	601,004
Current liabilities	<b>96,312</b>	94,114
Net current assets	<b>524,660</b>	506,890
Non-current liabilities	<b>49,754</b>	38,590
Net assets	<b>1,020,628</b>	937,466

## OVERVIEW

The Company is a biotechnology company committed to developing innovative human vaccines and therapeutic biologics to prevent and control infectious diseases and treat cancer and autoimmune diseases.

Since its inception in 2001, the Group has focused on human medicine and has established technology platforms with its understanding of immunology and protein engineering, which empowers the Group to develop the recombinant vaccine and antibody product candidates with favorable efficiency, high purity and improved stability.

As of December 31, 2023, the Group's product pipeline consisted of three clinical-stage product candidates, including its Core Product, LZ901, and four pre-clinical-stage product candidates.

As of December 31, 2023, the Group had three invention patents and six pending applications relating to its Core Product. All of the registered patents and patent applications for the Core Product are related to the same set of patent claims filed to nine different jurisdictions to protect its intellectual property, given that in addition to China and the U.S., the other jurisdictions are also the target markets or potential markets in the future for LZ901. In April 2024, the Group was granted invention patents relating to its Core Product in the U.S. and Australia.

The H Shares of the Company were listed on the Stock Exchange on May 8, 2023. The aggregate net proceeds received by the Company from the global offering of its H Shares (the "**Global Offering**"), after deducting underwriting commissions and other expenses payable by the Company in connection with the Global Offering, amounted to approximately HK\$241.6 million.

# Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Company for the financial year ended December 31, 2023.

We are a biotechnology company committed to researching and developing innovative human vaccines and therapeutic biologics. Since our inception, the Company has been focusing on addressing significant unmet clinical needs in various areas, including prevention and control of infectious diseases, as well as treatment of cancers and autoimmune diseases. While consistently advancing the innovation of pipeline products, the Company has been developing our commercialized manufacturing capability, thereby driving progress from preliminary research to commercialization.

In 2023, Luzhu Biotechnology achieved numerous substantial advancements and significant corporate milestones. On May 8, 2023, we successfully landed on the Stock Exchange by completing our IPO on the Main Board. During the year, we made several major advancements in our research pipeline. We are immensely grateful to our Shareholders for their trust and support given to the Company. It is with great pleasure that I share with you our operating results for 2023:

## I. MAJOR ADVANCEMENTS IN CORE PRODUCT RESEARCH AND DEVELOPMENT

Clinical progress in China: following our announcement of the Phase II clinical trial for LZ901 completed in May 2023, the Company officially initiated the Phase III clinical trial in September 2023 in China. The Phase III clinical trial enrolled approximately 26,000 subjects, all of which had completed the first dose of the vaccination by December 2023. The Company will continue its commitment to advancing clinical research with a view to submitting a Biologics License Application (“BLA”) for our products and completing the commercialization as soon as possible.

Clinical progress in the US: in February 2023, the Company initiated the Phase I clinical trial for LZ901 in the US. In July 2023, all subjects had been enrolled in the Phase I clinical trial in the US. As the first domestic vaccine for clinical trials undertaken in both China and the US, LZ901 is significantly meaningful for the Company to pursue global commercialization of our vaccine products in the future.

## II. STRATEGICAL COMPLETION OF COMMERCIALIZED PRODUCTION LINE

Construction of commercial production capacity: the Company has the Phase II production facility under construction in Zhuhai City, Guangdong Province, which has a planned gross floor area of approximately 120,000 square meters, with 72,000 square meters completed for production facility premises. Furthermore, the antibody production workshop equipped with multiple sets of 2,500L stainless steel bioreactors, as well as the small-scale biologic product packaging line, have been installed. The new production facility is expected to provide an annual production capacity of not less than 20 million doses of biologic products.

Vaccine manufacturing permit: the Company obtained the Pharmaceutical Manufacturing Permit issued by the Guangdong Medical Products Administration in January 2023, providing assurance for the commercialized production of human vaccines in the future.

### FUTURE AND OUTLOOK

Looking into 2024, the Company believes that it is of crucial importance for its own development. We wish to live up to the expectation of our Shareholders, and continue advancing forward together with them.

Throughout 2024, we will continue to focus on the clinical progress of our core products in both China and the US, by expediting the BLA application of the recombinant herpes zoster vaccine LZ901 in China, while accelerating its clinical research in the US. Furthermore, corresponding strategic plans will be formulated to facilitate the commercialization process domestically and internationally.

While actively pushing forward with the development of other candidates and new products within the Company, we will develop the corresponding production capacity to accommodate the growing market demands. By upholding the principle of “people-oriented and continuous improvement”, we strive to make valuable contribution to the public health improvement and social advancement.



# Management Discussion and Analysis

## BUSINESS REVIEW

### Research and Development of Product Candidates

After two decades of research and development and introduction of technologies, the Group has established an innovative precision protein engineering platform empowering the full cycle of drug development, which provides a solid foundation for the development of the Group's human vaccines candidates, monoclonal antibody product candidates and bispecific antibody product candidates.

The Group's innovative antigen presentation technology for vaccine development starts from the concept of enhancing the immunogenicity of a target antigen, then streamlines the design of a recombinant virus vaccine antigen while retaining the primary structure of the natural antigen to enhance immunogenicity, improve safety and patient vaccination experience. The Group has an internally developed next-generation bispecific antibody development platform, Fabite<sup>®</sup>, of which the Group owns intellectual property rights, has competitive advantages in the development of bispecific antibody products for the treatment of relapsed/refractory hematological malignancies. Fabite<sup>®</sup> has a fully controllable mechanism of action and mode of administration to ensure the safety of patients. It can be used in a variety of immunotherapies based on the activation of T cells to kill cancer cells. Fabite<sup>®</sup> optimizes the purification process of bispecific antibodies, achieving high purity of monomers. At the same time, the Group has developed several types of liquid formulations to address stability issues, resulting in bispecific antibody solutions that can be stable for more than three years in storage conditions of 2-8°C.

By employing the Fabite<sup>®</sup> technology platform and mammalian expression technology platform and leveraging its in-house biologics manufacturing infrastructure and capabilities, the Group established a diversified and advanced product pipeline covering human vaccine candidates, monoclonal antibody product candidates and bispecific antibody product candidates.

### LZ901

LZ901, the independently developed recombinant herpes zoster vaccine candidate and Core Product of the Group, has a tetrameric molecular structure to prevent shingles caused by varicella-zoster virus ("VZV"). Its molecular structure has doubled the Fc regions for antigen presenting cells ("APCs") to bind to compared to naturally occurring VZV antigen. LZ901 actively presents VZV antigens to immune cells to trigger an immune response. In addition, LZ901 has demonstrated high immunogenicity, efficacy and safety profile in both the preclinical studies and the Phase I clinical trial in China, while inducing specific humoral and cellular immunity.

The Group has completed the Phase II clinical trial for LZ901 in China in May 2023. The results were statistically and clinically meaningful, and demonstrated a favorable profile. In terms of immunogenicity studies, the geometric mean concentration ("GMC"), geometric mean titer ("GMT") and the positive conversion rate of antibody in the high-dose LZ901 group were significantly higher than those in the low-dose cohorts. On the other hand, the GMC, GMT and the positive conversion rate of antibody in the high-dose and low-dose LZ901 group were significantly higher than those in the placebo group. In terms of safety studies, adverse events ("AEs") in the trial mainly occurred within 0-7 days, and the incidence rate of Grade I, Grade II and Grade III AEs of the trial vaccines were approximately 23.74%, 6.02% and 1.00%, respectively. The high-dose cohorts, low-dose cohorts and placebo group reported incidence rate of AEs of approximately 29.0%, 23.0% and 13.0%, respectively. No Grade IV AEs and no serious AEs had been observed during the Phase II clinical trial of LZ901 in China.

Riding on the Phase II clinical trial data which provide definitive basis for the Phase III clinical trial, the Group has initiated the multi-center, randomized, double-blind, placebo-controlled Phase III clinical trial for LZ901 in China in September 2023, and expects to, file BLA in the fourth quarter of 2024 for LZ901 to the NMPA, and achieve commercialization in the fourth quarter of 2025. The subjects enrolled in the Phase I and Phase II clinical trial for LZ901 in China were aged 50 years and older, and the Group has expanded the subject enrollment for the Phase III clinical trial for LZ901 in China to adults aged 40 years and older, which has been completed in January 2024. A total of 26,000 healthy subjects aged 40 years and older were enrolled across four provinces including Jiangsu, Shandong, Hubei and Shanxi. In addition, the Group has received IND approval from the FDA in July 2022 for LZ901. The Group initiated a Phase I clinical trial for LZ901 in the U.S. in February 2023 and completed its subject enrollment in July 2023. The Group plans to complete the Phase I clinical trial for LZ901 in the U.S. in the second quarter of 2024.

### K3

K3, the independently developed recombinant human anti-tumor necrosis factor (“**TNF**”)- $\alpha$  monoclonal antibody injection product candidate of the Group, is a biosimilar of Humira<sup>®</sup> (adalimumab) and mainly used for the treatment of various autoimmune diseases, such as rheumatoid arthritis, ankylosing spondylitis and plaque psoriasis. The Group has initiated the Phase I clinical trial in China in September 2018, in which K3 displayed pharmacokinetics consistent with adalimumab, and completed the Phase I clinical trial in December 2019. The Group plans to initiate a Phase III clinical trial for K3 in China in the second half of 2024, complete the Phase III clinical trial in 2025. The Group expects K3 to achieve commercialization in 2026, thereby expanding the market in China for adalimumab biosimilars.

### K193

K193 is an independently developed bispecific antibody injection (B-lymphocyte antigen CD19 (“**CD19**”) – cluster of differentiation 3 (“**CD3**”)) product candidate of the Group for the treatment of B cell leukemia and lymphoma. K193 is the world’s first bispecific antibody against CD19/CD3 with an asymmetric structure. K193 has an innovative molecular structure that was developed based on the internally developed bispecific antibody development platform of the Group, Fabite<sup>®</sup>, and the Group’s mammalian expression technology platform, which makes it less prone to polymerization and decreased activity compared to other similar products in the market. During pre-clinical studies, K193 displayed high *in vivo* and *in vitro* anti-tumor activity, and its optimized formulation is stable and convenient to use. K193’s unique mechanism of action endows it with a strong ability to treat various types of B cell leukemia and lymphoma. The safe and controllable administration of K193 also reduces the impact of patient stress caused by medication administration. In December 2019, the Group initiated a Phase I clinical trial of K193 in China and expects to complete the Phase I clinical trial in the second quarter of 2024.

### Updates on Other Pre-Clinical Product Candidates

During the Reporting Period, having considered the market conditions and growth potential and prospect of its pre-clinical-stage product candidates, the Group has decided to suspend the development of its recombinant rabies vaccine and reallocate the resources to the research and development of recombinant RSV vaccine, a new pipeline product for the treatment of lower respiratory tract disease which is currently in the pre-clinical-stage. Accordingly, the Group had a total of four pre-clinical stage product candidates as of December 31, 2023, namely, recombinant varicella vaccine, recombinant RSV vaccine, K333 bispecific antibody for the treatment of myeloid leukemia and K1932 bispecific antibody for the treatment of lymphoma.

## Management Discussion and Analysis

The following diagram summarizes the status of the product pipeline of the Group as of December 31, 2023:

Product Type	Product Pipeline	Indications	Pre-clinical	Clinical Trials		
				I	II	III
<b>Vaccine</b>						
Recombinant Vaccine	LZ901 <sup>1</sup>	Herpes zoster	China			
		Herpes zoster	US			
Recombinant Vaccine	Recombinant Varicella Vaccine	Varicella	China			
Recombinant Vaccine	Recombinant RSV Vaccine <sup>2</sup>	LRTD caused by RSV	China			
<b>Antibody</b>						
Monoclonal Antibody	K3 <sup>3</sup>	Ankylosing spondylitis, rheumatoid arthritis, plaque psoriasis	China			
Bispecific Antibody	K193	r/r B-cell lymphoma/leukemia	China			
Bispecific Antibody	K333	Myeloid leukemia	China			
Bispecific Antibody	K1932	r/r B-cell lymphoma	China			

Notes: (1) Core Product.

(2) Recombinant RSV Vaccine is a new pipeline product of the Group.

(3) K3 is a biosimilar of adalimumab and therefore, is not required to conduct a Phase II clinical trial.

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

**THE COMPANY MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND/OR MARKET THE CORE PRODUCT, OR ANY OTHER PRODUCT CANDIDATES.**

### Research and Development

The in-house R&D team of the Group is involved in all stages of novel vaccine and biologic therapeutic candidates development, from pre-clinical studies, laboratory research to clinical trials, regulatory filing and manufacturing process development, and the Group has thereby established a full range of in-house product discovery capabilities, including recombinant protein design and optimization, amplification, cultivation and harvesting. With its R&D capabilities, the Group now possesses a diversified and advanced product pipeline covering human vaccine candidates, monoclonal antibody product candidates and bispecific antibody product candidates.

### Manufacturing and Quality Assurance

The Group has R&D and manufacturing facilities in both Beijing and Zhuhai, and the Group plans to expand the scale of its R&D and manufacturing facilities as it further develops its business in future. The Group provides training to its manufacturing team to ensure that each team member possesses the skills sets and techniques required in the relevant product process, and comply with the quality control requirements, as well as applicable laws and regulations. As of December 31, 2023, the manufacturing team of the Group consisted of 28 personnel.

## Management Discussion and Analysis

The Group also has a quality management system designed to adhere to national standards, including the GMP standards, covering substantially every aspect of the operations including product design, raw materials and manufacturing, among others. As of December 31, 2023, the Group had an experienced quality management team consisting of 28 personnel, all of whom had received professional training in regulations, GMP standards and quality control analysis methods.

### Future and Outlook

The Group plans to implement the following strategies to achieve the goals and visions of the Group:

- actively promote the clinical development of the Group's pipeline candidates including LZ901, K3 and K193;
- rapidly advance the development of the other pre-clinical product candidates of the Group;
- expand the production capacity of the Group to meet growing market demand;
- lay out strategic plans to promote commercialization in China and abroad; and
- expand the product pipeline of the Group through independent development and/or collaboration.

## FINANCIAL REVIEW

The following table summarizes our results of operations for the year ended December 31, 2022 and 2023:

	<b>For the year ended December 31,</b>		
	<b>2023</b>	2022	Change
	<b>RMB'000</b>	RMB'000	(%)
Other income	<b>20,085</b>	13,923	44.3
Other expenses	<b>(603)</b>	(3,137)	(80.8)
Other gains and losses, net	<b>18,167</b>	15,100	20.3
Fair value loss of financial liabilities at FVTPL	<b>–</b>	(551,546)	(100.0)
Administrative expenses	<b>(87,011)</b>	(85,830)	1.4
Research and development expenses	<b>(172,685)</b>	(91,426)	88.9
Finance costs	<b>(844)</b>	(722)	16.9
Listing expenses	<b>(26,459)</b>	(21,542)	22.8
Loss before tax	<b>(249,350)</b>	(725,180)	(65.6)
Income tax expense	<b>–</b>	–	–
Loss and total comprehensive expense for the period	<b>(249,350)</b>	(725,180)	(65.6)
Loss per share	<b>RMB</b>	RMB	
– Basic	<b>(1.25)</b>	(4.98)	(74.9)
– Diluted	<b>(1.25)</b>	(4.98)	(74.9)
<b>Non-IFRSs Measure</b>			
Adjusted loss for the period <sup>(Note)</sup>	<b>(222,891)</b>	(152,092)	46.6

Note: Adjusted for (i) fair value loss of financial liabilities at FVTPL, and (ii) listing expenses.

## Management Discussion and Analysis

### Other Income

Other income of the Group increased by approximately 44.3% from approximately RMB13.9 million for the year ended December 31, 2022 to approximately RMB20.1 million for the year ended December 31, 2023, which was primarily due to the increase in interest income on bank balances of approximately RMB5.8 million resulting from the increase in bank deposits of the Group.

Set out below are the components of other income for the periods indicated:

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Income from sales of immunoreagent testing kits	1,802	2,056
Government grants related to		
• Right-of-use assets and plant and machinery	5,104	3,130
• Research and development activities	–	8,400
• IPO success subsidy	7,000	–
• Others	170	88
Interest income on bank balances	5,991	223
Interest income from rental deposits	18	26
<b>Total</b>	<b>20,085</b>	<b>13,923</b>

### Other Expenses

Other expenses of the Group decreased by approximately 80.8% from approximately RMB3.1 million for the year ended December 31, 2022 to approximately RMB0.6 million for the year ended December 31, 2023. Such decrease was primarily attributable to the issue costs for financial liabilities at FVPTL of approximately RMB2.5 million incurred for the year ended December 31, 2022 as a result of the issue of Shares pursuant to the series B+ financing of the Group completed in January 2022, whereas no such costs were recorded for the year ended December 31, 2023.

Set out below are the components of other expenses for the periods indicated:

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Cost of immunoreagent testing kits sold	603	590
Issue costs for financial liabilities at FVPTL	–	2,547
<b>Total</b>	<b>603</b>	<b>3,137</b>

### Other Gains and Losses, Net

Net other gains of the Group increased by approximately 20.3% from gains of RMB15.1 million for the year ended December 31, 2022 to gains of RMB18.2 million for the year ended December 31, 2023, which was primarily due to the increase in net foreign exchange gains of approximately RMB5.7 million, partially offset by a decrease in fair value gains on financial assets at FVTPL of approximately RMB2.5 million.

Set out below are the components of net other gains for the periods indicated:

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Fair value gains on financial assets at FVTPL	11,377	13,868
Gain (loss) on disposal of property, plant and equipment	56	(3)
Foreign exchange gains, net	6,734	996
Gain on early termination of a lease	–	239
<b>Total</b>	<b>18,167</b>	<b>15,100</b>

### Fair Value Loss of Financial Liabilities at FVTPL

Fair value loss of financial liabilities at FVTPL of the Group decreased from approximately RMB551.5 million for the year ended December 31, 2022 to nil for the year ended December 31, 2023, as the Shares issued to pre-IPO investors of the Company had been reclassified from financial liabilities to equity at their fair value in June 2022.

### Administrative Expenses

Administrative expenses of the Group increased by approximately 1.4% from approximately RMB85.8 million for the year ended December 31, 2022 to approximately RMB87.0 million for the year ended December 31, 2023, which was primarily due to the increase in staff costs, depreciation and other expenses, partially offset by a decrease in amortized share based payments of approximately RMB11.7 million.

### Research and Development Expenses

Research and development expenses of the Group increased by approximately 88.9% from approximately RMB91.4 million for the year ended December 31, 2022 to approximately RMB172.7 million for the year ended December 31, 2023, which was primarily due to the commencement of phase III clinical trial for LZ901 in China.

### Finance Costs

Finance costs of the Group increased by approximately 16.9% from approximately RMB0.7 million for the year ended December 31, 2022 to approximately RMB0.8 million for the year ended December 31, 2023, which was primarily due to the increase in bank borrowings of the Group.

## Management Discussion and Analysis

### Listing Expenses

Listing expenses of the Group increased by approximately 22.8% from approximately RMB21.5 million for the year ended December 31, 2022 to approximately RMB26.5 million for the year ended December 31, 2023 in line with the progress of the Listing and it is expected that no such expenses will be incurred in the future.

### Loss Before Tax

For the above reasons, the loss before tax of the Group decreased by approximately 65.6% from approximately RMB725.2 million for the year ended December 31, 2022 to approximately RMB249.4 million for the year ended December 31, 2023.

### Income Tax Expenses

No Hong Kong profit tax was provided for as there was no estimated assessable profit of the Group's subsidiary in Hong Kong, which was subject to Hong Kong profit tax during the year ended December 31, 2023.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the basic tax rate of the Company and the PRC subsidiaries of the Group is 25%. As the Group was loss-making for the year ended December 31, 2022 and the year ended December 31, 2023, no income tax expenses were incurred.

### Non-IFRSs Measure: Adjusted Loss for the Period

To supplement the unaudited consolidated interim results of the Group, which are prepared and presented in accordance with IFRSs, the Company uses additional financial measure which is not required by or presented in accordance with IFRSs, namely, adjusted loss for the period. The Group's adjusted loss for the period is not calculated in accordance with IFRSs, and it is a non-IFRSs measure. The Company believes that the adjusted loss for the period is useful for investors in comparing the Group's performance, and it allows investors to consider metrics used by the management of the Group in evaluating the Group's performance. Adjusted loss for the period represents the loss for the period excluding the effect of items that are non-recurring, noncash and/or non-operating in nature and not indicative of the actual operating performance of the Group. The following table reconciles the loss and total comprehensive expenses under IFRSs to adjusted loss for the periods indicated:

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
<b>Non-IFRSs measure:</b>		
Loss and total comprehensive expenses for the period	(249,350)	(725,180)
Add:		
Fair value loss of financial liabilities at FVTPL	–	551,546
Listing expenses	26,459	21,542
<b>Adjusted loss for the period</b>	<b>(222,891)</b>	<b>(152,092)</b>

The adjusted loss for the period decreased by approximately 46.6% from approximately RMB152.1 million for the year ended December 31, 2022 to approximately RMB222.9 million for the year ended December 31, 2023. Such decrease was primarily attributable to the increase in research and expenses resulting from the commencement of phase III clinical trial for LZ901 in China.

The use of non-IFRSs measure has limitations as an analytical tool, and Shareholders and potential investors of the Company should not consider it in isolation from, or as a substitute for or superior to analysis of, the Group's results of operations or financial condition as reported under IFRSs. In addition, the non-IFRSs measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measure presented by other companies.

### Liquidity, Capital Resources and Capital Structure

The bank balances and cash increased by approximately RMB196.0 million from approximately RMB69.0 million as of December 31, 2022 to approximately RMB265.0 million as of December 31, 2023, which was primarily due to the net proceeds from the Global Offering.

As of December 31, 2023, the Group has bank borrowings or loans of approximately RMB7.0 million which carries interest at 2.35% per annum and will mature in one year. Such bank borrowings or loans were all denominated in RMB.

There had been no breach of loan agreement by the Group during the year ended December 31, 2023.

### Pledge of Assets

As of December 31, 2023, the Group had no pledge of assets.

### Contingent Liabilities

As of December 31, 2023, the Group did not have any material contingent liabilities.

### Gearing Ratio

The gearing ratio is calculated using the Group's total liabilities divided by its total assets. As of December 31, 2023, the Group's gearing ratio was 12.5% (December 31, 2022: 12.4%).

### Capital Expenditure

The Group regularly incurs capital expenditures to expand and enhance its research and development facilities, establish manufacturing capacities and increase operating efficiency. The capital expenditures of the Group during the year ended December 31, 2023 primarily consisted of expenditures on construction in progress and leasehold lands. The Group's capital commitments increased from approximately RMB13.5 million as of December 31, 2022 to approximately RMB49.8 million as of December 31, 2023. The increase was primarily attributable to the development project of a new R&D and manufacturing facility of the Group, which commenced construction in September 2023.



## Management Discussion and Analysis

### Foreign Exchange

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect their financial condition and results of operation. The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars. The conversion of foreign currencies into RMB, including Hong Kong dollars, has been based on rates set by the People's Bank of China. The Group seeks to limit the exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. During the year ended December 31, 2023, the Group did not enter into any currency hedging transactions.

### Significant Investments, Material Acquisitions and Disposals

On August 30, 2023, Luzhu Biologics (Beijing) Co., Limited, a wholly-owned subsidiary of the Group, entered into a construction contract with Hebei Construction Group Corporation Limited (“**Hebei Construction**”), pursuant to which Hebei Construction undertook to provide construction services for the development project of a new R&D and manufacturing facility with total gross floor area of approximately 45,072.87 sq.m. locating in the Southern New District of the Beijing Economic and Technological Development Zone, Beijing, the PRC. Such transaction constituted a discloseable transaction of the Group. For more details, please refer to the announcement of the Company dated August 30, 2023.

Save as the above, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures for the year ended December 31, 2023.

### Future Plans for Material Investments or Capital Assets

As of December 31, 2023, the Group had no concrete plans for material capital expenditure, investments or capital assets. The Company will make further announcement(s) in accordance with the Listing Rules, where applicable, if any investments and acquisition opportunities materialize.

### FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2023 (for the year ended December 31, 2022: nil).

### USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The H Shares of the Company were listed on the Stock Exchange on May 8, 2023. The aggregate net proceeds received by the Company from the Global Offering after deducting underwriting commissions and other expenses payable by the Company in connection with the Global Offering, amounted to approximately HK\$241.6 million. In such connection, the over-allotment option as described in the Prospectus had not been exercised. For details of the Global Offering, please refer to the Prospectus, the allotment results announcement of the Company dated May 5, 2023 and the announcement of the Company dated May 28, 2023 in relation to, among others, lapse of the over-allotment option.

The net proceeds from the Global Offering have been and will be used in accordance with the purposes as set out in the Prospectus. The following table sets forth the use of the net proceeds from the Global Offering as of December 31, 2023:

Use of Proceeds	Allocation	Percentage	Unutilized	Utilized	Unutilized	Expected timeline
	of the net					
	from the	of total net	as of the	during the	amount	of the remaining
	Global	of total net	date of	year ended	as of	proceeds from the
	Offering	proceeds	Listing	December 31,	December 31,	Global Offering
	(HKD million)	(%)	(HKD million)	2023	2023 <sup>(1)</sup>	as of December 31,
				(HKD million)	(HKD million)	2023 <sup>(2)</sup>
For clinical development, manufacturing and commercialization of the Core Product, LZ901.	140.7	58.2	140.7	32.8	107.9	By the end of 2026
To fund ongoing planned clinical trials in China and the U.S. for LZ901	97.0	40.2	97.0	32.8	64.2	By the end of 2026
To fund commercial manufacturing of LZ901 in 2024 or after	14.6	6.0	14.6	0	14.6	By the end of 2026
To fund marketing and sales activities	29.1	12.0	29.1	0	29.1	By the end of 2026
For clinical development and manufacturing of K3.	53.4	22.1	53.4	0	53.4	By the end of 2026
To fund planned clinical trials for K3 between 2023 and 2024	38.8	16.1	38.8	0	38.8	By the end of 2024

## Management Discussion and Analysis

Use of Proceeds	Allocation of the net proceeds from the Global Offering (HKD million)	Percentage of total net proceeds (%)	Unutilized amount as of the date of Listing (HKD million)	Utilized amount during the year ended December 31, 2023 (HKD million)	Unutilized amount as of December 31, 2023 <sup>(1)</sup> (HKD million)	Expected timeline of full utilization of the remaining proceeds from the Global Offering as of December 31, 2023 <sup>(2)</sup>
To fund commercial manufacturing of K3 in 2024 or after	14.6	6.0	14.6	0	14.6	By the end of 2026
For construction of the second-phase commercial manufacturing facility in Zhuhai.	38.8	16.1	38.8	17.8	21.0	By the end of 2026
For working capital and other general corporate purposes.	8.7	3.6	8.7	0	8.7	By the end of 2026
<b>Total</b>	<b>241.6</b>	<b>100.0</b>	<b>241.6</b>	<b>50.6</b>	<b>191.0</b>	

Note: As of December 31, 2023, the unused net proceeds were deposited with licensed bank(s) in Hong Kong or the PRC.

The Company expects that the net proceeds from the Global Offering will be used up by 2026.

### EMPLOYEE AND REMUNERATION POLICY

As of December 31, 2023, the Group employed 133 full-time employees. The following table sets forth the number of the full-time employees of the Group by function as of December 31, 2023.

The following table sets forth the number of our employees for each function as of December 31, 2023:

<b>Function</b>	<b>Number of Employees</b>	<b>Percentage (%)</b>
Management and General Administrative (including Financial Department)	35	26.3
Research and Development (including Manufacturing Department and Quality Management Department)	72	54.2
Medical Affairs and Clinical Operations	10	7.5
Engineering	16	12.0
<b>Total</b>	<b>133</b>	<b>100.0</b>

The Group has designed an evaluation system to assess the performance of its employees periodically. Such system forms the basis of the Group's determinations of whether an employee should receive a salary raise, bonus, or promotion. The Group believes the salaries and bonuses the employees receive are competitive with market rates.

The Group places strong emphasis on providing training to its employees in order to enhance their technical and product knowledge. The Group designs and offers different training programmes for its employees in various positions. The Group makes contributions to the social insurance and housing provident fund for all of its employees in the PRC.

### FUNDING AND TREASURY POLICY

The Group adopts a stable, conservative approach in its finance and treasury policy, aiming to maintain an optimal financial position, the most economic finance costs, and minimal financial risks. Cash and cash equivalents are normally placed at financial institutions that the Group considers the credit risk to be low. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its business operations as well as its research and development, future investments and expansion plans.

## Management Discussion and Analysis

### EVENTS AFTER THE REPORTING PERIOD

On January 31, 2024, the Full Circulation of the Company, i.e. the conversion of an aggregate of 59,729,296 Unlisted Shares of the Company was completed and the Company has obtained the approval of the listing and permission to deal in the 59,729,296 H Shares (the “**Converted H Shares**”) was completed. Among the 59,729,296 Converted H Shares, (i) 1,434,783 Converted H Shares owned by Beijing Xinyin Xinghong Equity Investment Partnership (Limited Partnership) (北京信銀興弘股權投資合夥企業(有限合夥)) are subject to a statutory restriction on transfer for a period of one year from the date of listing of H shares of the Company as disclosed in the prospectus of the Company dated April 25, 2023 (“**Statutory Lock-up**”); and (ii) on top of the pre-existing Statutory Lockup, 58,294,513 Converted H Shares owned by Mr. KONG Jian (孔健), one of the controlling shareholders of the Company, are subject to a voluntary non-disposal undertaking of Mr. KONG for a period of two years from the date of completion of the Full Circulation. For further details of the share capital structure of the Company immediately after the completion of the Full Circulation, please refer to the Company’s announcement on the same day.

On February 5, 2024, the Group pledged a property with gross floor area of approximately 21,185 square meters, to secure its bank facility in the principal amount of RMB200.0 million. Such pledged property is being used by the Group as offices, laboratories and manufacturing facility.

Save as disclosed in this report, there was no important event affecting the Group which occurred after December 31, 2023 up to the date of this report.

# Directors, Supervisors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. KONG Jian (孔健)**, aged 60, is our executive Director, the general manager of our Company, the chief scientist and leader of the research and development team of our Group, and the chairman of our Board, and is primarily responsible for the overall strategic development and key business decisions, including scientific research and production of our Group. He is one of our Controlling Shareholders. Mr. KONG joined our Company in July 2002 as our general manager. He is also the leader of the research and development team of our Group. He was appointed as a Director on September 11, 2008, and re-designated as our executive Director on June 18, 2022. He is also the director, legal representative and general manager of Zhuhai Luzhu, the director of Hong Kong Luzhu, and the legal representative of Beijing Luzhu.

Mr. KONG has over 35 years of experience in the biopharmaceutical industry. Mr. Kong has participated in the successful development of five vaccines which have been commercialized, including three types of bacterial polysaccharide conjugate vaccines and two multivalent meningococcal polysaccharide vaccines. In addition, Mr. Kong has developed vaccines and monoclonal antibodies under clinical investigation, including a recombinant herpes zoster vaccine, two monoclonal antibodies, a bispecific antibody and an inactivated enterovirus 71 vaccine. Prior to joining our Group, from October 1988 to 2002, he worked in the Beijing National Vaccine and Serum Institute of the Ministry of Health (衛生部北京生物製品研究所), a research institute primarily focused on microbiology and immunology research and productions of epidemic prevention products. He worked as the director of the Science and Technology Development Division (科技開發處處長) and manager of the immunodiagnostic laboratory (免疫診斷研究室主任) of the Beijing National Vaccine and Serum Institute of the Ministry of Health since October 2000, and was primarily responsible for scientific research of biological products. In March 2000, Mr. KONG was also accredited as a researcher in biomedical science at the Chinese Biologics Corporation (中國生物製品總公司), a state-owned institution primarily engaged in the research and production of vaccines and blood products.

## Directors, Supervisors and Senior Management

Mr. KONG obtained a bachelor degree in medicine from the School of Medicine in Shandong University (山東大學) (formerly known as the Shandong Medical University (山東醫學院)) in July 1985, and a postgraduate master degree in epidemiology from Tianjin Medical University (天津醫科大學) (formerly known as Tianjin School of Medicine (天津醫學院)) in September 1988. Mr. KONG is the spouse of Ms. ZHANG Yanping, our executive Director, the uncle of Ms. KONG Xi, our Supervisor, and the father-in-law of Mr. LIU Siyu, one of the joint company secretaries of our Company and the secretary of our Board.

**Ms. JIANG Xianmin (蔣先敏)**, aged 61, is our executive Director, the deputy general manager of our Company, the chief medical officer and leader of the clinical development team of our Group, and the vice-chairlady of our Board, and is primarily responsible for the management of the clinical trials of the products of our Group. She is also the manager of our medical department. Ms. JIANG joined our Group in February 2002 as deputy general manager, mainly responsible for our Company's R&D and clinical work and was appointed as the vice-chairlady of our Board since July 2013. Since 2018, she has been focusing on management of the clinical development programs and registration of our Company's products. Ms. JIANG has led the development of our Meningococcal Group A and C Polysaccharide Conjugate Vaccine, Meningococcal Group A and C and Haemophilus Influenzae Type b Conjugate Vaccine, Group ACYW135 Meningococcal Polysaccharide Vaccine, typhoid polysaccharide vaccine and tetanus toxoid vaccine. She was appointed as a Director on June 28, 2013, and was re-designated as an executive Director on June 18, 2022. She is also the supervisor of Zhuhai Luzhu.

Ms. JIANG has over 37 years of experience in the biopharmaceutical industry. Prior to joining our Group, Ms. JIANG worked in the Beijing National Vaccine and Serum Institute of the Ministry of Health (衛生部北京生物製品研究所) for over 16 years, a national research unit primarily focusing on the production and research of vaccines, blood-based products and diagnostic reagents, as an associate researcher and was primarily responsible for the research and development of immunodiagnostic reagents and monoclonal antibodies, and she has participated in various studies such as construction of hybridoma cell strains secreting McAbs to human erythrocyte surface antigen glycophorin A and a study on anti-CEA response induced by anti-idiotypic antibody.

Ms. JIANG obtained a bachelor degree in medicine from the Xiangya School of Medicine of Central South University (中南大學湘雅醫學院) (formerly known as Hunan School of Medicine (湖南醫學院)) in August 1984. In January 1998, she was recognized as an associate researcher by Ministry of Health of the People's Republic of China (中華人民共和國衛生部).

## Directors, Supervisors and Senior Management

**Ms. ZHANG Yanping (張琰平)**, aged 61, is our executive Director and the deputy general manager of the Company, primarily responsible for the overall finance and procurement of our Group. She was appointed as a Director on June 28, 2013 and was re-designated as an executive Director on June 18, 2022. She is also one of our Controlling Shareholders. Ms. ZHANG joined our Group in January 2004 as a manager of the research and development department, and is currently our deputy general manager, mainly in charge of our finance department. At the same time, Ms. ZHANG is also the head of our material department.

Ms. ZHANG has over 38 years of experience in biopharmaceutical industry and has extensive experience in quality control, quality assurance, and pre-clinical safety studies of biological products. She has also led our Group to obtain GMP certification for our Meningococcal Group A and C Polysaccharide Conjugate Vaccine and Group ACYW135 Meningococcal Polysaccharide Vaccine. Prior to joining our Group, from July 1985 to 2004, Ms. ZHANG worked as a technician at the Beijing National Vaccine and Serum Institute of the Ministry of Health (衛生部北京生物製品研究所), mainly participated in the preparation of intestinal bacteria and immunoglobulin diagnostic serum and the research of interferon- $\beta$  antibody. In March 2000, Ms. ZHANG was appointed as a deputy researcher in biomedical science at the Chinese Biologics Corporation (中國生物製品總公司), a state-owned institution primarily engaged in the research and production of vaccines and blood products.

Ms. ZHANG obtained a bachelor degree in medicine from the School of Medicine in Shandong University (山東大學) (formerly known as the Shandong Medical University (山東醫學院)) in July 1985.

Ms. ZHANG is the spouse of Mr. KONG Jian, our executive Director, the aunt of Ms. KONG Xi, our Supervisor and the mother-in-law of Mr. LIU Siyu, one of the joint company secretaries of our Company and the secretary of our Board.

### Non-executive Directors

**Mr. MA Biao (馬彪)**, aged 60, is our non-executive Director, primarily responsible for providing management and strategic advice to our Group. He was nominated by Beijing Science Sun as a Board representative and was appointed as a Director on August 2, 2019. Mr. MA Biao was re-designated as our non-executive Director on June 18, 2022.

Mr. MA Biao has over 24 years of experience in the pharmaceutical industry. From August 1999, Mr. MA Biao joined Beijing Science Sun, a company principally engaged in research, manufacture and sales of biological and biochemical pharmaceuticals and listed on the ChiNext board of the Shenzhen Stock Exchange (stock code: 300485) as the deputy general manager, and was appointed as its director and general manager in July 2001. Mr. MA Biao is the Actual Controller of Beijing Science Sun. He currently serves as the chairman of the board and the general manager of Beijing Science Sun, primarily responsible for overall management. From February 2018 to July 2023, Mr. MA has served as a director of Beijing Eastern Biotech Co., Ltd. (北京東方百泰生物科技股份有限公司), a company principally engaged in the R&D and production of innovative antibody and macromolecular protein drugs, where he is an investor board representative primarily responsible for providing opinion and judgment to the board.



## Directors, Supervisors and Senior Management

Mr. MA Biao obtained a master degree in biochemistry from Jilin University (吉林大學) in June 1989, and a doctorate degree in food science from the China Agricultural University (中國農業大學) in December 2008. Mr. MA Biao was also accredited as a researcher by Beijing Specialised Professions and Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in January 2017.

**Mr. KONG Shuangquan (孔雙泉)**, aged 49, is our non-executive Director, primarily responsible for providing management and strategic advice to our Group. He was nominated by Beijing Yizhuang as a Board representative and was appointed as a Director on August 2, 2019. Mr. KONG Shuangquan was re-designated as our non-executive Director on June 18, 2022.

From July 2004 to July 2010, Mr. KONG Shuangquan worked at the research and development department of Beijing Science Sun primarily responsible for the development of pharmaceutical drug. From July 2010 to September 2011, Mr. KONG Shuangquan also worked at TianXinFu (Beijing) Medical Appliance Co., Ltd. (天新福(北京)醫療器材股份有限公司, formerly known as Beijing TianXinFu Medical Appliance Co., Ltd. (北京天新福醫療器材股份有限公司)), a company principally engaged in the production of medical equipment involving regenerated medical biomaterials, serving as a manager of the research and development technology department and primarily responsible for the company's biomaterial product development. Subsequently, Mr. KONG Shuangquan re-joined Beijing Science Sun in September 2011, and he is currently the chief engineer of the research and development department of Beijing Science Sun, in charge of the company's technology and product development. Mr. KONG Shuangquan is also currently a director and deputy general manager of Beijing Huada Protein Research and Development Center Co., Ltd. (北京華大蛋白質研發中心有限公司), an investment entity of Beijing Science Sun, where he is primarily responsible for the company's daily operation and decision-making process. Beijing Huada Protein Research and Development Center Co., Ltd. is principally engaged in contract research, drug analysis and the provision of protein-based biologics services including protein expression and purification, recombinant protein, as well as antibody preparation and identification.

Mr. KONG Shuangquan obtained a master degree in microbiology and biochemical pharmacy from Jilin University (吉林大學) in June 2004. In November 2012, Mr. KONG Shuangquan was named as an assistant researcher by the Beijing Intermediate Professional Technical Position Appraisal Committee (北京中級專業技術職務評審委員會).

## Directors, Supervisors and Senior Management

### Independent Non-executive Directors

**Mr. LEUNG Wai Yip (梁偉業)**, aged 47, was appointed as an independent non-executive Director on March 30, 2023, primarily responsible for supervising and providing independent opinion to our Board.

Mr. LEUNG Wai Yip has approximately 20 years of experience in audit and financial management. Prior to joining our Group, from March 2000 to August 2005, he acted consecutively as the auditor, senior auditor and manager in the assurance and advisory business services department of Ernst & Young. From May 2007 to December 2010, Mr. LEUNG Wai Yip served as the financial controller and the company secretary of Tiangong International Company Limited (listed on the Stock Exchange, stock code: 826), mainly responsible for the initial public offering of the group and post-listing financial management and investor relationships. He has been the chief financial officer and company secretary of Chaowei Power Holdings Limited (listed on the Stock Exchange, stock code: 951) since December 2010, mainly responsible for the company's financial management, overseas acquisition and financing and investor relationships. Mr. LEUNG Wai Yip also served as an independent non-executive director of Miko International Holdings Limited (listed on the Stock Exchange, stock code: 1247) from December 2013 to February 2016. Since April 2018, he has also been appointed as an independent non-executive director and chairman of the audit committee of HPC Holdings Limited (listed on the Stock Exchange, stock code: 1742).

In addition, Mr. LEUNG Wai Yip was a director of Coyoh Limited, a company incorporated in Hong Kong on 8 June 2009 which did not commence any business ever. On 10 October 2014, Coyoh Limited was dissolved by striking off under Section 744(3) of the Companies Ordinance, pursuant to which if the Registrar of Companies in Hong Kong has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar of Companies in Hong Kong may strike the name of the company off the register after the expiration of a specified period. Mr. LEUNG Wai Yip confirmed that Coyoh Limited was solvent and did not carry out any business at the time of it being struck off. Mr. LEUNG Wai Yip also confirmed he did not have any outstanding liabilities in relation to Coyoh Limited's being struck off and Coyoh Limited had no outstanding liabilities at the time of it being struck off.

Mr. LEUNG Wai Yip obtained a degree of bachelor of commerce from the University of Alberta in June 1998 and a degree of master of business administration from the Hong Kong University of Science and Technology in November 2010 respectively. He has been a member of the American Institute of Certified Public Accountants since December 2002, and an associate member of the Hong Kong Society of Accountants since May 2003.

## Directors, Supervisors and Senior Management

**Mr. LIANG Yeshe (梁冶矢)**, aged 74, was appointed as an independent non-executive Director on March 30, 2023, primarily responsible for supervising and providing independent opinion to our Board.

Mr. LIANG Yeshe has over 34 years of experience in the medical field. Since 1989, Mr. LIANG Yeshe joined the Peking University People's Hospital (北京大學人民醫院) and his last position was the deputy director of the neurosurgery department.

Mr. LIANG Yeshe was a supervisor of Beijing Zhuoyue Tonghua Advertising Co., Ltd. (北京卓越通華廣告有限責任公司) ("**Beijing Zhuoyue**"), a limited liability company established in the PRC on January 31, 2002. The business license of Beijing Zhuoyue was revoked on October 8, 2013 as it did not conduct annual inspection. As confirmed by Mr. LIANG Yeshe, he was not involved in the operation and management of Beijing Zhuoyue, and there was no fraudulent act or misfeasance on his part leading to the revocation. Further, as confirmed by Mr. LIANG Yeshe, Beijing Zhuoyue was solvent at the time of revocation of its business license, and Mr. LIANG Yeshe was not aware of any actual or potential claim that has been or will be made against him as a result of the revocation of business license of Beijing Zhuoyue.

Mr. LIANG Yeshe obtained a postgraduate master degree in medicine from Tianjin Medical University (天津醫科大學) in September 1988.

**Ms. HOU Aijun (侯愛軍)**, aged 58, was appointed as an independent non-executive Director on March 30, 2023, primarily responsible for supervising and providing independent opinion to our Board. Prior to joining our Group, from March 1992 to November 2009, she worked in the China Biotechnology Group Corporation (中國生物技術集團公司), a company principally engaged in the research and development of biological products and her last position was the deputy director of the research and development management department. She was mainly responsible for management of scientific research projects. In 2009, she joined China National Pharmaceutical Group Co., Ltd. (中國醫藥集團有限公司) (formerly known as China National Pharmaceutical Group Corporation (中國醫藥集團總公司)), a company principally engaged in the distribution, research and development and production of health-related products. She worked as the deputy manager of the research development management department (研發管理部). Subsequently in July 2010, she was appointed as the secretary general of the science and technology committee of the company, and in March 2018 she was further appointed as the deputy manager of the science and technology committee. In July 2018, she was further appointed to act as the deputy director of policy research office of the China National Pharmaceutical Group Co., Ltd. concurrently, mainly responsible for assisting its board of directors in strategic decision-making process with reference to national policies and regulations in the medical industry.

Ms. HOU Aijun obtained a bachelor degree in applied biochemistry from the Department of Biology of the Peking University (北京大學) in July 1987.

### SUPERVISORS

**Ms. PENG Ling (彭玲)**, aged 43, was appointed as a Supervisor on July 19, 2019. She joined our Group in April 2015 and served as the deputy manager of our quality control department. Ms. PENG Ling also acted as our Director from November 2018 to July 2019 before her appointment as a Supervisor in July 2019. She has been appointed as the manager of our quality control department since March 2020. Since December 2021 she has also been appointed as the assistant to general manager of our Company. In April 2022, she has been appointed as the chief technology officer of our Company. Ms. PENG Ling is primarily responsible for leading the quality control department and supervising the operating and financial activities of our Company.

Ms. PENG Ling obtained a bachelor degree from Shandong Normal University (山東師範大學) majoring in chemistry in July 2003, and in June 2006, she further obtained a master degree in organic chemistry from the same university.

**Ms. KONG Xi (孔茜)**, aged 31, was appointed as a Supervisor on July 21, 2014. She has been working as a technician in our quality control department since July 2013. Ms. KONG Xi is mainly responsible for supervising the operating and financial activities of our Company.

Ms. KONG Xi obtained a bachelor degree in bioengineering in June 2013 from Huaqiao University (華僑大學).

Ms. KONG Xi is the niece of Mr. KONG Jian and Ms. ZHANG Yanping, our executive Directors.

**Mr. CHEN Liang (陳亮)**, aged 44, was appointed as a Supervisor on April 26, 2022. He joined our Group's human resources and administration department in August 2021 as a manager. Mr. CHEN Liang is mainly responsible for supervising the operating and financial activities of our Company.

Prior to joining our Group, Mr. CHEN Liang worked as the chief executive officer for Beijing Jieyatai Zhongsheng Automobile Sales Co., Ltd. (北京捷亞泰中盛汽車銷售有限公司), a company primarily engaged in car sales, where he was primarily responsible for administration and human resource management.

Mr. CHEN Liang obtained a bachelor degree in law in July 2016 from Beihang University (北京航空航天大學) through attending long distance learning courses. He also obtained the professional qualifications of senior vocational management professional (level 1) (高級職業經理人(一級)) and the senior human resources management specialist (level 1) (高級人力資源管理師(一級)) in October 2015, and the professional qualification of safety evaluation professional (level 1) (安全評價師(一級)) in December 2018 from the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部).

## Directors, Supervisors and Senior Management

### SENIOR MANAGEMENT

**Mr. KONG Jian (孔健)**, see “— Board of Directors — Executive Directors” in this section for details.

**Ms. JIANG Xianmin (蔣先敏)**, see “— Board of Directors — Executive Directors” in this section for details.

**Ms. ZHANG Yanping (張琰平)**, see “— Board of Directors — Executive Directors” in this section for details.

**Ms. LIU Zheng (劉鐸)**, aged 37, joined our Group as manager of the securities investment department of our Company in August 2023, and was appointed as the chief financial officer of our Company in December 2023, primarily responsible for overseeing the corporate financing of our Group.

Ms. LIU Zheng has over 13 years of experience in investment, financing and capital markets. Prior to joining our Group, Ms. LIU Zheng worked as an associate in Beijing Lantai Partners (北京市蘭台律師事務所) from December 2009 to December 2012, primarily responsible for financing and capital market legal practice. From May 2013 to September 2014, she served as an investment manager at Shaanxi International Trust Co., Ltd. (陝西省國際信託股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 000563). From November 2014 to August 2017, she joined the Beijing Branch of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 601211; and listed on the Stock Exchange, stock code: 2611), where she served as an assistant director. From September 2017 to August 2023, she worked as the vice president of investment with Deyi Investment Management (Beijing) Co., Ltd. (得怡投資管理(北京)有限公司), a private equity investment fund focusing on pharmaceutical and healthcare investment.

Ms. LIU Zheng obtained a bachelor of law's degree from Renmin University of China (中國人民大學) in June 2008. She further obtained a master of law's degree from New York University of Law (紐約大學法學院) in the US in May 2009. Ms. LIU Zheng obtained qualification for legal practice both in Mainland China and New York State of the US.

**Mr. LIU Siyu (劉斯宇)**, aged 33, was appointed as one of the joint company secretaries of our Company on June 18, 2022. He has served as the secretary of our Board since September 2021 and is primarily responsible for handling daily affairs and communications of our Board, assisting our Board in legal compliance and corporate governance matters, and handling external financing and public relations of our Group, including but not limited to liaising with our investors, relevant governmental authorities and the media.

Prior to joining our Group, from February 2015 to October 2015, he joined Xiaoyezi (Beijing) Technology Co., Ltd. (小葉子(北京)科技有限公司), a company primarily engaged in online music education with music-related Artificial Intelligence (AI) hardware products, where he served as a java engineer, mainly responsible for overseeing and managing technological issues of the company. From November 2015 to September 2021, he served as a java engineer of platform support center at Kuaishou Technology (快手科技) (listed on the Stock Exchange, stock code: 1024), a content community and social platform that principally provides live streaming services, online marketing services and other services.

Mr. LIU Siyu obtained a bachelor degree in network engineering from the Nanjing University of Posts and Telecommunications (南京郵電大學) in June 2013.

Mr. LIU Siyu is the son-in-law of Mr. KONG Jian and Ms. ZHANG Yanping, our executive Directors.

## Directors, Supervisors and Senior Management

**Ms. PENG Ling (彭玲)**, see “— Supervisors” in this section for details.

**Ms. LU Lu (路露)**, aged 42, joined our Group and was appointed as the manager of administration department of Zhuhai Luzhu in April 2021, and was promoted as the deputy general manager of Zhuhai Luzhu in December 2021. Ms. LU Lu is primarily responsible for the management of administration and human resources of our Group.

Ms. LU Lu has over 14 years of experience in the pharmaceutical industry. Prior to joining our Group, from July 2007 to November 2010, she served as a deputy chief clerk at Food and Drug Administration of Xinxiang City (新鄉市食品藥品監督管理局). In November 2010 to 2017, she joined the Political Consultative Conference Institute of Xinxiang City (新鄉市政協機關), during the period which she has served as the deputy manager of the personnel liaison department, and was later promoted as the manager of the same department in April 2013. From November 2017 to April 2021, she served as a deputy general manager at Zhuhai BesTest Bio-Tech Co., Ltd. (珠海百試通生物科技有限公司), a company principally engaged in production and sales of several types of SPF-grade rodent laboratory animals and provision of pharmacological and pharmacodynamic CRO services, where she was primarily responsible for overall management of personnel and administration of this company.

Ms. LU Lu obtained a bachelor degree in clinical medicine from Medical School of Zhengzhou University (鄭州大學醫學院) in July 2005. She further obtained a master degree in pharmacology from Jinan University (暨南大學) in June 2007.

**Mr. HAN Chaowei (韓朝煒)**, aged 49, joined our Group in October 2020 and has since then served as the deputy general manager of Zhuhai Luzhu. Mr. HAN Chaowei is our head of manufacturing and engineering and is mainly responsible for managing the commercial production and storage of our biological products, including vaccines, monoclonal antibody and bispecific antibody. At the same time, he is responsible for supervising the purchase, construction, installation and maintenance of production facilities, equipment and supporting utility facilities.

Mr. HAN Chaowei has over 23 years of experience in the pharmaceutical industry. Prior to joining our Group, in March 1999, he joined Pfizer Pharmaceuticals Ltd., a company principally engaged in the production of sterile and non-sterile active ingredients, as a chemist. He then served at Pfizer Asia Pacific Pte. Ltd., a company principally engaged in development, manufacturing and marketing of medicines for humans and animals, since October 2001 as a laboratory supervisor. From February 2006 to April 2007, he worked at Livzon Pharmaceutical Group Inc. (麗珠醫藥集團股份有限公司), a pharmaceutical company dually listed on the Stock Exchange (stock code: 1513) and the Shenzhen Stock Exchange (stock code: 000513), which principally engaged in the research and development, production and sales of pharmaceutical products. From July 2007 to July 2010, he served as a quality director at ReLIA Biological Engineering Co., Ltd. (瑞萊生物工程股份有限公司) (formerly known as ReLIA Biological Engineering (Shenzhen) Co., Ltd. (瑞萊生物工程(深圳)有限公司)), a company principally engaged in the production of diagnostic reagent and medical equipment, where he was primarily responsible for quality management. From May 2010, he served as a quality manager at Shanghai Baxter Healthcare Co., Ltd. (上海百特醫療用品有限公司), a company principally engaged in the production of sterile injection (soft bag packaging), where he was primarily responsible for quality management of factories. In 2011, he served as a deputy general manager of operation at ReLIA Biotechnology Jiangsu Co., Ltd. (瑞萊生物科技江蘇有限公司) (formerly known as ReLIA Biotechnology (Jiangsu) Co., Ltd. (瑞萊生物科技(江蘇)有限公司)), a company principally engaged in the production of diagnostic reagent and medical equipment, where he was primarily responsible for the construction and overall operation of factories in Jiangsu. From September 2016 to May 2020, he served as a vice president at Shenzhen Cheerland Biomedicine Investment Co., Ltd. (深圳市樂土生命科技投資有限公司), a company principally engaged in biomedicine and project investment.

## Directors, Supervisors and Senior Management

Mr. HAN Chaowei obtained a bachelor degree in applied chemistry from Northeastern University (東北大學) in July 1997.

**Ms. JIANG Lijuan (蔣莉娟)**, aged 57, joined our Group in December 2021 and has since then served as the deputy general manager of Zhuhai Luzhu. Ms. JIANG Lijuan is primarily responsible for quality management of the pharmaceutical manufacturing of our Group.

Ms. JIANG Lijuan has over 33 years of experience in the pharmaceutical industry. Prior to joining our Group, from July 1989 to July 2002, she served as a deputy director of new product development department at Xinyu Pharmaceutical Co., Ltd. (新宇藥業股份有限公司) (formerly known as Anhui Wanbei Pharmaceutical Co., Ltd. (安徽省皖北藥業股份有限公司), a company principally engaged in pharmaceutical manufacturing, where she was primarily responsible for pharmaceutical research and development. From August 2002 to December 2016, she served as a deputy chief engineer at Guangzhou Baiyunshan Xingqun (Pharmaceutical) Co., Ltd. (廣州白雲山星群(藥業)股份有限公司), a company principally engaged in pharmaceutical manufacturing and dually listed on the Stock Exchange (stock code: 0874) and the Shanghai Stock Exchange (stock code: 600332), where she was primarily responsible for pharmaceutical research and development and quality management of pharmaceutical manufacturing. In January 2017, she joined Hainan Hualon Pharmaceutical Co., Ltd. (海南皇隆製藥股份有限公司), a company principally engaged in pharmaceutical manufacturing and quoted on the National Equities Exchange and Quotations (stock code: 834298), as a chief engineer where she was primarily responsible for management of pharmaceutical manufacturing and management of equipment. From October 2018 to March 2020, she served as a deputy general manager at Zhuhai Ebang Pharmaceutical Co., Ltd. (珠海億邦製藥有限責任公司) (formerly known as Zhuhai Ebang Pharmaceutical Stock Co., Ltd. (珠海億邦製藥股份有限公司), a company principally engaged in pharmaceutical manufacturing, where she was primarily responsible for pharmaceutical research and development and management of pharmaceutical manufacturing. Subsequently, she joined Guangzhou Lixin Pharmaceuticals Co., Ltd. (廣州市力鑫藥業有限公司), a company principally engaged in pharmaceutical research and development and pharmaceutical manufacturing, as a deputy general manager where she was primarily responsible for pharmaceutical research and development and quality management of pharmaceutical manufacturing, and was later also appointed as the responsible officer of quality management of such company in October 2020, until November 2021. Ms. JIANG Lijuan was appointed as a member of the 10th Professional Committee of Pharmaceutical Engineering of Guangdong Pharmaceutical Association (廣東省藥學會第十屆製藥工程專業委員會委員) and a specially-appointed expert for Guangzhou Biopharmaceutical Innovation Technology Association (廣州市生物醫藥創新技術協會特聘專家) in May 2021 and December 2021, respectively.

Ms. JIANG Lijuan obtained a bachelor degree in chemistry from Anhui University (安徽大學) in June 1989. She further obtained a master degree in medicinal chemistry from China Pharmaceutical University (中國藥科大學) in June 2002. Ms. JIANG Lijuan obtained a qualification as a senior pharmaceutical engineer by Guangdong Provincial Personnel Department (廣東省人事廳) in December 2001.

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

### JOINT COMPANY SECRETARIES

**Mr. LIU Siyu (劉斯宇)** joined our Company on September 1, 2021 and serves as a joint company secretary of our Company. He was appointed as the joint company secretary of our Company on June 18, 2022. For further biographic details of Mr. LIU Siyu, see “— Senior Management” in this section.

**Ms. YUEN Wing Yan, Winnie (袁穎欣)**, joined our Company and was appointed as the joint company secretary of our Company on December 16, 2022. She is a director of corporate services of Tricor Services Limited and she has been providing professional corporate services to various Hong Kong listed companies as well as multinational, private and offshore companies. Ms. YUEN Wing Yan, Winnie has over 25 years of experience in the corporate secretarial field, and she is currently the company secretary or joint company secretary of a number of listed companies on the Stock Exchange.

Ms. YUEN Wing Yan, Winnie is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute (HKCGI) (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (CGI) (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

Ms. YUEN Wing Yan, Winnie is not an employee of our Company but will coordinate with Mr. LIU Siyu, the other joint company secretary, in discharging their duties as the joint company secretaries of our Company.

### CHANGES IN DIRECTORS' INFORMATION

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



# Report of the Directors

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the year ended December 31, 2023.

## DIRECTORS AND SUPERVISORS

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

### Executive Directors:

Mr. KONG Jian (孔健) (*Chairman*)

Ms. ZHANG Yanping (張琰平)

Ms. JIANG Xianmin (蔣先敏)

### Non-executive Directors:

Mr. MA Biao (馬彪)

Mr. KONG Shuangquan (孔雙泉)

### Independent Non-executive Directors:

Mr. LEUNG Wai Yip (梁偉業)

Mr. LIANG Yeshe (梁冶矢)

Ms. HOU Aijun (侯愛軍)

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

### Supervisors:

Ms. PENG Ling (彭玲)

Ms. KONG Xi (孔茜)

Mr. CHEN Liang (陳亮)

Biographical details of the current Directors and Supervisors are set out in the section headed “Directors, Supervisors and Senior Management” on pages 21 to 31 of this report.

## PRINCIPAL ACTIVITIES

The Company is a biotechnology company committed to developing innovative human vaccines and therapeutic biologics to prevent and control infectious diseases and treat cancer and autoimmune diseases, and Beijing Luzhu is a wholly-owned subsidiary of the Company.

The Group focuses on human medicine and has established technology platforms with its understanding of immunology and protein engineering, which empowers the Group to develop its recombinant vaccine and antibody product candidates with favorable efficiency, high purity and improved stability.

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

### BUSINESS REVIEW

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

### RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

#### Major Customers

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

#### Major Suppliers

During the Reporting Period, the Group's major suppliers primarily consisted of (i) suppliers of raw materials and consumables for our vaccine and therapeutic biologics development, (ii) construction service providers, (iii) property leasing providers and (iv) CROs, who provide third-party contracting services for research and development.

The Group's purchases from its five largest suppliers for the Reporting Period amounted to RMB176.3 million (2022: RMB152.2 million), accounted for 51.2% (2022: 80.3%) of the Group's total purchases. The Group's purchases from its largest supplier for the Reporting Period amounted to RMB73.3 million (2022: RMB127.1 million), accounted for 21.3% (2022: 67.1%) of its total purchases. During the Reporting Period, all of the Group's five largest suppliers were Independent Third Parties. None of the Directors, Supervisors, their respective close associates nor any shareholder who, to the knowledge of the Directors, owned more than 5% of the issued share capital of the Company as at the date of this annual report, had any interest in any of the Group's five largest suppliers during the Reporting Period.

During the year ended December 31, 2023, the Group did not experience any significant disputes with its suppliers.

## Report of the Directors

### PRINCIPAL RISKS AND UNCERTAINTIES

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

#### Risks Relating to the Research and Development of Our Product Candidates

- Our business and financial prospects depend substantially on the success of our clinical stage and pre-clinical stage product candidates, and we may be unable to successfully complete their clinical development, obtain relevant regulatory approvals or achieve their commercialization, or may experience significant delays in doing so.
- We may not successfully complete clinical trials or procedures relating to our product candidates or demonstrate safety and efficacy of our product candidates to the satisfaction of regulatory authorities, and many of our product candidates are in early-stage of clinical trials and thus face higher risks of clinical trial failure.
- Results of earlier clinical trials may not be predictive of results of later-stage clinical trials.
- We may be unable to identify, discover, or develop new product candidates, or to identify additional therapeutic opportunities for our product candidates, in order to expand or maintain our product pipeline.
- The data and information that we gather in our research and development process could be inaccurate or incomplete.
- If we encounter difficulties or delays in enrolling subjects in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.
- In conducting research and development, we face potential liabilities, in particular, product liability claims or lawsuits that could cause us to incur substantial liabilities.

#### Risks Relating to Sales and Distribution of Our Product Candidates

- The recession or eradication of the infectious diseases that our vaccine candidates target and the availability of alternative vaccines or treatment technologies may adversely affect our sales.
- Failure to secure cooperation with qualified cold-chain logistics providers may cause great risk of damage to our future vaccine products and damage our reputation and business.
- We expect to sell most of our future vaccine products to CDCs in China, which exposes us to uncertainties associated with the government funding and budgeting process.
- Our competitors may develop products or therapies that are similar, more advanced, or more effective than ours, or launch such products or therapies ahead of us, which may adversely affect our financial condition and our ability to successfully commercialize our product candidates.

### Risks Relating to Manufacture and Supply of Our Product Candidates

- Manufacturing pharmaceutical products on a large commercial scale is highly exacting and complex, and we may encounter problems during the process.
- Any failure to perform proper quality control and quality assurance would have a material adverse effect on our business and financial results.
- Our future vaccine and therapeutic biologics products, like any other biologic product, may involve risks of contamination.

### Risks Relating to Our Cooperation with Third Parties

- We may not realize any or all benefits of collaboration, alliances or licensing arrangements, and disputes may arise between us and our current or future collaboration partners.
- As we work with various third parties to conduct a certain number of our pre-clinical studies and clinical trials, we may not be able to obtain regulatory approval for, or commercialize, our product candidates, or experience delay in doing so if these third parties do not successfully carry out their contracted duties or meet expected deadlines.
- We are exposed to various supply chain risks as we depend on a stable, adequate and quality supply of raw materials, technical services, equipment and infrastructure construction services, and any price increases or interruptions of such supply may have a material adverse effect on our business.

### Risks Relating to Extensive Governmental Regulations

- All material aspects of the research, development, manufacturing and commercialization of our product candidates are heavily regulated.
- Approval pathway for biosimilars in China remains fluid, which may adversely affect the regulatory approval of our biosimilar product candidate.
- After we receive regulatory approvals for our product candidates, we will be subject to ongoing or additional regulatory obligations and continued regulatory review.
- We may be unable to obtain or renew certain approvals, licenses, permits and certificates required for our business.

## Report of the Directors

### Risks Relating to Our Intellectual Property Rights

- If we are unable to obtain and maintain adequate patent and other intellectual property protection for our product candidates throughout the world, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could compete directly against us and our ability to successfully develop and commercialize any of our product candidates would be materially and adversely affected.
- Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.
- The scope of our patent protection may be uncertain, and our current or any future patents may be challenged and invalidated even after issuance.
- Even if we are able to obtain patent protection for our product candidates, the term of such protection, if any, is limited, and third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us after the expiration of our patent rights.

### Risks Relating to Our Financial Position and Need for Additional Capital

- We incurred net losses and net operating cash outflows during the Reporting Period, and we may continue to incur net losses and net operating cash outflows.
- We incurred net liabilities, and may continue to have net liabilities going forward, which can expose us to liquidity risk.
- We may need to obtain additional financing to fund our expansion of research and development and our operations, and we may not have access to sufficient funding.
- We have historically received government grants and we may not receive such grants or subsidies in the future.
- Share-based payment may cause shareholding dilution to our existing Shareholders and have a negative effect on our financial performance.
- We are exposed to credit risks associated with our investment in certain wealth management products.

### Risks Relating to Our General Operations

- We may fail to sufficiently and promptly respond to clinical demand and market changes in the pharmaceutical industry.
- Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.
- Our success depends on our key senior management members and our ability to attract, train, motivate and retain highly skilled scientists and other technical personnel.
- We may encounter difficulties in managing our growth and expanding our operations successfully.
- Negative publicity and allegations involving us, our Shareholders, Directors, management personnel, employees and business partners may affect our reputation, business and growth prospects.

### Risks Relating To Doing Business in China

- The approval of, or filing with, CSRC or other regulatory authorities may be required in connection with the Listing and future offering activities, and we cannot predict whether we will be able to obtain all necessary approval or complete such filing.
- The pharmaceutical industry in China is highly regulated and such regulations are subject to change, which may affect approval and commercialization of our product candidates.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

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

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

## Report of the Directors

### DIVIDENDS

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

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), individuals who are resident outside the PRC and who hold shares issued in Hong Kong by domestic non-foreign invested enterprises enjoy preferential tax rate in accordance with the tax conventions between Mainland China and the country where the residents reside and the tax arrangements between the Mainland China and Hong Kong (Macao). Individual shareholders will be generally subject to a withholding tax rate of 10% when domestic non-foreign invested enterprises which issue shares in Hong Kong distribute dividends to their shareholders, unless otherwise required by the regulations of relevant tax laws and tax conventions. Pursuant to the Notice on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) of the State Administration of Taxation, we are obliged to withhold and pay enterprise income tax at the rate of 10% from dividends paid or payable for H Shares when distributing dividends to non-resident enterprise shareholders of H Shares. No tax is payable in Hong Kong in respect of dividends paid by us according to the current practice of the Hong Kong Inland Revenue Department. Shareholders are recommended to consult their tax advisers regarding the tax implication in the PRC, Hong Kong and other tax implications arising from their holding and disposal of H Shares of the Company.

### DIVIDEND POLICY

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

### BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, Supervisors and the senior management of the Company are set in the “Directors, Supervisors and Senior Management” on pages 21 to 31 of this report.

### PROPERTY, PLANT AND EQUIPMENT

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

### SHARE CAPITAL

Details of the movements in the share capital of the Company during the Reporting Period are set out in note 27 to financial statements.

### SHARE SCHEME

During the Reporting Period up to and including the date of this annual report, the Company did not adopt any share schemes under Chapter 17 of the Listing Rules.

### BANK BORROWING

Particulars of bank borrowing of the Group as of December 31, 2023 are set out in the section headed “Management Discussion and Analysis” in this report and note 25 to financial statements.

### DONATIONS

The Group did not make any charitable or other donations during the Reporting Period (2022: nil).

### DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group and of the Company during the Reporting Period are set out in the consolidated statement of changes in equity and note 38 to the consolidated financial statements in this report.

As of December 31, 2023, the Company did not have any distributable reserves. (2022: nil).

### EQUITY LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares nor require the Company to enter into an agreement that will or may result in the Company issuing shares was entered into by the Company during the year or subsisted at the end of the year.

### PRE-EMPTIVE RIGHTS

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

### FINANCIAL SUMMARY

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

### DIRECTOR’S AND SUPERVISOR’S SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract or letter of appointment with the Company. The terms of office of the Directors and Supervisors do not exceed three years and will expire upon conclusion of general meeting at which a new session of the Board and/or Supervisory Committee are elected.

The above appointments are always subject to the provisions of retirement and rotation of directors under the Articles of Association.



## Report of the Directors

### REMUNERATION OF DIRECTORS , SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and Supervisors' remuneration and the five highest paid individuals of the Group are set out in notes 11 and 12 to the consolidated financial statements in this report.

### EMOLUMENT POLICY

In compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's, Supervisors' and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee.

None of the Directors and Supervisors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, as compensation for loss of office. Details of the remuneration of the Directors, Supervisors, senior management and the five highest paid individuals of the Group are set out in notes 11, 12 and 34 to the consolidated financial statements in this report.

### CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

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

### DIRECTORS' AND SUPERVISORS' MATERIAL INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

### DIRECTOR'S INTEREST IN COMPETING BUSINESS

Save as disclosed in the section headed "Biographies of Directors, Supervisors and Senior Management" in this report and save for their respective interests in the Group, none of the Directors, Supervisors and the Controlling Shareholder were interested in any business which competes or is likely to compete with the businesses of the Group during the Reporting Period.

From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are neither our Controlling Shareholders nor members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which they may hold directorships from time to time.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares from the Listing Date to December 31, 2023.

## PLEDGE OF SHARES BY CONTROLLING SHAREHOLDERS

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

## FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES BY THE COMPANY

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

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

As of December 31, 2023, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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, are set out as follows:

### (i) Interest in Shares and underlying Shares

Name of Director/Supervisor	Nature of Interest	Number of Shares <sup>(1)</sup>	Description of Shares <sup>(7)</sup>	Approximate percentage of shareholding in the Unlisted Shares/H Shares (as appropriate) <sup>(7)</sup>	Approximate percentage of shareholding in the total issued share capital of the Company
Mr. KONG	Beneficial interest	58,294,513	Unlisted Shares	97.60%	28.79%
	Interest of spouse <sup>(2)</sup>	20,200,000	H Shares	14.15%	9.98%
	Interest in controlled corporation <sup>(3)</sup>	12,307,500	H Shares	8.62%	6.08%
Ms. ZHANG	Beneficial interest	20,200,000	H Shares	14.15%	9.98%
	Interest of spouse <sup>(2)</sup>	58,294,513	Unlisted Shares	97.60%	28.79%
	Interest of spouse <sup>(2)</sup>	12,307,500	H Shares	8.62%	6.08%
Ms. JIANG	Beneficial interest	4,000,000	H Shares	2.80%	1.98%
Mr. MA Biao	Interest in controlled corporation <sup>(4)(5)</sup>	51,721,196	H Shares	36.24%	25.55%
Ms. PENG Ling	Interest in controlled corporation <sup>(6)</sup>	12,307,500	H Shares	8.62%	6.08%
Ms. KONG Xi	Beneficial interest	550,000	H Shares	0.39%	0.27%

## Report of the Directors

### Notes:

- (1) All interests stated are long positions.
- (2) Mr. KONG and Ms. ZHANG are the spouse of each other. Accordingly, they are deemed to be interested in the same number of Shares that the other person is interested in for the purpose of the SFO.
- (3) These Shares are held by Hengqin Luzhu LP. As of December 31, 2023, Mr. KONG was the sole general partner of Hengqin Luzhu LP. Therefore, Mr. KONG is deemed to be interested in the Shares held by Hengqin Luzhu LP under the SFO.
- (4) As of December 31, 2023, (i) E-town Sun was the general partner and fund manager of Beijing Yizhuang and Beijing Yizhuang II, and in turn E-town Sun was owned as to approximately 34.00% and 46.00% by Saiding Fangde and Saide Ruibo, respectively; and (ii) Mr. MA Biao and Mr. MA Jianan (馬嘉楠) (the son of Mr. MA Biao) were the respective general partner of Saiding Fangde and Saide Ruibo, holding approximately 60.00% and 80.00% partnership interest thereof, respectively. Further, Saiding Fangde and Saide Ruibo have confirmed that they are acting in concert with respect to their shareholdings in E-town Sun. Accordingly, under the SFO, (i) E-town Sun is deemed to be interested in the Shares held by Beijing Yizhuang and Beijing Yizhuang II; (ii) Saiding Fangde and Saide Ruibo are deemed to be interested in the Shares in which E-town Sun is interested; (iii) Mr. MA Biao is deemed to be interested in the Shares in which Saiding Fangde is interested; and (iv) Mr. MA Jianan is deemed to be interested in the Shares in which Saide Ruibo is interested.
- (5) Mr. MA Biao is the Actual Controller of Beijing Science Sun and held approximately 49.51% of the issued shares of Beijing Science Sun as of December 31, 2023. Mr. MA Biao is therefore deemed to be interested in the Shares held by Beijing Science Sun under the SFO.
- (6) Hengqin Luzhu LP was owned as to 40.67% by Beijing Luzhu Kangrui Enterprise Management Partnership (Limited Partnership) (北京綠竹康瑞企業管理合夥企業(有限合夥)) (“**Beijing Luzhu Kangrui**”), and Ms. PENG Ling was the general partner of Beijing Luzhu Kangrui. Accordingly, under the SFO, (i) Beijing Luzhu Kangrui is deemed to be interested in the Shares held by Hengqin Luzhu LP; and (ii) Ms. PENG Ling is deemed to be interested in the Shares in which Beijing Luzhu Kangrui is interested in.
- (7) For the avoidance of doubt, both Unlisted Shares and H Shares are ordinary Shares in the share capital of the Company, and are considered as one class of Shares. As of December 31, 2023, the total issued share capital of the Company was 202,449,032 Shares, comprising 142,719,736 H Shares and 59,729,296 Unlisted Shares.

### (ii) *Interest in associated corporations*

To the best knowledge of the Directors, as of December 31, 2023, none of the Directors, Supervisors or chief executives of the Company had interests or short positions in the Shares, underlying Shares or debentures of the associated corporations of the Company.

Save as disclosed above, as of December 31, 2023, none of the Directors, Supervisors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO; or which were required, pursuant to the Model Code as contained in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of December 31, 2023, to the best knowledge of the Directors, the following persons (other than the Directors, Supervisors or chief executives of the Company as disclosed above) had interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register of the Company maintained under Section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares <sup>(1)</sup>	Description of Shares <sup>(6)</sup>	Approximate percentage of shareholding in the Unlisted Shares/ H Shares (as appropriate) <sup>(7)</sup>	Approximate percentage of shareholding in the total issued share capital of the Company
Hengqin Luzhu LP	Beneficial interest	12,307,500	H Shares	8.62%	6.08%
Beijing Luzhu Kangrui	Interest in controlled corporation <sup>(2)</sup>	12,307,500	H Shares	8.62%	6.08%
Beijing Yizhuang	Beneficial interest	19,645,000	H Shares	13.76%	9.70%
Beijing Yizhuang II	Beneficial interest	18,324,696	H Shares	12.84%	9.05%
E-town Sun	Interest in controlled corporation <sup>(3)</sup>	37,969,696	H Shares	26.60%	18.76%
Saiding Fangde	Interest in controlled corporation <sup>(3)</sup>	37,969,696	H Shares	26.60%	18.76%
Saide Ruibo	Interest in controlled corporation <sup>(3)</sup>	37,969,696	H Shares	26.60%	18.76%
Mr. MA Jianan (馬嘉楠)	Interest in controlled corporation <sup>(3)</sup>	37,969,696	H Shares	26.60%	18.76%
Beijing Science Sun	Beneficial interest	13,751,500	H Shares	9.64%	6.79%
CCB International Capital Management (Tianjin) Ltd. (建銀國際資本管理(天津)有限公司) ("CCB Capital")	Beneficial interest	11,664,075	H Shares	8.17%	5.76%
CCB International (China) Limited (建銀國際(中國)有限公司) ("CCB China")	Interest in controlled corporation <sup>(4)</sup>	11,664,075	H Shares	8.17%	5.76%
CCB International (Holdings) Limited (建銀國際(控股)有限公司) ("CCB Holdings")	Interest in controlled corporation <sup>(4)</sup>	11,664,075	H Shares	8.17%	5.76%
CCB Financial Holdings Limited (建銀金融控股有限公司) ("CCB Financial")	Interest in controlled corporation <sup>(4)</sup>	11,664,075	H Shares	8.17%	5.76%
CCB International Group Holdings Limited (建銀國際集團控股有限公司) ("CCB Group")	Interest in controlled corporation <sup>(4)</sup>	11,664,075	H Shares	8.17%	5.76%
China Construction Bank Corporation (中國建設銀行股份有限公司) ("China Construction Bank")	Interest in controlled corporation <sup>(4)</sup>	11,664,075	H Shares	8.17%	5.76%
Central Huijin Investment Ltd. ("Central Huijin")	Interest in controlled corporation <sup>(4)</sup>	11,664,075	H Shares	8.17%	5.76%
Jinjiang Zhenrui Equity Investment Partnership (Limited Partnership) (晉江禎睿股權投資合夥企業(有限合夥)) ("Jinjiang Zhenrui")	Beneficial Interest	7,776,050	H Shares	5.45%	3.84%

## Report of the Directors

Name of Shareholder	Nature of Interest	Number of Shares <sup>(1)</sup>	Description of Shares <sup>(6)</sup>	Approximate percentage of shareholding in the Unlisted Shares/ H Shares (as appropriate) <sup>(7)</sup>	Approximate percentage of shareholding in the total issued share capital of the Company
Herui Venture Capital Fund Management (Shenzhen) Co., Ltd. (和瑞創業投資基金管理(深圳)有限公司) ("Herui VC")	Interest in controlled corporation <sup>(5)</sup>	10,000,744	H Shares	7.01%	4.94%
Mr. CHEN Ruolin (陳若霖)	Interest in controlled corporation <sup>(5)</sup>	10,000,744	H Shares	7.01%	4.94%
Mr. WANG Zhixian (王智顯)	Interest in controlled corporation <sup>(5)</sup>	10,000,744	H Shares	7.01%	4.94%

### Notes:

- (1) All interests stated are long positions.
- (2) As of December 31, 2023, Hengqin Luzhu LP was owned as to approximately 40.67% by Beijing Luzhu Kangrui, and Ms. PENG Ling was the general partner of Beijing Luzhu Kangrui. Accordingly, under the SFO, (i) Beijing Luzhu Kangrui is deemed to be interested in the Shares held by Hengqin Luzhu LP; and (ii) Ms. PENG Ling is deemed to be interested in the Shares in which Beijing Luzhu Kangrui is interested in.
- (3) As of December 31, 2023, (i) E-town Sun was the general partner and fund manager of Beijing Yizhuang and Beijing Yizhuang II, and in turn E-town Sun was owned as to approximately 34.00% and 46.00% by Saiding Fangde and Saide Ruibo, respectively; and (ii) Mr. MA Biao and Mr. MA Jianan (the son of Mr. MA Biao) were the respective general partner of Saiding Fangde and Saide Ruibo, holding approximately 60.00% and 80.00% partnership interest thereof, respectively. Further, Saiding Fangde and Saide Ruibo have confirmed that they are acting in concert with respect to their shareholdings in E-town Sun. Accordingly, under the SFO, (i) E-town Sun is deemed to be interested in the Shares held by Beijing Yizhuang and Beijing Yizhuang II; (ii) Saiding Fangde and Saide Ruibo are deemed to be interested in the Shares in which E-town Sun is interested; (iii) Mr. MA Biao is deemed to be interested in the Shares in which Saiding Fangde is interested; and (iv) Mr. MA Jianan is deemed to be interested in the Shares in which Saide Ruibo is interested.
- (4) As of December 31, 2023, (i) CCB Capital was wholly-owned by CCB China, and in turn CCB China was wholly-owned by CCB Holdings; (ii) CCB Holdings was wholly-owned by CCB Group via CCB Financial; and (iii) CCB Group was wholly-owned by China Construction Bank. China Construction Bank is a listed company on the Shanghai Stock Exchange (stock code: 601939) and was owned as to approximately 57.11% by Central Huijin. Accordingly, each of CCB China, CCB Holdings, CCB Financial, CCB Group, China Construction Bank and Central Huijin is deemed to be interested in the Shares in which CCB Capital is interested in under the SFO.
- (5) As of December 31, 2023, (i) Herui VC was the general partner and fund manager of Jinjiang Zhenrui and Jinjiang Xuanhong No.1 Equity Investment Partnership (Limited Partnership) (晉江軒弘壹號股權投資合夥企業(有限合夥)) ("Jinjiang Xuanhong"); and (ii) Herui VC was owned as to approximately 40.00%, 40.00% and 20.00% by Mr. Chen Ruolin (陳若霖), Mr. WANG Zhixian (王智顯) and Mr. LIN Bei (林貝), respectively. Jinjiang Zhenrui and Jinjiang Xuanhong respectively held 7,776,050 Shares and 2,224,694 Shares as of December 31, 2023. Accordingly, under the SFO (i) Herui VC is deemed to be interested in the Shares held by Jinjiang Zhenrui and Jinjiang Xuanhong; and (ii) each of Mr. Chen Ruolin and Mr. WANG Zhixian is deemed to be interested in the Shares in which Herui VC is interested.
- (6) For the avoidance of doubt, both Unlisted Shares and H Shares are ordinary Shares in the share capital of the Company, and are considered as one class of Shares. As of December 31, 2023, the total issued share capital of the Company was 202,449,032 Shares, comprising 142,719,736 H Shares and 59,729,296 Unlisted Shares.

Save as disclosed above, to the best of knowledge of the Directors, as of December 31, 2023, there was no other person (other than the Directors, the Supervisors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register maintained under Section 336 of the SFO.

### EMPLOYEE INCENTIVE SCHEME

The Company adopted an employee incentive scheme (“**Employee Incentive Scheme**”) on December 15, 2021 prior to the Listing. The Employee Incentive Scheme does not involve the grant of new Shares, nor options to subscribe for new Shares. Instead, eligible participants, being employees and consultants of the Group, are granted interests in Hengqin Luzhu LP, the Group’s employee incentive platform. All interests under the Employee Incentive Scheme had been granted prior to the Listing. Please refer to “B. Further Information about the business of our Company – 3. Employee Incentive Scheme” in Appendix VII to the Prospectus for a summary of the principal terms of the Employee Incentive Scheme.

### DEED OF NON-COMPETITION

The Controlling Shareholders of the Company, entered into the Deed of Non-competition in favour of the Company, pursuant to which he has irrevocably given certain non-competition undertakings to the Company. Details of the Deed of Non-competition are set out in the section headed “Relationship with Controlling Shareholders – Deed of Non-Competition” in the Prospectus. The Controlling Shareholders have made an annual declaration with regards to the full compliance with the terms in the Deed of Non-competition for the Reporting Period (the “**Declaration**”). Upon receiving the Declaration, the independent non-executive Directors of the Company have reviewed the same as part of the annual review process. In view of the above, the independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach of the non-competition undertakings in the Deed of Non-competition given by the Controlling Shareholders.

### MANAGEMENT CONTRACTS

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

### SUBSIDIARIES

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

### TAX RELIEF AND EXEMPTION

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

### MATERIAL LITIGATION

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

## Report of the Directors

### CONNECTED TRANSACTIONS

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

### MATERIAL RELATED PARTY TRANSACTIONS

The related party transactions conducted by the Group were set out in note 34 to financial statements. For the avoidance of doubt, such transactions disclosed therein were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

### CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules and the Company has adopted the Corporate Governance code as its own code of corporate governance. The Corporate Governance Code has been applicable to the Company with effect from the Listing Date. Save for the deviation from code provision C.2.1 of the Corporate Governance Code where Mr. KONG Jian serves as both the chairman of the Board and the general manager of the Company, the Board is of the view that the Company has complied with the applicable code provisions as set out in the Corporate Governance Code since the Listing Date up to the date of this report. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the Corporate Governance Code.

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 49 to 65 of this report.

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules to regulate all dealings by Directors, Supervisors and relevant employees in securities of the Company and other matters covered by the Model Code.

Specific enquiry has been made to each Director and Supervisor, and all Directors and Supervisors have confirmed that they have complied with the applicable standards set out in the Model Code since the Listing Date and up to December 31, 2023. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

### DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No arrangement has been made by the Company or any of its subsidiaries for any Director or Supervisor to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, and no rights to any share capital or debt securities of the Company or any other body corporate were granted to any Director or Supervisor or their respective spouse or children under 18 years of age, nor were any such rights exercised during or at the end of the year ended December 31, 2023.

### PUBLIC FLOAT

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

### PERMITTED INDEMNITY

The Company has purchased appropriate liability insurance for its Directors and Supervisors which provides proper protection for the Directors and Supervisors.

### ANNUAL GENERAL MEETING

The AGM of the Company will be held on Wednesday, June 12, 2024. A notice convening the AGM and all other relevant documents will be published and dispatched to the Shareholders (if requested) in the manner required by the Listing Rules in due course.

### CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed from Thursday, June 6, 2024 to Wednesday, June 12, 2024, both dates inclusive, during which period no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Share shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, June 5, 2024.

### AUDIT COMMITTEE

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

### AUDITOR

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

Since the Listing Date and up to December 31, 2023, there was no change in the auditor of the Company.

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

By order of the Board of

**Beijing Luzhu Biotechnology Co., Ltd.**

**KONG Jian**

*Chairman of the Board and Executive Director*

April 23, 2024



# Report of the Supervisory Board

## REPORT OF THE SUPERVISORY BOARD FOR 2023

With the joint efforts and due diligence of all Supervisors and in accordance with the relevant laws and regulations such as the PRC Company Law, and the provisions of the Articles of Association, etc., in the spirit of being responsible to all Shareholders, conscientiously performed the duties and powers bestowed upon it by relevant laws and regulations, actively and effectively carried out the work, supervised the production and operation of the Company, related parties transactions, financing, financial status and other major matters, as well as the performance of duties by the Directors and senior management of the Company, and safeguarded the legitimate rights and interests of the Company as well as its Shareholders and employees.

The work of the Supervisory Board in 2023 and the work plan for 2024 are hereby reported as follows:

### I. Work of the Supervisory Board in 2023

In 2023, the Supervisory Board convened and held two meetings pursuant to the relevant laws and regulations. The notifying, convening and voting procedures for the meetings were in compliance with the requirements of the PRC Company Law and other laws and regulations as well as the Articles of Association and the rules of procedures of the Supervisory Board.

During the Reporting Period, no incidence of Directors or senior management prejudicing the Company's interests or violating the laws, regulations or the Articles was noted by the Supervisory Committee. The Company operates well in compliance with the law and has established sound financial policies and internal control and risk management systems. All the Supervisors have conducted their work and performed their duties and obligations with due diligence.

### II. Work Plan for 2024

In 2024, the Supervisory Board will continue to strictly comply with the requirements of the law and regulations and the internal rules and systems of the Company to perform all its duties with due diligence and actively review each resolution and oversee the performance of duties by the Directors and senior management of the Company. The Supervisory Board will enhance its communication with the Board and the management, pay attention to the building of the Company's risk management and internal control systems and promote the improvement of the corporate governance structure and the operational compliance of the Company.

The Supervisory Board  
**Beijing Luzhu Biotechnology Co., Ltd.**

April 23, 2024

# Corporate Governance Report

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

## CORPORATE GOVERNANCE CULTURE AND VALUE

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

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Group is committed to maintaining high standard of corporate governance entailing the following values to safeguard the interests of the Shareholders:

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

## CORPORATE GOVERNANCE PRACTICES

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

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive should be segregated and should not be performed by the same individual. Mr. KONG Jian currently serves as both the chairman of the Board and the general manager of the Company. While this will constitute a deviation from code provision C.2.1 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that (i) the Board comprises three independent non-executive Directors, and the Directors believe there is sufficient check and balance in the Board to protect the interests of the Group and the Shareholders; (ii) Mr. KONG Jian is a Controlling Shareholder, the Directors are of the view that vesting both roles on him helps to maintain the continuity of the policies and the stability of the operations of the Company. The Board will continue to review the effectiveness of the corporate governance structure of the Group from time to time in order to assess whether separation of the roles of chairman and general manager is necessary.

## Corporate Governance Report

Save as disclosed above, the Company has complied with all applicable code provisions of the Corporate Governance Code since the Listing Date and up to December 31, 2023. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the Corporate Governance Code.

### BOARD OF DIRECTORS

#### Composition of the Board

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

As of the date of this annual report, the Board consists of three executive Directors, namely Mr. KONG Jian (孔健), Ms. ZHANG Yanping (張琰平), Ms. JIANG Xianmin (蔣先敏), two non-executive Directors, namely Mr. MA Biao (馬彪) and Mr. KONG Shuangquan (孔雙泉), and three independent non-executive Directors, namely Mr. LEUNG Wai Yip (梁偉業), Mr. LEUNG Yeshe (梁冶矢) and Ms. HOU Aijun (侯愛軍).

Their biographical details are set out under “Directors, Supervisors and Senior Management” of this annual report. The overall management and supervision of the Group’s operation and the function of formulating overall business strategies were vested in the Board. Mr. KONG Jian is the spouse of Ms. ZHANG Yanping. Other than that, there is no family or blood relationship among members of the Board. All Directors have obtained the legal advice referred to under Rule 3.09D of the Listing Rules on March 30, 2023.

#### Independence of the Board

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

Since the Listing Date and up to December 31, 2023, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. The three independent non-executive Directors represent at least one-third of the Board, complying with the requirement under Rule 3.10A of the Listing Rules whereby independent non-executive Directors of a listed issuer must represent at least one-third of the board. The Board believes that there is sufficient independence element in the Board to safeguard the interest of Shareholders.

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

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

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

Having considered the above, the Directors consider that for the year ended December 31, 2023, effective mechanisms had been put in place to ensure independent view and input are available to the Board, which allowed the Board to effectively exercise independent judgment to better safeguard Shareholder's interests.

### *Confirmation of Independence of Independent Non-Executive Directors*

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

### **Directors' Responsibilities**

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

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

### **Directors' Responsibilities for Financial Statements**

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

## Corporate Governance Report

### Appointment and Re-Election of Directors

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

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

### Remuneration of Directors, Supervisors and Senior Management

The emoluments of the Directors, Supervisors and senior management of the Company are decided by the Board with reference to the recommendation given by the Remuneration Committee, in accordance with the remuneration policy which requires consideration be given to the Company's operating results, individual performance and comparable market statistics.

Details of the emoluments of the Directors, Supervisors and five highest paid individuals are set out in notes 11 and 12 to the consolidated financial statements.

During the year ended December 31, 2023, none of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors, Supervisors and the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

### Directors' Training and Professional Development

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

During the year ended December 31, 2023, the Company have provided the relevant materials including legal and regulatory updates to the Directors. Pursuant to the requirements of code provision C.1.4 of the Corporate Governance Code, all Directors, namely Mr. KONG Jian, Ms. JIANG Xianmin, Ms. ZHANG Yanping, Mr. MA Biao, Mr. KONG Shuangquan, Mr. LEUNG Wai Yip, Mr. LIANG Yeshe and Ms. HOU Aijun, have provided the Company with records of the training they received.

### Board Diversity Policy

The Company has adopted the board diversity policy (“**Board Diversity Policy**”) which sets out the objective and approach for achieving and maintaining diversity of the Board in order to enhance its effectiveness. In accordance with the Board Diversity Policy, the Company seeks to achieve board diversity by taking into account a number of factors, including but not limited to gender, age, cultural and educational background, industry experience, race, professional qualification and knowledge.

The Board have set the measurable objectives for implementing the Board Diversity Policy which include having at least one female Board member. Since the Listing Date and up to December 31, 2023, the Board consisted of five male members and three female members, and both Nomination Committee and the Board consider that the Board is diverse in gender. The Board targets to maintain at least the current level of female representation and will continue to seek opportunities to increase the proportion of female members over time as and when suitable candidates are identified, so as to achieve the objective of gender parity at Board level in the long run.

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

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

### Nomination Policy

The primary responsibilities of the Nomination Committee include to consider and recommend to the Board suitable and qualified candidates of Directors and to review the structure, size and composition of the Board and the Board Diversity Policy on a regular basis.

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

## Corporate Governance Report

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

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

The Nomination Committee may also consider such other factors as it may deem are in the best interests of the Company and the Shareholders as a whole. Since the Listing Date and up to December 31, 2023, there was no change in the composition of the Board.

### BOARD MEETINGS

Pursuant to code provision C.5.1 of the Corporate Governance Code, the Company has adopted the practice of holding Board meetings at least four times a year at approximately quarterly intervals. Notice of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regulator meeting in accordance with code provisions C.5.2 and C.5.3 of the Corporate Governance Code.

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

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

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

### Attendance record of Directors and committee members

The attendance record of each Director during their respective tenure of office at the Board and the relevant Board committee meeting(s) and the general meeting(s) of the Company held during the year ended December 31, 2023 is set out in the table below:

	Attendance/number of meetings				Annual general meeting	Other general meetings
	Board	Audit Committee	Nomination Committee	Remuneration Committee		
Mr. KONG Jian	9/9*	N/A	1/1	2/2	1/1	2/2
Ms. JIANG Xianmin	8/9	N/A	N/A	N/A	1/1	2/2
Ms. ZHANG Yanping	8/9	N/A	N/A	N/A	1/1	2/2
Mr. MA Biao	8/9	N/A	N/A	N/A	1/1	2/2
Mr. KONG Shuangquan	8/9	2/2	N/A	N/A	1/1	2/2
Mr. LEUNG Wai Yip	8/9*	2/2	N/A	2/2	1/1	2/2
Mr. LIANG Yeshe	9/9*	N/A	1/1	2/2	1/1	2/2
Ms. HOU Aijun	9/9*	2/2	1/1	N/A	1/1	2/2

\* Including one meeting between the chairman of the Board and the independent non-executive Directors without the presence of other Directors.

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

During the year ended December 31, 2023, the Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors and the Supervisors. Specific enquiries have been made to all the Directors and Supervisors and each of them has confirmed that he/she has complied with the Model Code for the year under review.

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



## Corporate Governance Report

### DIVIDEND POLICY

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

As confirmed by the Company's PRC Legal Adviser, according to relevant PRC laws, any future net profit that the Company makes will have to be first applied to make up for the historically accumulated losses, after which the Company will be obliged to allocate 10% of the net profit to statutory common reserve fund (the Company is obliged to make such allocation until the statutory common reserve fund has reached more than 50% of the registered capital). The Company will therefore only be able to declare dividends after (i) all historically accumulated losses have been made up for; and (ii) sufficient net profit has been allocated to the statutory common reserve fund as described above, namely the Company allocates 10% of the net profit to the statutory common reserve fund, to the extent applicable.

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

### CORPORATE GOVERNANCE FUNCTIONS

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

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

The Board has performed the above duties for the year ended December 31, 2023.

### BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Group's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authorities and duties pursuant to paragraph C.4 of the Corporate Governance Code.

#### Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraphs C.4 and D.3 of the Corporate Governance Code. The Audit Committee consists of Ms. HOU Aijun, Mr. KONG Shuangquan and Mr. LEUNG Wai Yip. Both Ms. HOU Aijun and Mr. LEUNG Wai Yip are independent non-executive Directors. The chairperson of the Audit Committee is Ms. HOU Aijun, and Mr. LEUNG Wai Yip is the independent non-executive Director with the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

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

Since the Listing Date and up to December 31, 2023, two Audit Committee meetings were held. The attendance record of members of the Audit Committee is set out under "Corporate Governance Report – Board meetings – Attendance record of Directors and committee members" of this annual report. The following is a summary of work performed by the Audit Committee since the Listing Date and up to December 31, 2023:

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

## Corporate Governance Report

### Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee comprises one executive Director, Mr. KONG Jian, and two independent non-executive Directors, namely Mr. LIANG Yeshe and Mr. LEUNG Wai Yip, with Mr. LIANG Yeshe being the chairperson.

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

Since the Listing Date and up to December 31, 2023, two Remuneration Committee meetings were held. The attendance record of members of the Remuneration Committee is set out under "Corporate Governance Report – Board meetings – Attendance record of Directors and committee members" of this annual report. The following is a summary of work performed by the Remuneration Committee since the Listing Date and up to December 31, 2023:

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

Pursuant to code provision E.1.5 of the Corporate Governance Code, the annual remuneration (inclusive of salaries, bonuses, benefits and share-based payments) of members of the senior management (other than Directors and Supervisors) by band for the year ended December 31, 2023 is set out below:

<b>Remuneration bands</b>	<b>Number of members of senior management</b>
Nil to RMB1,000,000	3
RMB1,000,001 to RMB2,000,000	3
RMB2,000,001 to RMB3,000,000	-
RMB3,000,001 to RMB4,000,000	1
RMB4,000,001 to RMB5,000,000	1

### Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with Rule 3.27 of the Listing Rules and the Corporate Governance Code. The Nomination Committee comprises one executive Director, Mr. KONG Jian, who is also the chairperson, and two independent non-executive Directors, namely Mr. LIANG Yeshe and Ms. HOU Aijun.

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

Since the Listing Date and up to December 31, 2023, one Nomination Committee meeting was held. The attendance record of members of the Nomination Committee is set out under “Corporate Governance Report – Board meetings – Attendance record of Directors and committee members” of this annual report. The following is a summary of work performed by the Nomination Committee since the Listing Date and up to December 31, 2023:

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

### BOARD OF SUPERVISORS

The board of Supervisors is a supervisory body of the Company which is responsible for the supervision of the Board and its members and senior management so as to prevent them from the misuse of authority and infringement upon lawful rights of the Shareholders, the Company and the Company’s employees. The number of members and the composition of the board of Supervisors are in line with the provisions and requirements of the laws, regulations and the Articles of Association.

As of the date of this annual report, the board of Supervisors consists of three Supervisors, namely Ms. PENG Ling, Ms. KONG Xi and Mr. CHENG Liang. The background and biographical details of the Supervisors are set out under “Directors, Supervisors and Senior Management” in this annual report.

### FINANCIAL REPORTING SYSTEM, RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

#### Financial Reporting System

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended December 31, 2023, which give a true and fair view of the affairs of the Company and the Group and of the Group's financial performance and cash flows. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner.

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

#### Risk Management and Internal Control

The Company is devoted to establishing and maintaining risk management and internal control systems consisting of policies, procedures and risk management methods that are considered to be appropriate for the Group's business operations, and the Company is dedicated to continuously reviewing and improving these systems in terms of their effectiveness.

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

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

#### *Financial reporting risk management*

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

#### *Information system risk management and data protection*

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

### *Anti-corruption policy*

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

### *Whistleblowing policy*

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

### *Internal control system*

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

- various measures and procedures regarding each aspect of the Group's business operations, such as related party transaction, environmental protection and occupational health and safety, have been adopted. The internal audit department of the Group conducts audit field work to monitor the implementation of the Group's internal control policies, reports any weakness identified to the management and the Audit Committee, and follows up on the rectification actions;
- various training programs are provided to keep the employees of the Group updated on relevant laws, regulations and policies. New employees of the Group are required to attend compliance training programs soon after on-boarding and must pass tests which examine their understanding of the compliance issues addressed by the training programs. Employees of the Group are also required to regularly attend on-site and online training sessions to keep them informed of recent updates in the relevant laws and regulations;
- the Directors, with help from the legal advisers of the Group, will periodically review the Group's compliance status with all relevant laws and regulations;
- the establishment of the Audit Committee responsible for overseeing the financial records, financial reporting and internal control procedures of the Group;

## Corporate Governance Report

- the engagement of Fosun International Capital Limited as the compliance adviser to advise the Company on compliance with the Listing Rules; and
- the engagement of external legal advisers to advise the Group on its compliance with the Listing Rules and other applicable laws and regulations.

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

### HANDLING OF INSIDE INFORMATION

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

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

### AUDITORS' REMUNERATION

The Company appointed Messrs. Deloitte Touche Tohmatsu as the external auditors for the year ended December 31, 2023. A statement by Deloitte Touche Tohmatsu about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 108 to 112 of this annual report.

The remunerations payable to Deloitte Touche Tohmatsu in respect of their audit services and non-audit services for the year ended December 31, 2023 are as follows:

<b>Service</b>	<b>Fees paid/ payable (RMB'000)</b>
Audit services	1,800
Non-audit services	565
<b>Total</b>	<b>2,365</b>

The non-audit services represent services rendered in connection with (i) reviewing the interim financial results of the Group for the six months ended June 30, 2023, and (ii) advising on the environmental, social and governance related matters of the Group for the year ended December 31, 2023.

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

The Audit Committee was satisfied that the non-audit services provided by Deloitte Touche Tohmatsu during the year ended December 31, 2023 did not affect their independence as external auditors.

### JOINT COMPANY SECRETARIES

The Company appointed Mr. LIU Siyu and Ms. YUEN Wing Yan, Winnie as the joint company secretaries of the Company. Ms. YUEN Wing Yan, Winnie is a director of corporate services of Tricor Services Limited (a company secretarial service provider) and her primary contact at the Company is Mr. LIU Siyu.

In compliance with Rule 3.29 of the Listing Rules, the joint company secretaries undertook professional training for not less than 15 hours for the period from the date of Listing up to December 31, 2023. The biographies of Mr. LIU Siyu and Ms. YUEN Wing Yan, Winnie are set out under “Directors, Supervisors and Senior Management” in this annual report.

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

### WORKFORCE DIVERSITY

As of December 31, 2023, the Group had a relatively balanced workforce overall in terms of gender distribution. The gender ratio in the workforce (including senior management) of the Group as at December 31, 2023 was 75 : 58 (female: male). The Group supports diversity across a variety of perspectives, the key areas of which are similar to those for the Board diversity. The Company considers that the gender diversity of the Group is balanced, and the Group will continue to maintain the gender diversity in workforce.

### SHAREHOLDERS' RIGHTS

#### Rights to Convene Extraordinary General Meeting

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

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

Pursuant to Article 51 of the Articles of Association, Shareholders individually or jointly holding no less than 10% of the Company's shares (“**Qualifying Shareholders**”) shall have the right to request the Board to convene an extraordinary general meeting. If the Board does not agree to convene an extraordinary general meeting or failed to provide feedback within ten days after receiving the request, the Qualifying Shareholders shall have the right to propose to the board of Supervisors that an extraordinary general meeting be convened and shall submit their request in writing to the board of Supervisors. If the board of Supervisors fails to issue the notice of requested general meeting within the prescribed period, it shall be deemed that the board of Supervisors would not convene the requested general meeting, and the Qualifying Shareholders may convene the general meeting on their own initiative.



## Corporate Governance Report

### Right to Put Forward Proposals at a General Meeting

Pursuant to Article 56 of the Articles of Association, Shareholders who individually or collectively hold no less than 3% of the Company's shares shall be entitled to submit proposals to the Company for consideration at a general meeting. Such proposal shall be submitted in writing to the convener of the general meeting 10 days before the date of the general meeting. The convener shall issue a supplementary notice of the general meeting within two days of receipt of the proposal, announcing the content of the proposal.

### Right to Propose a Person for Election as a Director

Pursuant to Article 84 of the Articles of Association, Shareholders who individually or jointly hold 1% of the Company's shares shall have the right to propose to the Board the nomination of a person as an independent non-executive Director, and Shareholders who individually or jointly hold no less than 3% of the Company's shares shall have the right to propose to the Board the nomination of a person as a Director (other than an independent non-executive Director).

A nomination may be made by submitting a proposal to the Board in writing 10 days prior to the convening of the general meeting. The Board shall, after consulting the nominee and examining his/her qualifications for office, notify other Shareholders within two days upon receiving the nomination proposal and submit this proposal to the general meeting for consideration. The nominee shall, prior to the convening of the general meeting, give written undertakings that he/she agrees to accept the nomination, and that his/her personal information disclosed to the public is true and complete, and undertake that he/she will duly perform the obligations as a Director if he/she is elected. A written notice concerning the intention to nominate a Director and the nominee's statement for acceptance of the nomination, together with the relevant written materials in relation to the nominee shall be sent to the Company at least seven days prior to the date of the general meeting.

### Right to Put Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's headquarters and principal place of business in the PRC at No. 3 Guangtong Street, Industrial Development Zone, Tongzhou District, Beijing, PRC. Shareholders may also make enquiries with the Board at the general meetings of the Company or contact the Company's investor relations team through email at [IR@luzhubiotech.com](mailto:IR@luzhubiotech.com).

### EFFECTIVE COMMUNICATIONS WITH SHAREHOLDERS

The Company has in place a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The Shareholders' communication policy is reviewed by the Board on a regular basis. By reviewing the views of Shareholders that have been received as well as assessing how the opinions of Shareholders have been considered in reaching important strategic decisions during year ended December 31, 2023, the Board is satisfied that the current Shareholders' communication policy is adequate and effective.

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

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

### INVESTOR RELATIONS

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

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

### THE ARTICLES OF ASSOCIATION

The current Articles of Association took effect from the Listing and is available on the respective websites of the Stock Exchange and the Company. There has been no change in the Articles of Association since the Listing Date and up to December 31, 2023.

# Environmental, Social and Governance Report

## ABOUT THE REPORT

This is the inaugural Environmental, Social and Governance (ESG) report released by Beijing Luzhu Biotechnology Co., Ltd. that discloses the Company's ESG management, practices and performance and responds to stakeholder expectations and needs.

### Coverage

This report is released annually and covers the period of January 1 to December 31, 2023. Note that some information may extend beyond this period.

### Scope

This report covers Beijing Luzhu Biotechnology Co., Ltd. and its subsidiaries.

### Preparation Basis

This report is prepared with reference to Appendix C2 *Environmental, Social and Governance Reporting Guide* (the "ESG Reporting Guide") of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*.

This report has complied with all mandatory disclosure requirements and the "comply or explain" provisions in the *ESG Reporting Guide*. The Company has compiled this report in accordance with the four reporting principles of the *ESG Reporting Guide*, including:

**Materiality:** The Company has identified and confirmed the materiality issues for 2023 through a materiality assessment, including inviting various stakeholders to assess and prioritize the ESG issues. Details of the materiality assessment process and results can be found in the "Material ESG Issues" in this report.

**Quantitative:** The Company comprehensively discloses ESG performance for 2023 and discloses its ESG performance for 2022 for comparison in the "Appendix I Key Performance Indicators Table" in this report. The Company discloses information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption.

**Balance:** This Report discloses ESG performance of the Company during the reporting period in an unbiased manner and objectively reflects the operations of the Company.

**Consistency:** This is the inaugural Environmental, Social and Governance (ESG) report released by Beijing Luzhu Biotechnology Co., Ltd. In the future, ESG reports will be prepared in a consistent manner with this report for readers to make meaningful comparisons of the Company's ESG information.

### Information Source

All the information in this report comes from the Company's official internal documents, internal statistics and data, and the relevant public information. Unless otherwise specified, the monetary amounts involved in this report are denominated in RMB.

### Appellation Note

In this report, "Beijing Luzhu Biotechnology Co., Ltd." is also stated as "Luzhu Biotech", "the Company", and "we" for the sake of easier expression.

### Contact Us

If you have any questions or comments regarding this report, please feel free to contact us at: [IR@luzhubiotech.com](mailto:IR@luzhubiotech.com).

## BOARD OF DIRECTORS DECLARATION

Luzhu Biotech integrates ESG factors into its business operations and decision-making processes to drive long-term and stable development.

The Board of Directors of Luzhu Biotech serves as the highest governing body for decision-making in ESG matters. The Board places a high value on ESG, regularly reviewing ESG policies and strategies, monitoring the progress of environmental, social, and governance objectives, and ensuring effective implementation of relevant policies. The Company expands the role of its EHS (Environment, Health and Safety) Department to include ESG functions, including regularly identifying, assessing, and addressing ESG risks.

This report provides a detailed disclosure of Luzhu Biotech’s ESG performance and progress in 2023.

## ABOUT US

### Company Profile

Beijing Luzhu Biotechnology Co., Ltd. (formerly known as “Beijing Luzhu Biotech”) was incorporated in November 2001. Guided by the vision of a “People-Oriented Approach and Pursuit of Perfection”, the Company focuses its research efforts on human vaccines and antibody is committed to providing affordable and high-quality vaccines and therapeutic biologics. Since its inception, the Company has leveraged its insights into immunology and protein engineering and established several innovative technology platforms, achieving incredible medical breakthroughs.

### Company Milestones

2001	<ul style="list-style-type: none"> <li>Beijing Luzhu Biotech was incorporated.</li> </ul>
2003	<ul style="list-style-type: none"> <li>Submitted a clinical trial application for “Group A/C Meningococcal Polysaccharide Conjugate Vaccine” to Beijing Municipal Medical Products Administration and received clinical trial approval (Approval No.: 2003L04054) for this vaccine from China National Medical Products Administration (NMPA) in the same year.</li> </ul>
2005	<ul style="list-style-type: none"> <li>Obtained clinical trial approval for “Group A/C/Y/W135 Meningococcal Polysaccharide Vaccine” (Approval No.: 2005L00866).</li> </ul>
2007	<ul style="list-style-type: none"> <li>Obtained an Innovative Drug Certificate for “Group A/C/Y/W135 Meningococcal Polysaccharide Vaccine” (License No.: S20070017).</li> </ul>
2009	<ul style="list-style-type: none"> <li>Initiated the study of recombinant human monoclonal antibody and bispecific antibody.</li> </ul>
2013	<ul style="list-style-type: none"> <li>Company restructured and name changed to Beijing Luzhu Biotechnology Co., Ltd.</li> </ul>
2017	<ul style="list-style-type: none"> <li>Obtained clinical trial approval for “Humanized Anti-VEGF Monoclonal Antibody Injection” from NMPA.</li> <li>Obtained clinical trial approval for “Human Anti-Tumor Necrosis Factor-<math>\alpha</math> Monoclonal Antibody Injection” from NMPA.</li> </ul>

## Environmental, Social and Governance Report

2019	<ul style="list-style-type: none"> <li>Initiated Phase I clinical trial of K193 in China.</li> <li>Completed Phase I clinical trial for “Human Anti-Tumor Necrosis Factor-<math>\alpha</math> Monoclonal Antibody Injection”.</li> <li>Completed Series A funding.</li> </ul>
2020	<ul style="list-style-type: none"> <li>Submitted a PCT patent for LZ901 (Ref. No: PCT/CN2020/090200).</li> </ul>
2021	<ul style="list-style-type: none"> <li>Received clinical trial approval for “Recombinant Herpes Zoster Vaccine (CHO cells)” from NMPA.</li> <li>Completed Series B funding.</li> <li>Established a wholly-owned subsidiary Hong Kong Luzhu Biotech.</li> </ul>
2022	<ul style="list-style-type: none"> <li>Submitted an IND application for LZ901 to the FDA and received authorization.</li> <li>Completed Series B+ funding.</li> <li>Recognized by Beijing Municipal Bureau of Economy and Information Technology as a specialized and sophisticated enterprise that produces new and unique products.</li> <li>Established a wholly-owned subsidiary Beijing Luzhu Biotech.</li> <li>Completed Phase I clinical trial for LZ901 and initiated its Phase II clinical trial in China.</li> <li>Completed Series C funding.</li> </ul>
2023	<ul style="list-style-type: none"> <li>Listed on the main board of HKEX.</li> <li>Completed Phase II clinical trial for LZ901 and initiated its Phase III clinical trial in China.</li> <li>Initiated Phase I clinical trial for LZ901 in the US.</li> <li>Obtained the drug production license.</li> </ul>

### Product Portfolio

#### *Products in R&D:*

- LZ901 Recombinant Herpes Zoster Vaccine (CHO Cells): On August 3, 2021, NMPA approved this vaccine for clinical trial. The vaccine is already in phase III clinical trial in China/phase I clinical trial in the United States.
- K193 Antibody Injection (CD19-CD3): K193 Antibody Injection is an innovative drug independently developed by Luzhu Biotech for the treatment of B-cell lymphoma and leukemia. The first patient was enrolled in the clinical trial and given the drug on December 9, 2019.
- Human Anti-Tumor Necrosis Factor- $\alpha$  Monoclonal Antibody Injection (K3): Phase I clinical study was completed in December 2019. The results showed that its pharmacokinetics results were consistent with those of Adalimumab (brand Humira), so it was a biosimilar.
- Recombinant Varicella Vaccine: Our proprietary Recombinant Varicella Vaccine, which is intended for preventing varicella in children, is currently undergoing preclinical studies.
- Recombinant Respiratory Syncytial Virus (RSV) vaccine: Our new vaccine pipeline, which has a primary indication of RSV-induced lower respiratory tract disease, is currently undergoing preclinical studies.
- K333 Antibody Injection (CD33-CD3): Our CD33-CD3 bispecific antibody, used for the treatment of myeloid leukemia, is currently undergoing preclinical studies.
- K1932 Antibody Injection (CD19-CD3): EK193, our latest iteration of CD19-CD3 bispecific antibody for the treatment of lymphoma, is currently undergoing preclinical studies.

#### *Immunoreagents:*

- Group A Meningococcal Polysaccharide IgG Antibody Detection Kit
- Group C Meningococcal Polysaccharide IgG Antibody Detection Kit
- Group Y Meningococcal Polysaccharide IgG Antibody Detection Kit
- Group W135 Meningococcal Polysaccharide IgG Antibody Detection Kit
- Haemophilus Influenzae Type B Polysaccharide IgG Antibody Detection Kit

#### *Accolades and Recognition*

- Luzhu Biotech registered 19 trademarks worldwide and obtained five invention patents.
- Luzhu Biotech filed eight patent applications worldwide.
- Patent Pilot Certificate
- Zhongguancun High-Tech Enterprise Certification
- Second Prize of Beijing Science and Technology Award
- Beijing Municipal Enterprise Research and Development Institute Certification
- High-Tech Enterprise Certificate

## 1. CORPORATE GOVERNANCE

Responsible governance underpins a company’s sustainability. Luzhu Biotech places a high value on meeting the expectations and needs of its stakeholders, strengthens risk management across all aspects of its operations, and fosters a corporate culture of integrity. These efforts lay the foundation for creating long-term economic and social value.

### 1.1 ESG Governance

Luzhu Biotech has integrated sustainability into its day-to-day business operations and decision-making step by step. The Company has established an EHS Department responsible for developing, adopting, and reviewing company-wide ESG policies, vision, goals, and strategies, as well as assessing, identifying, and addressing ESG risks. Going forward, we will continue to enhance our ESG governance, further strengthen communication with stakeholders, and formulate and adopt more ESG policies to achieve long-term business growth.

#### 1.1.1 Stakeholder Communication

Luzhu Biotech highly values its stakeholders’ expectations and needs. To achieve this, we collect opinions and suggestions from management and employees through various channels, and regularly communicate the expectations of government departments, regulatory agencies, shareholders, investors, customers, patients, communities, suppliers and business partners to build a strong relationship with our stakeholders.

Stakeholders	Expectations and Needs	Communication Responses
Government Departments/ Regulatory Agencies	<ul style="list-style-type: none"> <li>• Compliance and risk management</li> <li>• Intellectual property protection</li> <li>• Environmental stewardship</li> </ul>	<ul style="list-style-type: none"> <li>• Disclosure of compliance information</li> <li>• Tax payment in accordance with the law</li> <li>• Better environmental stewardship</li> </ul>
Shareholders/Investors	<ul style="list-style-type: none"> <li>• R&amp;D and innovation</li> <li>• Product safety and quality</li> <li>• Compliance and risk management</li> </ul>	<ul style="list-style-type: none"> <li>• Higher R&amp;D input</li> <li>• Disclosure of compliance information</li> <li>• Regular convening of shareholders’ meetings</li> </ul>
Customers/Patients	<ul style="list-style-type: none"> <li>• Product safety and quality</li> <li>• Information security and privacy protection</li> </ul>	<ul style="list-style-type: none"> <li>• Disclosure of compliance information</li> <li>• Improvement of privacy protection system</li> <li>• Establishment of official complaint channels</li> </ul>

## Environmental, Social and Governance Report

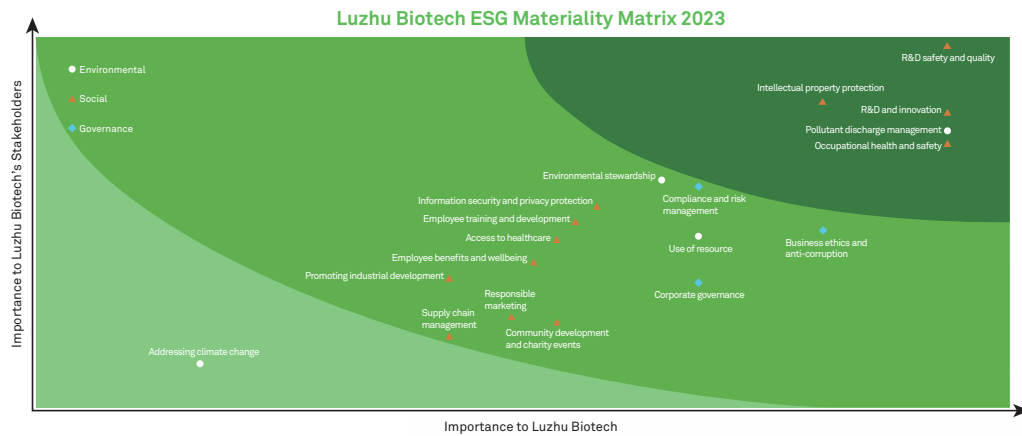
Stakeholders	Expectations and Needs	Communication Responses
Employees	<ul style="list-style-type: none"> <li>• Product safety and quality</li> <li>• Occupational health and safety</li> <li>• Intellectual property protection</li> </ul>	<ul style="list-style-type: none"> <li>• Employee satisfaction surveys</li> <li>• Democratic management</li> <li>• Provision of employee training</li> </ul>
Communities	<ul style="list-style-type: none"> <li>• Environmental stewardship</li> <li>• Pollutant discharge management</li> <li>• Resource use</li> <li>• Information security and privacy protection</li> </ul>	<ul style="list-style-type: none"> <li>• Disclosure of compliance information</li> <li>• Better environmental stewardship</li> <li>• Improvement of communication channels such as the official website and social media platforms</li> </ul>
Suppliers/Business Partners	<ul style="list-style-type: none"> <li>• R&amp;D and innovation</li> <li>• Intellectual property protection</li> <li>• Business ethics and anti-corruption</li> </ul>	<ul style="list-style-type: none"> <li>• Regular communication</li> <li>• Standardized management of contracts and agreements</li> <li>• Pursuit of sustainable development in collaboration</li> </ul>



# Environmental, Social and Governance Report

## 1.1.2 Material ESG Issues

Luzhu Biotech has identified and evaluated material ESG issues to determine the key areas for sustainability practices and information disclosure. The Company identified 19 sustainability issues with a material impact, taking into account national policies, industry trends, industry performance benchmarks, and its own business growth. Additionally, the Company solicited feedback from stakeholders and management on these 19 issues through questionnaires and received 130 valid responses. As a result, Luzhu Biotech created a materiality matrix for 2023.



High level of importance

- Product safety and quality
- R&D and innovation
- Intellectual property protection
- Pollutant discharge management
- Occupational health and safety

Medium level of importance

- Compliance and risk management
- Business ethics and anti-corruption
- Use of resource
- Environmental stewardship
- Information security and privacy protection
- Employee training and development
- Corporate governance
- Access to healthcare
- Employee benefits and wellbeing
- Community development and charity events
- Responsible marketing
- Promoting industrial development

Low level of importance

- Supply chain management
- Addressing climate change

### 1.2 Risk Management

Luzhu Biotech highly values risk management to ensure sustainable, healthy, and stable development. For instance, the Company has developed the *Comprehensive Risk Management System* in accordance with applicable laws and regulations, thereby establishing a sound comprehensive risk management mechanism. Additionally, Luzhu Biotech incorporates environmental and social factors, including environmental protection, product quality, information security, and business ethics, into operational risk management and continuously improves its internal control system.

Luzhu Biotech continually improves its risk management system. The Board of Directors is accountable to the General Shareholders' Meeting for the effectiveness of comprehensive risk management, while the General Manager is accountable to the Board of Directors for the same. The Board of Directors has formed an Audit Committee responsible for overseeing the internal audit department. The audit department supervises and assesses the Company's risk management results at least once a year to ensure that relevant tasks are implemented effectively.

Additionally, Luzhu Biotech places a high value on fostering a risk management culture and raising employees' legal awareness. The Company strives to instill risk management awareness as a common understanding among employees and translate it into concrete actions to establish a more standardized and efficient risk management mechanism.

### 1.3 Business Ethics and Anti-Corruption

Luzhu Biotech values business ethics and maintains a zero-tolerance approach to all forms of corruption, bribery, and money laundering. During the reporting period, there were no corruption lawsuits filed against the Company.

The Company complies with national laws and regulations and continues to strengthen its efforts to combat corruption. To this end, we have established an effective anti-corruption organization, overseen by the Board of Directors. The Board Secretariat is responsible for handling all the relevant matters and coordinating various departments in implementing anti-corruption tasks. We have also developed the *Anti-Corruption and Bribery Management System*, the *Anti-Fraud Management System*, the *Anti-Malpractice Management System*, and the *Anti-Money Laundering Management System* to enhance institutional management and encourage employees to maintain integrity.

The Company has developed the *Reporting and Investigation Management System* to protect whistleblowers. Whistleblowers can report using their real name or anonymously via hotline, email, or opinion box. We are committed to protecting the personal information of whistleblowers, maintaining the confidentiality of materials involved in the investigation process, and seriously dealing with any behavior that violates the whistleblower protection system.

In 2023, we hosted multiple activities to combat corruption and promote integrity in the workplace. We also invited legal experts to provide training in order to create an atmosphere of honesty in the workplace.

## Environmental, Social and Governance Report

### Quantitative indicators:

Anti-corruption	Number of concluded legal cases regarding corrupt practices		0	Case
	Business ethics and anti-corruption training	Number of trained employees	131	Person(s)
		Employee training hours	131	Hour(s)
		Number of trained Directors	9	Person(s)
		Director training hours	9	Hour(s)

## 2. GREEN DEVELOPMENT

Luzhu Biotech is committed to pursuing green development and environmentally sustainable operations. The Company complies with applicable laws and regulations at home and abroad, and integrates the concept of environmental protection into its day-to-day operations. We strive to minimize resource waste and monitor all types of emissions to reduce our impact on the environment and climate. Furthermore, we actively respond to climate change, and manage risks, while maintaining normal business operations.

### 2.1 Environmental Stewardship

Luzhu Biotech champions green development in its operations, abides by the *Environmental Protection Law of the People's Republic of China*, the *Regulations on the Administration of Environmental Protection of Construction Projects*, the *Measures for the Supervision and Administration of "Three Simultaneities" for the Safety Devices of Construction Projects*, and other applicable laws and regulations, and integrates environmental stewardship into its day-to-day operations.

Luzhu Biotech follows a work policy of "Prevention First, Integration of Prevention and Control" and the guidelines of "Three Simultaneities". The Company plans, implements, and refines production, construction, and environmental protection projects simultaneously to achieve economic, social, and environmental benefits all at once. The Company has formulated internal rules and regulations such as the *Environmental Protection Management Regulations* to improve environmental stewardship. In 2023, there were no violations of environmental protection laws and regulations.

Luzhu Biotech stresses the green production principle at monthly production scheduling meetings and workshop production meetings to promote green production and achieve the goals of energy conservation, consumption, and pollution reduction. In 2023, the Company provided an environmental protection training session for all its employees, aiming to comprehensively enhance their awareness of environmental protection and safety.

### Quantitative indicator:

Number of environmental incident or administrative penalty	0	Case
--	---	------

## 2.2 Use of Resource

Luzhu Biotech is committed to using resources rationally and building green projects in accordance with the *Law of the People's Republic of China on Energy Conservation* and the *Environmental Protection Management Regulations*. To reduce paper waste in daily operations, the Company has introduced an online review and approval system and encouraged its employees to print on used paper. While attending to our employees' commuting needs, we have optimized the schedule and running routes of our shuttle buses to improve their operational efficiency.

Luzhu Biotech prioritizes energy-saving and emission-reduction devices in production and uses automated power and water systems to effectively reduce energy waste. Moreover, we disinfect, recycle and reuse used items while ensuring product quality.

Luzhu Biotech implements water-saving measures in all its production activities.

Use highly efficient water generation devices

- Our water generation devices are 20 to 30 percent more efficient than traditional equipment, with a generation rate of pure water reaching 80 percent.
- The remainder of pure water used in cellular fermentation is used to wash clothes and sanitary appliances.
- The water that fails to reach pharmaceutical standards is recycled and reused by the water generation device manufacturer.

Use bottle washing machines with a recycled water system

- The consumption of water for injection is significantly reduced.
- Two to three metric tons of water for injection can be saved per hour.



Recycled water tank of a bottle washing machine

## Environmental, Social and Governance Report



Recycled water filter of a bottle washing machine

Luzhu Biotech has not engaged in large-scale production activities, making it challenging to set specific energy and water use efficiency goals. Once our R&D products enter commercial production, we will promptly set appropriate goals and action plans.

### Quantitative indicators:

Use of resources	Comprehensive energy consumption	248.28	Metric ton(s) of standard coal
	Comprehensive energy consumption intensity	1.87	Metric ton(s) of standard coal/person
	Water consumption	17,494	Metric ton(s)
	Water consumption intensity	131.53	Metric ton(s)/person
	Power consumption	202.40	10,000 kWh
	Gasoline consumption	0	Liter
	Diesel consumption	0	Liter
	Natural gas consumption	0	Cubic meter
	Purchased steam	1,650	Metric ton(s)
	Office paper consumption	1.25	Metric ton(s)
	Packaging material consumption	0.37	Metric ton(s)
	Packaging material consumption intensity	0.0028	Metric ton(s)/person

The total comprehensive energy consumption is calculated in accordance with the *General Rules for Calculation of the Comprehensive Energy Consumption* (GB/T 2589-2020).

### 2.3 Pollutant Discharge Management

Luzhu Biotech complies with laws and regulations such as the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Regulations of the People's Republic of China on the Administration of Chemicals Subjected to Supervision and Control*, the *Regulations on the Safety Administration of Dangerous Chemicals*, and the *Regulations on the Administration of Precursor Chemicals*. Moreover, the Company has developed a series of internal rules, including the *Dangerous Chemicals Management System*, the *Corporate Dangerous Waste Management System*, the *Production Waste Management Regulations*, and the *Pollution Control Management Regulations*. These guidelines outline appropriate treatment methods for different types of waste in order to prevent and control environmental pollution and hazards.

Luzhu Biotech has established an environmental protection responsibility system that defines those responsible for the task and incorporated pollution prevention into production management procedures in accordance with the principle of "Taking a balanced approach to production and environmental protection". Moreover, we advocate the use of clean energy to reduce the generation of pollutants.

As Luzhu Biotech has not yet entered the mass production stage, we are unable to set detailed waste reduction goals and measures. However, after the commercialization of our research pipeline, we will continue to use quantitative indicators to evaluate and manage pollutant discharge.

# Environmental, Social and Governance Report

## 2.3.1 Waste Gas Management

To be a better environmental steward, Luzhu Biotech utilizes medium and high-efficiency filters and activated carbon treatment devices to purify the waste gas before releasing it into the air. In addition, the Company has purchased air purifiers to effectively reduce air pollution.



Waste disposal equipment

## 2.3.2 Wastewater Management

Luzhu Biotech classifies wastewater into different types according to substances contained and treats it accordingly, reducing energy consumption by more than 50%.

<p>Wastewater containing acidic and alkaline solutions and organic compounds such as protein</p>	<ul style="list-style-type: none"> <li>The wastewater is first collected into the Company’s wastewater pretreatment tank through the workshop drainage pipe. The pH value of wastewater is then adjusted and neutralized. The wastewater is finally heated with steam for inactivation treatment.</li> <li>After undergoing high-temperature inactivation treatment, the wastewater is transported through a closed pipeline to the industrial park sewage treatment plant for further treatment. After reaching the threshold, it is discharged into the sewage pipeline network.</li> </ul>
<p>Wastewater containing no organic compounds</p>	<ul style="list-style-type: none"> <li>The wastewater is directly discharged into the industrial park sewage treatment plant.</li> </ul>

### 2.3.3 Waste Management

To further improve the Company's waste management system and implement environmental protection policies, Luzhu Biotech formulated the *Hazardous Waste Management Contingency Plan* in 2022, focusing on the storage and management of solid waste to minimize damage to human health and the environment caused by potential leakage incidents. The Company has developed a hazardous waste management system and established a leadership group consisting of seven members to oversee and coordinate internal environmental protection work. Since January 2022, we have hired a third-party waste management company to assist in the preparation of hazardous waste management plans and provide consulting services on issues arising from the treatment process.

To store hazardous waste safely, Luzhu Biotech manages its disposable liquid storage bags and mixing bags for chlorine gas in accordance with the *Zhuhai Municipal Regulations on the Management of Hazardous Chemical Waste*, and uses waste sterilization cabinets to disinfect filters and disposable bags containing organic compounds at high temperatures. After inactivation, the waste is collected and stored in a temporary storage room before being recycled by a qualified third-party company for hazardous waste treatment.



High Temperature Sterilization Cabinet for Primary Slag Treatment

In terms of non-hazardous waste management, Luzhu Biotech increases its efforts to reuse and recycle resources to reduce the amount of non-hazardous waste and unnecessary waste.

- 1) The Company recycles, processes, and reuses some of the utensils or tools used in experiments, effectively reducing the generation of laboratory waste.
- 2) The Company uses measuring pipettes, beakers, triangular flasks, test tubes, and flat dishes that are made of glass rather than plastic to reduce the generation of disposable solid waste.
- 3) The Company reuses items allowed by the technological process, including clean room suits and shoes that can be reused after sterilization, to reduce unnecessary waste.



*Quantitative indicators:*

Pollutant discharge	Waste gas emission	Oxysulfide emission	0	Metric ton
		Oxynitride emission	0	Metric ton
		Particulate matter emission	0	Metric ton
	Wastewater	Wastewater discharge	15,744.6	Metric ton(s)
	Hazardous waste	Hazardous waste discharge	0.90	Metric ton
		Hazardous waste discharge intensity	0.0068	Metric ton/person
	Non-hazardous waste	Non-hazardous waste discharge	0	Metric ton
		Non-hazardous waste discharge intensity	0	Metric ton/person

## 2.4 Addressing Climate Change

Climate change poses a grave challenge to our planet, with global warming and frequent extreme weather events impacting various industries. Luzhu Biotech closely watches the challenges brought by climate change and takes proactive measures to address its adverse impacts.

The Company is located on an open coastal plain, making it vulnerable to natural disasters such as typhoons and rainstorms. The Company fully considers the impact of natural disasters on business operations, and seals its windows and installs central air conditioning units to refresh indoor air, thereby reducing the impact of disasters. In the event of a typhoon, the Company encourages employees to work from home, while a competent department makes overall arrangements to ensure the stability of factory doors and windows, the safety of facilities and equipment, and proper storage of materials.

We will continuously follow the latest global trends and domestic climate strategies, and actively strengthen our ability to respond to climate change. We will be better prepared to manage climate risks and opportunities, striving to minimize the impact of climate change.

*Quantitative indicators:*

Greenhouse gas	Total greenhouse gas emissions	1,212.63	tCO <sub>2</sub> e
	Total greenhouse gas emission intensity	9.12	tCO <sub>2</sub> e/person
	Direct (Scope 1) greenhouse gas emissions	0	tCO <sub>2</sub> e
	Direct (Scope 1) greenhouse gas emission intensity	0	tCO <sub>2</sub> e/person
	Indirect (Scope 2) greenhouse gas emissions	1,212.63	tCO <sub>2</sub> e
	Indirect (Scope 2) greenhouse gas emission intensity	9.12	tCO <sub>2</sub> e/person

All greenhouse gas emissions statistics were calculated in accordance with the *Environmental, Social and Governance Reporting Guide* under Appendix C2 to the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*. The coefficient conversion is mainly determined with reference to the relevant provisions in the *General Rules for Calculation of the Comprehensive Energy Consumption* (GB/T 2589-2020).

### 3. PRODUCT INNOVATION

Guided by the vision of “People-Oriented Approach and Pursuit of Excellence”, Luzhu Biotech is committed to providing high-quality and affordable human vaccines and therapeutic biologics. The Company has developed a stringent quality policy of “Life and Quality First, Compliance and Excellence”, while also taking measures to safeguard product quality and information security, protect intellectual property rights, select sustainable suppliers with a proven track record, and drive industrial development.

#### 3.1 R&D and Innovation

Luzhu Biotech remains committed to providing high-quality and affordable human vaccines and therapeutic biologics. Therefore, R&D and innovation are crucial to the Company’s business. The Company has established an internal R&D team, implemented a rigorous approach to R&D, and developed incentive policies to encourage R&D and innovation.

##### 3.1.1 R&D Team

Luzhu Biotech currently has an internal R&D team of 72 members. In line with our product development and launch plan, we intend to expand our R&D team to between approximately 80 and 120 researchers in the next one to two years.

To motivate and inspire our R&D personnel, we have developed the *Performance Assessment and Reward Management System for R&D Personnel*, providing one-time rewards to researchers who successfully develop new products. In 2023, our total R&D investment reached RMB172.685 million.

##### 3.1.2 Preliminary R&D

During the preliminary R&D stage, Luzhu Biotech complies with applicable laws and regulations, including the *Biosecurity Law of the People’s Republic of China*, the *Drug Administration Law of the People’s Republic of China*, the *Good Manufacturing Practice for Drugs*, the *National Standards for Pharmaceutical Packaging Materials*, and the ICH Guidelines. The Company has developed a series of internal rules, including the *Organization and Management System of R&D Projects*, the *R&D Department Management System*, the *Instrument Operation Instructions and Standard Operating Procedures*, and the *Assay Standard Operating Procedures* to strictly manage R&D processes and laboratory use.

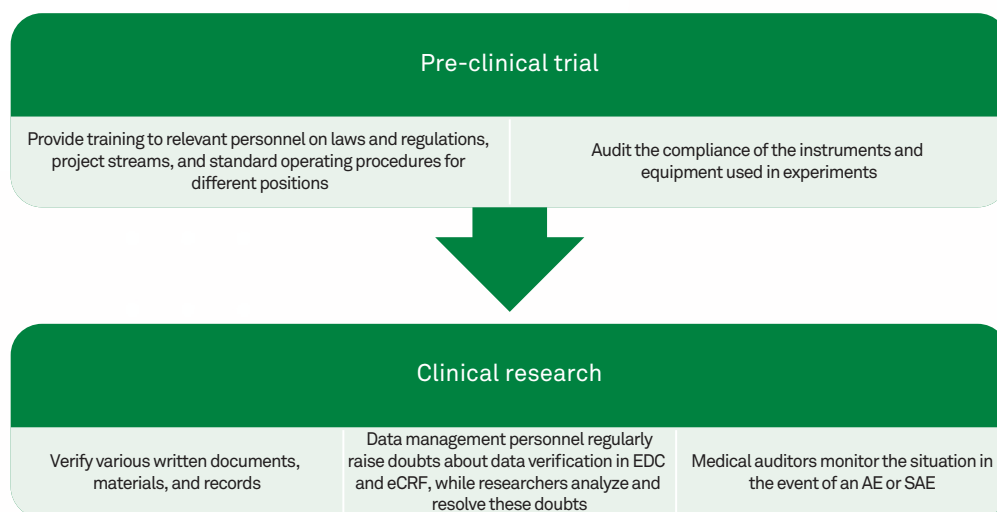
## Environmental, Social and Governance Report

### 3.1.3 Clinical Trials

Luzhu Biotech strictly complies with the *Vaccine Administration Law of the People's Republic of China* during the clinical trial stage. To this end, the Company has developed the *Clinical Trial Management System* and the *Clinical Trial Inspection/Audit Management System*, to ensure strict management and quality assurance in clinical trials, biological sample management, and personnel management.

To manage drug safety risks during clinical trials, Luzhu Biotech creates a drug risk management plan based on the characteristics of the drug before the trial. The management plan covers the properties of the drug, non-clinical trial results, measures for minimizing drug safety risks during clinical trials, as well as measures for addressing any adverse effects that may arise.

Prior to commencing a clinical trial, the Company entrusts a professional third-party organization to conduct on-site monitoring of clinical trials. The third-party organization appoints clinical research auditors to monitor different aspects of the project based on its progress.



Clinical trial inspection workflow

### 3.2 Product Quality and Safety

Luzhu Biotech has developed a quality policy of “Life and Quality First, Compliance and Excellence”. The Company has consistently adhered to both national drug administration regulations and international standards, created a comprehensive product safety management system, and implemented strict quality verification processes to ensure the efficacy, safety, and stability of its pharmaceutical products.

## Environmental, Social and Governance Report

### Quantitative indicators:

Product responsibility	Percentage of product (already sold or delivered) recall due to safety and health concerns	0	%
	Number of product and service complaint	0	Case

### 3.2.1 Quality System

Luzhu Biotech complies with all applicable laws and regulations on pharmaceutical quality management. The Company has successfully passed GMP compliance audits and obtained the *Pharmaceutical Manufacturing Permit*. Additionally, the Company has established the *Quality Risk Management Regulations* and developed corresponding risk management tools to create a robust risk management system for product quality and safety, and standardize internal quality risk management principles, procedures, and their implementation. In this way, we are able to conduct systematic and scientific risk assessments across all phases of the product life cycle, including R&D, manufacturing, sales, and usage, reducing quality risks, ensuring product quality, and protecting patients' interests.

<b>Basic elements of pharmaceutical quality system</b>					
Management review	Ongoing improvement	Correction and prevention	Change management	Product/process property	
<b>Six systems of product realization and detailed elements</b>					
Material management	Facilities	Packaging label	Production system	Laboratory system	Quality system
<ul style="list-style-type: none"> <li>• Supplier management</li> <li>• Material awaiting inspection, receipt, rejection or return</li> <li>• Sound distribution system</li> <li>• Warehousing</li> </ul>	<ul style="list-style-type: none"> <li>• Calibration and maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• Sign</li> <li>• External packaging material/printed packaging material management</li> </ul>	<ul style="list-style-type: none"> <li>• Visual inspection</li> <li>• Process control</li> </ul>	<ul style="list-style-type: none"> <li>• Quality control</li> <li>• Standard material/reference material</li> <li>• Reserved sample</li> <li>• Stability study</li> </ul>	<ul style="list-style-type: none"> <li>• Tendency management</li> <li>• Batch release/treatment</li> <li>• Audit</li> <li>• Product/process quality monitoring</li> <li>• Confirmation/verification</li> <li>• External management</li> <li>• File, personnel and training</li> </ul>
<b>Methodology and Tools</b>					
Knowledge management			Quality risk management		

Luzhu Biotech's quality management system

- **Manufacturing Process Control**

Luzhu Biotech strictly adheres to draft vaccine manufacturing and testing regulations when establishing vaccine manufacturing processes, production equipment operation, cleaning, and maintenance standard procedures, as well as production quality monitoring and management regulations, with the aim of ensuring product quality.

The Company fully considers the necessary conditions and technical requirements for pharmaceutical production. In line with this commitment, we have developed strict regulations for the management of facilities, materials, and product labels, and implemented GMP requirements to prevent pollution and cross-contamination.

- **Addressing Product Deviation and Anomaly**

Luzhu Biotech has established the *Deviation Handling and Management Regulations* and the *Investigation and Management Regulations for Abnormal Experimental Results* to ensure proper implementation of procedures for classifying, reporting, investigating, and handling deviations, as well as developing, implementing, and supervising corrective measures.

The Company classifies deviations into three categories: “minor deviations”, “major deviations”, and “severe deviations” according to their nature, scope, and potential impact on product quality. Moreover, we take targeted measures to investigate and address these deviations and implement corresponding management requirements to ensure prompt and effective handling of each deviation.

- **Product Return**

Luzhu Biotech has formulated the *Product Return Management Regulations* in accordance with national product return requirements. We classify product return causes into two categories: quality defects and commercial reasons, and take targeted measures to handle these requests. If a consumer wishes to return a product, they may submit an application. A dedicated department will then evaluate and approve the request.

- **Complaint**

To ensure all complaints are properly handled, Luzhu Biotech has formulated the *Complaint Handling and Management Regulations* to standardize complaint collection, registration, evaluation, and investigation processes. We strive to document all complaints related to drug defects and conduct proper investigations. Any employee from any department in our Company or an entrusted manufacturer can file a complaint.

Upon receiving a complaint, our complaint specialist will evaluate it to determine whether a complaint investigation should be initiated. Complaints are classified into two categories: “major complaints” and “non-major complaints”, and different handling measures are taken according to the two types. Moreover, processing time

limits are specified. For complaints related to product quality and technological processes, the Company decides whether to implement Corrective and Preventive Actions (CAPA) based on the investigation results. If necessary, we'll implement CAPA according to the *Corrective and Preventive Action Management Regulations*. For complaints related to adverse effects, the Company's Pharmacovigilance Department steps in to resolve them according to the relevant management procedures.

- **Product Recall**

Luzhu Biotech has developed the internal *Product Recall Management Regulations* to assign tasks to responsible parties based on different types of incidents. This approach enables us to precisely and promptly solve problems as they arise.

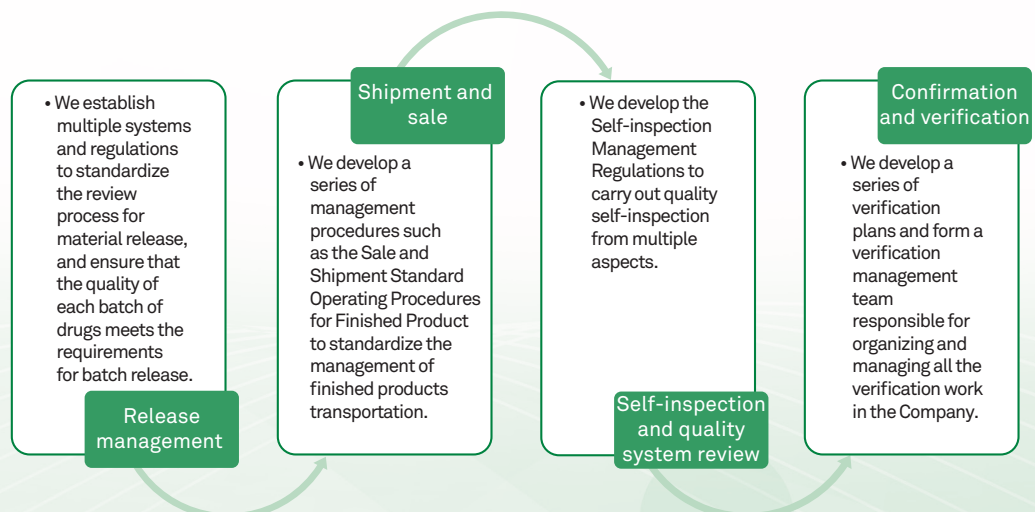
- **Pharmacovigilance**

Luzhu Biotech strictly adheres to laws and regulations such as the *Measures for the Reporting and Monitoring of Adverse Drug Reactions* and the *Good Pharmacovigilance Practice (GVP)*. The Company has established a pharmacovigilance system covering the entire product life cycle from new drug R&D to product launch, developed a pharmacovigilance document system, and formed a pharmacovigilance personnel system. Moreover, we have outlined pharmacovigilance risk management measures throughout the life cycle of our pharmaceuticals, to improve overall drug safety and safeguard patients' health.

Luzhu Biotech's pharmacovigilance activities are overseen by the head of the Pharmacovigilance Department. The Drug Safety Committee, which is composed of various internal departments, is responsible for leading the Company's drug safety efforts and addressing any drug safety emergencies that may arise.

### 3.2.2 Quality Verification

Luzhu Biotech has established a comprehensive quality verification system, adhering to the highest quality standards from release management to drug shipment. The Company also combines self-inspection and quality system review to ensure product quality.



### 3.2.3 Quality Training

Luzhu Biotech has formulated the *Training Management Regulations* and the *Operation Management Regulations* to standardize the management of training activities, including training categories, planning, training materials and application, assessment, training results evaluation, and training file management. In 2023, the Company established the *Quality Management System Special Training Plan* and planned to create an annual training plan.

We provide general quality training for all employees, which includes an explanation of the Company's rules and regulations on quality management, production management, facilities management, and material management. Additionally, each department is equipped with part-time and full-time trainers to answer employees' questions, and we aim to build a training network in production, quality of control (QoC), equipment engineering, warehousing, and material management. To regularly evaluate the effectiveness of our training programs, we have established a training documentation mechanism and created employee training files. In 2023, the total number of participants in quality training sessions reached 258, including 38 participants in company-level quality training sessions and 220 in department-level quality training sessions.

We provide additional quality management training for senior management in the Company to enhance product quality controls from the perspectives of systems and expertise.

- In terms of system, we introduce the latest updates of laws, regulations, and internal regulatory requirements such as the *Drug Administration Law of the People's Republic of China*, the *Vaccine Administration Law of the People's Republic of China*, the *Measures for Supervision and Administration of Production*, and the *Measures for Administration of Drug Testing*.
- In terms of expertise, we provide training on topics such as immunology, microbiology, vaccine engineering, and biochemistry.

### 3.3 Information Security and Privacy Protection

Luzhu Biotech is committed to protecting the information security and privacy of all stakeholders, including the Company, customers, and clinical study participants. We take comprehensive measures to ensure data security in business operations and services and pay close attention to the safety and privacy protection of clinical trial participants. During the reporting period, there were no customer privacy violations or information leakage incidents.

### 3.3.1 Information Security

Luzhu Biotech has developed the *Information Management Procedures, Methods and Security Protection Measures* to protect information security across all aspects, ensure the confidentiality, integrity, and availability of information, standardize information protection measures, and prevent potential information leakage incidents.

Luzhu Biotech has taken different security measures based on the types of information assets to ensure the security and availability of data.

- We establish an identity authentication and authorization mechanism to restrict user access to sensitive information and systems.
- We use multiple-factor authentication, encryption and other technological tools to ensure the security of important systems and data.
- We implement a security audit and surveillance mechanism that monitors and audits important systems and data, to promptly identify and handle security issues.
- We routinely conduct safety drills and risk assessments to strengthen the response to unexpected safety issues.

### 3.3.2 Ethics in Clinical Trials

Luzhu Biotech strictly adheres to the medical ethics set forth in the *Declaration of Helsinki*, the *Guidelines for Ethical Review of Drug Clinical Trials*, the *Good Clinical Practice (GCP)*, and other domestic and international clinical trial regulations, as well as the ethical requirements established by the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use (ICH). Each clinical trial is subject to review by the Ethics Committee. There were no lawsuits related to clinical trials in the Company in 2023.

Luzhu Biotech entrusts the clinical center with the responsibility of recruiting human subjects and ensuring their informed consent is properly verified and supervised. During the informed consent process, we ensure that 100% of the subjects are fully informed about the content of the clinical trial and are made aware that they have the right to withdraw from the clinical trial at any time and for any reason. Only after signing an informed consent form can subjects be screened and enrolled. The Company purchases insurance for all participants in clinical trials, and will cover the medical bills and provide compensation in the event of any adverse effects.

Luzhu Biotech complies with applicable laws and regulations at home and abroad throughout clinical trials, ensuring their quality and protecting the safety and rights and interests of subjects. The Company keeps the personal information and experimental data of subjects confidential and takes corresponding measures, such as using research codes to replace the personal information of subjects.



### 3.4 Intellectual Property Protection

Luzhu Biotech strictly adheres to intellectual property laws, regulations, and national standards such as the *Patent Law of the People's Republic of China* and the *Enterprise Intellectual Property Administration Regulations*. We have established an internal intellectual property protection system to safeguard our legitimate rights and interests and prevent infringement of others' intellectual property.

The Company has developed the *Intellectual Property Management System*, covering the scope of intellectual property, documentation and organization, patent application, and dispute resolution. We are committed to translating the patent mechanism into the main driving force for promoting and safeguarding our technological innovation, and motivating employees to make new inventions and breakthroughs.

In 2023, the Company retained a total of 24 intellectual properties worldwide, including 5 issued patents and 19 registered trademarks; another 8 patents were under examination. There was no intellectual property related litigation cases in 2023.

### 3.5 Responsible Supply Chain

Luzhu Biotech is committed to building a responsible supply chain. We are continually improving supply chain management, establishing clear systems in supplier selection, assessment, and change, as well as considering suppliers' environmental and social impacts to optimize the procurement process on an ongoing basis.

#### 3.5.1 Supplier Management

Luzhu Biotech has developed the *Material Supplier Management Regulations* in accordance with the GMP and its appendices, as well as the *Quality Control of Raw Materials and Excipients for Biologics Production* in the general chapter of the third volume of the *Chinese Pharmacopoeia*. The Regulations include a wide range of management processes, such as supplier selection, assessment, on-site audit, approval, maintenance, review, and change. We classify suppliers into different groups and take targeted management measures based on their potential impact on our product quality. We also combine material management and supplier management, comprehensively evaluate supplier quality and qualifications, and establish records and corresponding review and approval processes for suppliers.

We routinely invite suppliers to the Company to discuss their development direction, product offering, and sales personnel changes.

### 3.5.2 Supplier Selection and Assessment

Luzhu Biotech evaluates material suppliers in accordance with the *Material Supplier Management Regulations*, and pays close attention to their environmental standards and social factors during audits and on-site inspections. This includes assessing their labor rights protection, employee health and safety, and business reputation. After reviewing and evaluating the quality of materials, we select suppliers with a CBE recordation (supplier safety requirements and guidelines) and prioritize the use of products made from renewable materials.

#### Quantitative indicators:

Supply chain management	Total number of suppliers		334
	Number of suppliers by region	Eastern China	88
		Southern China	43
		Northern China	163
		Central China	10
		Northeast China	1
		Southwest China	6
		Overseas	23

## 4. PEOPLE-ORIENTED APPROACH

Luzhu Biotech recognizes its employees as an integral part of its operations. We are committed to protecting their rights and interests, offering a safe and healthy work environment, and prioritizing their professional development. Additionally, we contribute to improving healthcare access.

### 4.1 Protection of Employee Rights and Interests

Luzhu Biotech strictly adheres to the *Labor Law of the People’s Republic of China* and the *Employment Promotion Law of the People’s Republic of China*, and has established systems such as the *Employee Handbook*, the *Recruitment Management System*, and the *Personnel Management System*. When hiring new employees, we follow the principles of transparency, equity, and meritocracy. We strive to foster an equitable, inclusive, harmonious, and diversified work environment, and we are committed to opposing all forms of discrimination. We prohibit the use of child labor and forced labor, and we do not hire minors under the age of 16. Any violation of the above requirements will be dealt with promptly. In 2023, there were no incidents of child labor, forced labor, discrimination, or any other violations of employee rights. In 2023, 100% of full-time employees were covered by labor contracts.

Luzhu Biotech performs annual salary structure adjustments and determines the corresponding pay raise based on an overall performance scoring mechanism. In terms of talent acquisition, we have registered and improved our account on Beijing Talent Work Network, while assisting prospective employees with talent recruitment procedures. We offer social insurance and housing provident fund to our employees in accordance with national regulations, and provide paid maternity leave to pregnant employees. In 2023, social insurance coverage for full-time employees was 100%.

## Environmental, Social and Governance Report

### Quantitative indicators:

Employee recruitment	Total number of employees		133	Person(s)
	Number of employees by employment type	Full-time employees	122	Person(s)
		Part-time employees	3	Person(s)
		Others (Consultants, employees signing labor agreements, and rehired employees after retiring)	8	Person(s)
	Number of employees by employment category	Senior	10	Person(s)
		Mid-level	14	Person(s)
		Primary-level	109	Person(s)
	Number of employees by gender	Male	75	Person(s)
		Female	58	Person(s)
	Number of employees by age	30 or below	52	Person(s)
		31-40	42	Person(s)
		41-50	22	Person(s)
		51 or above	17	Person(s)
	Number of employees by region	China	132	Person(s)
		Overseas	1	Person
	Number of employees by ethnicity	Han employees	127	Person(s)
		Ethnic minority employees	5	Person(s)
		Expatriate employees	1	Person
	Number of employees by educational background	Employees with a doctoral degree	4	Person(s)
		Employees with a Master's degree	23	Person(s)
		Employees with a Bachelor's degree	66	Person(s)
		Other employees	40	Person(s)
	Employee turnover rate		14.29	%
	Turnover rate by gender	Male	14.67	%
		Female	13.79	%
	Turnover rate by age	30 or below	11.54	%
		31-40	11.90	%
41-50		13.64	%	
51 or above		29.41	%	
Turnover rate by region	Chinese mainland	14.39	%	
	Overseas	0.00	%	

## 4.2 Democratic Management

Luzhu Biotech highly values the needs and input of its employees, actively enhances communication channels with them, and strives to foster an open and caring work environment.

### 4.2.1 Employee Communication

The Company has established a labor union. All the decision-making and personal leave are voted on and approved by the employees' congress. Additionally, the Company has formulated the *Administrative Regular Meeting System* that mandates monthly effective communication meetings among departments. We also collect feedback on a quarterly basis and strive to build a democratic management system.

The Company has formulated the *Reporting and Investigation Management System*, which outlines the acceptance, investigation, and handling procedures for complaints, as well as the corresponding penalties and rewards. Employees may report complaints through the internal hotline, complaint email, or the public hotline of local labor arbitration, government, and law enforcement departments. Our *Management System* includes a whistleblower protection system, and we strictly prohibit the disclosure of the identity and personal information of whistleblowers.

### 4.2.2 Employee Care

We are committed to improving employees' well-being and sense of belonging. On International Women's Day, Dragon Boat Festival, Mid-Autumn Festival, Spring Festival, and other holidays, we send gifts and host celebratory activities for employees. We also provide various sports facilities such as a billiard room and a table tennis court. Our aim is to enrich employees' life at leisure time.

## 4.3 Employee Training and Development

We are committed to helping our employees to fulfill their potential and boost their self-worth. Luzhu Biotech provides employees with ample growth and development opportunities, encouraging them to create value and advance together with us.

### 4.3.1 Employee Development

Luzhu Biotech has developed the *Promotion Management System*, outlining the mobility channels and requirements for employees, and ensuring that promotion decisions are made based on performance evaluation and personal career planning. The Company has established the R&D Achievement Award, Qualification Certificate Award, and Registration Award in the *Performance Appraisal Measures* to encourage employees to pursue lifelong learning opportunities during their spare time.

## Environmental, Social and Governance Report

### 4.3.2 Employee Training

Luzhu Biotech has established the *Training Management Regulations* to keep employees up to date with the latest laws and regulations, familiarize them with job responsibilities, and improve their capability and operational skills. The *Training Management Regulations* standardizes the management of a series of training activities, including types of training, development of training plans, organization of training sessions, training assessment, evaluation of training effectiveness, and management of training files, to ensure that training activities are carried out effectively as planned.

We implement different training requirements for employees in special positions. For example, newly hired R&D employees are required to complete 24 hours of three-level education and training, and pass the examination before working in the laboratory. In 2023, 100% of production personnel were licensed. We provide all employees with a minimum of 8 hours of annual training on topics such as job positions, priorities, the latest regulations, measures and requirements, emerging technologies, new equipment, and operating procedures.

#### Quantitative indicators:

Development and training	Total number of annual training opportunities		3,298	Person(s)
	Average annual training duration		28	Hour(s)
	Percentage of employees trained by gender	Male	58	%
		Female	42	%
	Percentage of employees trained by employment category	Senior	8	%
		Mid-level	24	%
		Primary-level	68	%
	Average training hours completed per employee by gender	Male	31	Hour(s)
		Female	24	Hour(s)
	Average training hours completed per employee by employment category	Senior	15	Hour(s)
		Mid-level	28	Hour(s)
		Primary-level	27	Hour(s)

### 4.4 Occupational Health and Safety

Luzhu Biotech prioritizes employees' health and safety, continuously improves the occupational health and safety management system, and implements corresponding management measures, to prevent health and safety risks and enhance employees' safety awareness and skills.

#### 4.4.1 Management System

The Company complies with the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and the *Measures for the Management of National Occupational Health Standards*. We have established a series of systems including the *Occupational Hazard Prevention and Control Responsibility System*, the *Occupational Disease Hazard Warning and Notification System*, the *Occupational Health Monitoring of Employees and Documentation Management System*, the *Occupational Hazard Project Declaration System*, and the *Occupational Disease Prevention, Control Publicity, Education and Training System*. We have also developed a list of safety plans, emergency plans for workplace accidents, special emergency accidents for fire accidents, flood disasters, gas cylinder accidents, oxygen and inert gas leakage accidents, and on-site response plans, to prevent, control and eliminate occupational hazards and protect the safety and health of our employees.

The Company has established the Safety Committee comprised of department heads, general manager, and safety officers, outlining clear responsibilities for overseeing company-wide workplace safety. In 2023, we prepared and signed the *Safety Responsibility Letter*, clarifying the safety responsibilities during production and implementing safety management measures.

#### 4.4.2 Management Measures

The Company has appointed occupational disease prevention specialists to routinely distribute personal protective equipment (PPE) to employees, such as protective goggles, acid/alkali resistant gloves, and soundproof earmuffs. We have put in place a system governing the purchase, acceptance, storage, distribution, use, replacement, and disuse of PPE, and employees are urged to use PPE according to our guidelines to safeguard their own health. Additionally, we have established sound processes for handling work-related injuries and providing compensation to those injured. We promptly respond to sudden work-related injuries based on the processes, and appraise a work-related injury or evaluate disability according to relevant procedures.

## Environmental, Social and Governance Report

In compliance with the *Employee Physical Examination System*, the Company organizes routine physical examinations for all full-time employees, including all operators and managers engaged in production, maintenance, inspection, and animal husbandry. In 2023, 100% of full-time employees completed the physical examinations. For employees exposed to occupational disease hazards, we provide occupational health checkups. In 2023, 100% of the relevant staff completed the occupational health checkup. Prior to employment, individuals who are likely to come into direct contact with drugs are required to undergo a health checkup. Furthermore, we do not hire individuals with drug allergies and employees with open wounds on their bodies are not allowed to engage in drug production to protect their health.

During the past three years, there were no work-related fatalities in the Company.



Personal protective equipment (PPE)

### 4.4.3 Risk Prevention and Control

The Company conducts regular inspections on areas with potential occupational hazards and provides occupational physical examinations for employees in accordance with regulations, effectively protecting them from potential risk sources. We conduct safety inspections on our laboratories periodically and notify relevant management personnel of any safety hazards to address them safely and rapidly. There were no workplace accidents in the Company in 2023.

### 4.4.4 Safety Education and Training

We provide routine training on workplace safety to employees, enabling most of them to skillfully use firefighting equipment. Additionally, we organize activities to promote a safety culture such as the Safety Awareness Promotion Month, hanging banners with slogans, and knowledge competitions. Luzhu Biotech has invited a professional third-party organization to develop emergency plans and conducted regular drills.

In 2023, Luzhu Biotech conducted on-site drills based on emergency plans for potential fire accidents and hazardous chemical leakage incidents. The drills were aimed at testing the Company's ability to respond to emergencies and ensuring that emergency supplies were readily available.

In 2023, the Company conducted 13 safety trainings with a total of 562 participants and 6 emergency drills with a total of 279 participants.



Safety management training



Firefighting training and emergency rescue drill





Counter-terrorism safety training



Mechanical injury drill

*Quantitative indicators:*

Health and safety	Work-related fatalities occurred in the past three years	0	Person
	Lost days due to work injury	0	Day

**4.5 Inclusive Development**

Luzhu Biotech regards corporate social responsibility as a top priority in its development, and hopes to benefit more patients and improve health care access through an inclusive pricing strategy. Additionally, we encourage employees to participate in volunteer activities and support community development.

In 2023, the total number of volunteer hours contributed by employees was approximately 21.

APPENDICES

APPENDIX I KEY PERFORMANCE INDICATORS TABLE

Environmental Performance

KPIs		2023	2022	Unit	
Emissions	Air emissions	SOx	0	0	Metric ton
		NOx	0	0	Metric ton
		Particulate Matter	0.000	0.001	Metric ton
	Wastewater discharge	Wastewater discharge	15,744.6	16,430.6	Metric ton(s)
	Hazardous waste	Hazardous waste discharge	0.90	0.08	Metric ton
		Hazardous waste discharge intensity	0.0068	0.0007	Metric ton/person
	Non-hazardous waste	Non-hazardous waste discharge	0	1	Metric ton
		Non-hazardous waste discharge intensity	0.0000	0.0083	Metric ton/person
Greenhouse gas	Total greenhouse gas emissions		1,212.63	2,107.95	tCO <sub>2</sub> e
	Greenhouse gas emission intensity		9.12	17.42	tCO <sub>2</sub> e/person
	Direct (Scope 1) greenhouse gas emissions		0	0	tCO <sub>2</sub> e
	Direct (Scope 1) greenhouse gas emission intensity		0	0	tCO <sub>2</sub> e/person
	Indirect (Scope 2) greenhouse gas emissions		1,212.63	2,107.95	tCO <sub>2</sub> e
	Indirect (Scope 2) greenhouse gas emission intensity		9.12	17.42	tCO <sub>2</sub> e/person
Use of resources	Comprehensive energy consumption		248.28	574.64	Metric ton(s) of standard coal
	Comprehensive energy consumption intensity		1.87	4.75	Metric ton(s) of standard coal/person
	Water consumption		17,494	18,256	Metric ton(s)
	Water consumption intensity		131.53	150.88	Metric ton(s)/person
	Electricity consumption		202.40	148.54	10,000 kWh
	Petrol consumption		0	0	Liter
	Diesel consumption		0	0	Liter
	Natural gas consumption		0	0	Cubic meter
	Purchased steam		1,650	4,300	Metric ton(s)
	Packaging material consumption		0.37	14.37	Metric ton(s)
	Packaging material consumption intensity		0.0028	0.1188	Metric ton(s)/person
	Office paper consumption		1.25	-	Metric ton(s)
	Number of environmental incident or administrative penalty		0	0	Case

# Environmental, Social and Governance Report

## Social Performance

KPIs		2023	2022	Unit	
Employment	Total number of employees		133	121	Person(s)
	Number of employees by employment type	Full-time employees	122	113	Person(s)
		Part-time employees	3	4	Person(s)
		Others	8	4	Person(s)
	Number of employees by employment category	Senior	10	14	Person(s)
		Mid-level	14	9	Person(s)
		Primary-level	109	98	Person(s)
	Number of employees by gender	Male	75	70	Person(s)
		Female	58	51	Person(s)
	Number of employees by age	30 or below	52	41	Person(s)
		31-40	42	40	Person(s)
		41-50	22	20	Person(s)
		51 or above	17	20	Person(s)
	Number of employees by region	China	132	120	Person(s)
		Overseas	1	1	Person
	Number of employees by ethnicity	Han employees	127	-	Person(s)
		Ethnic minority employees	5	-	Person(s)
		Expatriate employees	1	-	Person
	Number of employees by educational background	Employees with a doctoral degree	4	-	Person(s)
		Employees with a Master's degree	23	-	Person(s)
		Employees with a Bachelor's degree	66	-	Person(s)
		Other employees	40	-	Person(s)
	Employment contract coverage		100	-	%
Social insurance coverage		100	100	%	
Number of employees leaving employment		19	11	Person(s)	
Employee turnover rate		14.29	8.33	%	
Employee turnover rate by gender	Male	14.67	9.09	%	
	Female	13.79	7.27	%	

## Environmental, Social and Governance Report

KPIs			2023	2022	Unit
	Employee turnover rate by age	30 or below	11.54	14.89	%
		31-40	11.90	6.98	%
		41-50	13.64	0.00	%
		51 or above	29.41	4.76	%
	Employee turnover rate by region	China	14.39	8.34	%
		Overseas	0.00	0.00	%
Health & Safety	Physical examination coverage of all full-time employees		100	100	%
	Occupational health check-up coverage		100	26	%
	Rate of licensed production personnel		100	-	%
	Safety training	Number of sessions	13	-	Session(s)
		Number of participants	562	-	Person(s)
	Emergency drills	Number of sessions	6	-	Session(s)
		Number of participants	279	-	Person(s)
	Number of work-related fatalities in the past three years		0	0	Person
	Lost days due to work injury		0	0	Day
Number of workplace accidents		0	0	Time	
Development & Training	Total number of annual training opportunities		3,298	12,830	Person(s)
	Average annual training duration		28	106	Hour(s)
	Percentage of employees trained by gender	Male	58	59	%
		Female	42	41	%
	Percentage of employees trained by employment category	Senior	8	11	%
		Mid-level	24	8	%
		Primary-level	68	82	%
	Average training hours completed per employee by gender	Male	31	114	Hour(s)
		Female	24	96	Hour(s)
	Average training hours completed per employee by employment category	Senior	15	97	Hour(s)
Mid-level		28	83	Hour(s)	
Primary-level		27	110	Hour(s)	

## Environmental, Social and Governance Report

KPIs		2023	2022	Unit	
Product Responsibility	Total R&D investment	17,268.5	4,893.8	10,000 yuan	
	The size of the R&D team	72	68	Person(s)	
	Number of authorized patents	5	5	Item(s)	
	Number of patents under review	8	10	Item(s)	
	Number of registered trademarks	19	4	Piece(s)	
	Percentage of total products sold or shipped subject to recalls for safety and health reasons	0	0	%	
	Quality training	Number of participants in company-level trainings	38	-	Person(s)
		Number of participants in department-level trainings	220	-	Person(s)
	Number of products and service related complaints	0	0	Case	
	Clinical trial ethics review coverage	100	-	%	
	Subject informed consent coverage	100	-	%	
	Number of intellectual property litigations	0	-	Case	
	Number of intellectual properties retained	24	14	Item(s)	
Supply chain management	Total number of suppliers	334	313	Supplier(s)	
	Number of suppliers by region	Overseas	23	4	Supplier(s)
		Eastern China	88	101	Supplier(s)
		Southern China	43	96	Supplier(s)
		Northern China	163	96	Supplier(s)
		Central China	10	7	Supplier(s)
		Northwest China	0	1	Supplier(s)
		Northeast China	1	1	Supplier(s)
		Southwest China	6	3	Supplier(s)
		Others	0	4	Supplier(s)
Percentage of suppliers that incorporate environmental and social impacts into their supplier evaluation questionnaire	100	-	%		
Community investment	Employee volunteer duration	21	-	Hour(s)	
	Number of employee volunteers	7	-	Person(s)	

## Governance Performance

KPIs		2023	2022	Unit	
Anti-corruption	Number of concluded legal cases regarding corrupt practices	0	0	Case	
	Business ethics and anti-corruption training	Number of trained directors	9	6	Person(s)
		Number of trained employees	131	132	Person(s)
		Director training hours	9	11	Hour(s)
		Employee training hours	131	132	Hour(s)

## APPENDIX II HKEX ESG REPORTING GUIDE

Subject Areas	Description	Page
<b>A. Environmental</b>		
<b>Aspect A1: Emissions</b>		
<b>General Disclosure</b>	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	77
<b>A1.1</b>	The types of emissions and respective emissions data.	80
<b>A1.2</b>	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	80
<b>A1.3</b>	Total hazardous waste produced and, where appropriate, intensity.	80
<b>A1.4</b>	Total non-hazardous waste produced and, where appropriate, intensity.	80
<b>A1.5</b>	Description of emissions target(s) set and steps taken to achieve them.	80
<b>A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	79

## Environmental, Social and Governance Report

Subject Areas	Description	Page
<b>Aspect A2: Use of Resources</b>		
<b>General Disclosure</b>	Policies on the efficient use of resources, including energy, water and other raw materials.	75
<b>A2.1</b>	Direct and/or indirect energy consumption by type in total and intensity.	76
<b>A2.2</b>	Water consumption in total and intensity.	76
<b>A2.3</b>	Description of energy use efficiency target(s) set and steps taken to achieve them.	76
<b>A2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	75-76
<b>A2.5</b>	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	76
<b>Aspect A3: The Environment and Natural Resources</b>		
<b>General Disclosure</b>	Policies on minimising the issuer's significant impacts on the environment and natural resources.	74
<b>A3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	74
<b>Aspect A4: Climate Change</b>		
<b>General Disclosure</b>	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	80
<b>A4.1</b>	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	80

Subject Areas	Description	Page
<b>B.Social</b>		
<b>Aspect B1: Employment</b>		
<b>General Disclosure</b>	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	89
<b>B1.1</b>	Total workforce by gender, employment type, age group and geographical region.	90
<b>B1.2</b>	Employee turnover rate by gender, age group and geographical region.	90
<b>Aspect B2: Health and Safety</b>		
<b>General Disclosure</b>	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> relating to providing a safe working environment and protecting employees from occupational hazards.	93
<b>B2.1</b>	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	96
<b>B2.2</b>	Lost days due to work injury.	96
<b>B2.3</b>	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	93-96



## Environmental, Social and Governance Report

Subject Areas	Description	Page
<b>Aspect B3: Development and Training</b>		
<b>General Disclosure</b>	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	92
<b>B3.1</b>	The percentage of employees trained by gender and employee category.	92
<b>B3.2</b>	The average training hours completed per employee by gender and employee category.	92
<b>Aspect B4: Labour Standards</b>		
<b>General Disclosure</b>	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to preventing child and forced labour.	89
<b>B4.1</b>	Description of measures to review employment practices to avoid child and forced labour.	89
<b>B4.2</b>	Description of steps taken to eliminate such practices when discovered.	89
<b>Aspect B5: Supply Chain Management</b>		
<b>General Disclosure</b>	Policies on managing environmental and social risks of the supply chain.	88-89
<b>B5.1</b>	Number of suppliers by geographical region.	89
<b>B5.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	88-89
<b>B5.3</b>	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	89
<b>B5.4</b>	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	89

Subject Areas	Description	Page
<b>Aspect B6: Product Responsibility</b>		
<b>General Disclosure</b>	<p>Information on:</p> <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	82-88
<b>B6.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	83
<b>B6.2</b>	Number of products and service related complaints received and how they are dealt with.	83-85
<b>B6.3</b>	Description of practices relating to observing and protecting intellectual property rights.	88
<b>B6.4</b>	Description of quality assurance process and recall procedures.	85
<b>B6.5</b>	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	86-87

## Environmental, Social and Governance Report

Subject Areas	Description	Page
<b>Aspect B7: Anti-corruption</b>		
<b>General Disclosure</b>	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to bribery, extortion, fraud and money laundering.	73
<b>B7.1</b>	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	74
<b>B7.2</b>	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	73
<b>B7.3</b>	Description of anti-corruption training provided to directors and staff.	73-74
<b>Aspect B8: Community Investment</b>		
<b>General Disclosure</b>	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	96
<b>B8.1</b>	Focus areas of contribution.	96
<b>B8.2</b>	Resources contributed to the focus area.	96

### APPENDIX III READER FEEDBACK FORM

Dear reader,

We thank you for taking the time to read this report. We have created this questionnaire to better understand your expectations and needs toward Luzhu Biotech's ESG practices and further improve our ESG work. We sincerely invite you to fill in this form as we highly value your feedback. Thanks again for your valuable opinions and suggestions!

1. What is your identity in relation to Luzhu Biotech?  
 Government/Regulatory Authority  Shareholder/Investor  Customer/Consumer  Employee  
 Community Member  Supplier/Partner  Others
2. Are you satisfied with this report?  
 Yes  No  Average
3. Does this report contain all the information of your interest?  
 Yes  No  Average
4. How do you evaluate the readability of this report?  
 Very Good  Good  Average  Bad  Very Bad
5. How do you evaluate the structure of this report?  
 Very Good  Good  Average  Bad  Very Bad
6. Does the information disclosed in this report meet your expectations?  
 Yes  No  Not Sure

# Independent Auditor's Report

## To the Shareholders of Beijing Luzhu Biotechnology Co., Ltd.

(北京綠竹生物技術股份有限公司)

(incorporated in the People's Republic of China with limited liability)

## OPINION

We have audited the consolidated financial statements of Beijing Luzhu Biotechnology Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 113 to 168, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

#### Key audit matter

Progress of completion on outsourcing service

As disclosed in Note 10 to the consolidated financial statements, the Group incurred outsourcing service fees amounting to approximately RMB125 million for the year ended December 31, 2023. The research and development activities with the outsourcing service providers are documented in detailed agreements and the determination on the progress of completion for recognition of outsourcing service fees to the profit and loss accounts and the corresponding accrual involves significant estimations and judgments.

We identified the determination on the progress of completion on outsourcing service as a key audit matter because it involves significant estimations and judgments and the outsourcing service fees for the year ended December 31, 2023 is the largest component in the research and development ("R&D") expenses.

#### How our audit addressed the key audit matter

Our procedures included:

- Inquiring the management in respect of the monitoring of the progress of outsourcing R&D activities and recording of relevant R&D expenses;
- Inquiring the representatives of certain outsourcing service providers and inspecting the relevant supporting documents to understand the progress of R&D projects;
- Checking with the major outsourcing service providers in respect of the progress of the services completed as at December 31, 2023; and
- Checking the accrual of outsourcing service fees in relation to major outsourcing service providers with reference to actual progresses at year end against the R&D activities stipulated in the respective service agreements to evaluate whether the outsourcing service fees were recorded based on respective contract sums and actual progress.

## Independent Auditor's Report

### OTHER INFORMATION

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

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



## Independent Auditor's Report

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lung, Wing Hung David.

Deloitte Touche Tohmatsu  
Certified Public Accountants  
Hong Kong  
March 15, 2024

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2023

	Notes	For the year ended December 31,	
		2023 RMB'000	2022 RMB'000
Other income	6	20,085	13,923
Other gains and losses, net	7	18,167	15,100
Fair value loss of financial liabilities at fair value through profit or loss ("FVTPL")	26	–	(551,546)
Administrative expenses		(87,011)	(85,830)
Research and development expenses		(172,685)	(91,426)
Finance costs	8	(844)	(722)
Listing expenses		(26,459)	(21,542)
Other expenses		(603)	(3,137)
Loss before tax		(249,350)	(725,180)
Income tax expense	9	–	–
Loss and total comprehensive expense for the year	10	(249,350)	(725,180)
Loss per share (RMB)	14		
Basic		(1.25)	(4.98)
Diluted		(1.25)	(4.98)

# Consolidated Statement of Financial Position

At December 31, 2023

	Notes	As at December 31,	
		2023 RMB'000	2022 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	383,905	229,627
Right-of-use assets	16	104,591	62,462
Intangible assets	17	4,127	3,437
Prepayments, deposits and other receivables	19	53,099	173,640
		545,722	469,166
<b>CURRENT ASSETS</b>			
Materials	18	3,477	2,535
Prepayments, deposits and other receivables	19	9,168	16,829
Financial assets at FVTPL	20	343,345	512,664
Bank balances	21	264,982	68,976
		620,972	601,004
<b>CURRENT LIABILITIES</b>			
Advance payments received and other payables	22	89,183	84,714
Lease liabilities	23	129	–
Bank borrowing	25	7,000	–
Deferred government grants	24	–	9,400
		96,312	94,114
<b>NET CURRENT ASSETS</b>		<b>524,660</b>	<b>506,890</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,070,382</b>	<b>976,056</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	23	12,087	11,219
Deferred government grants	24	37,667	27,371
		49,754	38,590
<b>NET ASSETS</b>		<b>1,020,628</b>	<b>937,466</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	27	202,450	192,064
Reserves		818,178	745,402
<b>TOTAL EQUITY</b>		<b>1,020,628</b>	<b>937,466</b>

The consolidated financial statements on pages 113 to 168 were approved and authorized for issue by the board of directors on March 15, 2024 and are signed on its behalf by:

**Kong Jian**

DIRECTOR

**Zhang Yanping**

DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Share capital RMB'000	Share premium RMB'000	Share-based payments reserve RMB'000 (Note 29)	Accumulated losses RMB'000	Total RMB'000
At January 1, 2022	90,888	74,214	45,680	(795,307)	(584,525)
Loss and total comprehensive expense for the year	-	-	-	(725,180)	(725,180)
Recognition of equity-settled share-based payments	-	-	111,413	-	111,413
Exercise of Directors Options (as defined and detailed in Note 29(a))	8,695	90,907	(90,907)	-	8,695
Reclassification from financial liabilities at FVTPL (Note 26)	92,481	2,034,582	-	-	2,127,063
At December 31, 2022	192,064	2,199,703	66,186	(1,520,487)	937,466
Loss and total comprehensive expense for the year	-	-	-	(249,350)	(249,350)
Recognition of equity-settled share-based payments	-	-	73,584	-	73,584
Issue of shares upon initial public offering ("IPO") (Note 27)	10,386	289,797	-	-	300,183
Share issue costs for IPO (Note 27)	-	(41,255)	-	-	(41,255)
At December 31, 2023	202,450	2,448,245	139,770	(1,769,837)	1,020,628

# Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	Notes	For the year ended December 31,	
		2023 RMB'000	2022 RMB'000
<b>OPERATING ACTIVITIES</b>			
Loss before tax		(249,350)	(725,180)
Adjustment for:			
Fair value gains on financial assets at FVTPL	7	(11,377)	(13,868)
Foreign exchange gains, net		(6,866)	(495)
Depreciation of property, plant and equipment	10	11,438	5,286
Depreciation of right-of-use assets		4,456	4,463
Amortization of intangible assets	10	214	135
(Gain) loss on disposal of property, plant and equipment	7	(56)	3
Interest income		(6,009)	(249)
Gain on early termination of a lease	7	–	(239)
Finance costs	8	844	722
Fair value loss of financial liabilities at FVTPL	26	–	551,546
Issue cost for financial liabilities at FVTPL		–	2,547
Release of deferred government grants		(5,104)	(11,530)
Recognition of equity-settled share-based payments		73,584	111,413
Operating cash flows before movements in working capital		(188,226)	(75,446)
(Increase) decrease in materials		(942)	2,788
Increase in prepayments, deposits and other receivables		(23,829)	(14,376)
Increase in advance payments received and other payables		23,049	9,006
Decrease in contract liability		–	(237)
Increase in deferred government grants related to research and development activities		–	1,000
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(189,948)</b>	<b>(77,265)</b>

## Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	Notes	For the year ended December 31,	
		2023 RMB'000	2022 RMB'000
<b>INVESTING ACTIVITIES</b>			
Interest received		5,900	223
Purchases of property, plant and equipment		(85,775)	(208,205)
Payments for right-of-use assets		(1,345)	(45,316)
Payment for rental deposits		–	(279)
Refund of rental deposits		–	318
Purchases of financial assets at FVTPL		(646,119)	(1,521,060)
Proceeds from disposal of financial assets at FVTPL		826,815	1,554,629
Placement of term deposits with original maturity over three months		(7,000)	–
Government grant received related to plant and machinery	24	6,000	–
Payment for intangible assets	17	–	(3,572)
Proceed from disposal of property, plant and equipment		105	–
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>		<b>98,581</b>	<b>(223,262)</b>
<b>FINANCING ACTIVITIES</b>			
Payments of share issue costs for IPO		(33,788)	(6,589)
Proceeds from issue of ordinary shares		300,183	8,695
Proceed from issue of financial liabilities at FVTPL	26	–	338,000
Payment of issue costs for financial liabilities at FVTPL		–	(2,547)
New bank borrowing raised		10,000	–
Repayment of bank borrowing		(3,000)	–
Interest paid		(165)	(63)
Repayments of lease liabilities		(59)	(518)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>273,171</b>	<b>336,978</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>181,804</b>	<b>36,451</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>68,976</b>	<b>32,030</b>
Effect of foreign exchange rate changes		7,111	495
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>257,891</b>	<b>68,976</b>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 1. GENERAL INFORMATION

Beijing Luzhu Biotechnology Co., Ltd. (the “Company”) was established as a limited liability company in Beijing, the People’s Republic of China (the “PRC”) on November 9, 2001. The Company was converted into a joint stock company with limited liability under the Company Law of the PRC on July 19, 2013. The address of the registered office and the principal place of business of the Company is No.3 Guangtong Street, Industrial Development Zone, Tongzhou District, Beijing, PRC. The controlling shareholders of the Company are Mr. Kong Jian and his spouse, namely Ms. Zhang Yanping through their direct or indirect interests held in the Company.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from May 8, 2023.

The Company and its subsidiaries are principally engaged in research, development and production of vaccines and therapeutic biologics in the PRC. The Company and its subsidiaries are hereinafter collectively referred to as the “Group”.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

### (a) New and Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the Group’s annual period beginning on January 1, 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two Model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

#### (a) New and Amendments to IFRSs that are mandatorily effective for the current year (Continued)

##### *Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies*

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3 to the consolidated financial statements.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

#### (b) Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to IAS 21	Lack of Exchangeability <sup>3</sup>

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

2. Effective for annual periods beginning on or after January 1, 2024.

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

The directors of the Company (the “Directors”) anticipate that the application of amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

#### 3.1 Basis of preparation of Consolidated Financial Statements

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

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information

##### *Basis of consolidation*

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

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

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

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

##### *Revenue from contracts with customers*

Information about the Group's accounting policies relating to contracts with customers is provided in Note 6.

##### *Leases*

###### *The Group as lessee*

###### *Right-of-use assets*

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

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

###### *Lease liabilities*

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

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

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

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

##### *Government grants*

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred government grants in the consolidated financial statements and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

##### *Share-based payments*

##### *Equity-settled share-based payment transactions*

##### *Shares/share options granted to employees*

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

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

##### *Share-based payments (Continued)*

##### *Equity-settled share-based payment transactions (Continued)*

##### *Shares/share options granted to employees (Continued)*

When share options are exercised, the amount previously recognized in share-based payments reserve will be transferred to share premium.

When shares granted are vested, the amount previously recognized in share-based payments reserve will be transferred to share premium.

##### *Modification to the terms and conditions of the share-based payment arrangements*

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognizes, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

If the modification reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

##### *Taxation*

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

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

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

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

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

##### *Taxation (Continued)*

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

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

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

Current and deferred tax are recognized in profit or loss.

##### *Property, plant and equipment*

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

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

##### *Property, plant and equipment (Continued)*

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

##### *Intangible assets*

##### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Variable payments that are dependent on the Group’s future activity are excluded from the initial measurement of intangible assets and instead are recognized as a liability when the condition that triggers the obligation occurs. The subsequent changes in the liability are recognized as an adjustment to the cost of the intangible assets if it is determined that the future payment is related to the cost of the assets or otherwise recognized as an expense in the period in which they are incurred.

Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

##### *Intangible assets (Continued)*

##### *Research and development expenditure*

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

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

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

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

##### *Materials*

Materials are mainly reagent and consumable materials for research and development purposes. Materials are stated at the lower of cost and recoverable amount, and expensed as they are consumed.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

##### *Financial instruments*

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

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

##### *Financial assets*

##### *Classification and subsequent measurement of financial assets*

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

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

All other financial assets of the Group are subsequently measured at fair value.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

##### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### *Amortized cost and interest income*

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

Interest income is recognized in profit or loss and included in the “other income” line item.

##### *Financial assets at FVTPL*

The Group’s financial assets that do not meet the criteria for being measured at amortized cost are measured at FVTPL.

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

##### *Impairment of financial assets*

The Group performs impairment assessment under expected credit loss (“ECL”) on financial assets (including bank balances, deposits and other receivables) which are subject to impairment assessment under IFRS 9 *Financial Instruments* (“IFRS 9”). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

##### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### *Impairment of financial assets (Continued)*

For all financial assets, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

##### *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

##### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### *Significant increase in credit risk (Continued)*

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

##### *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### *Foreign exchange gains and losses*

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

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses, net' line item as part of the foreign exchange gains/(losses), net;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other gains and losses, net' line item as part of the fair value gains/(losses) on financial assets at FVTPL.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

##### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### *Derecognition of financial assets*

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

##### *Financial liabilities and equity*

##### *Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The liability/equity classification made at initial recognition is reconsidered if there are changes to the contractual terms of the instrument.

##### *Equity instruments*

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

Financial instruments issued by the Group, which include no contractual obligation for the Group to deliver cash or other financial assets are classified as equity instruments.

##### *Financial liabilities*

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

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 *Business Combinations* applies, (ii) held for trading or (iii) designated as at FVTPL.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

##### *Financial instruments (Continued)*

##### *Financial liabilities and equity (Continued)*

##### *Financial liabilities at FVTPL (Continued)*

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

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

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

##### *Financial liabilities at amortized cost*

Financial liabilities including other payables and bank borrowing are subsequently measured at amortized cost, using the effective interest method.

##### *Foreign exchange gains and losses*

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

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

*Financial instruments (Continued)*

*Financial liabilities and equity (Continued)*

*Derecognition of financial liabilities*

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

### 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

#### Critical judgment in applying accounting policies

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

#### *Research and development expenditures*

There are two phases in the generation of the Group's vaccines and therapeutic biologics internally: the research phase and the development phase. Development costs incurred are capitalized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and use or sell the asset, how the asset will generate probable future economic benefits, the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset, and the Group's ability to measure reliably the expenditure attributable to the asset during the development. Development costs which do not meet these criteria are expensed when incurred.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### Critical judgment in applying accounting policies (Continued)

##### *Research and development expenditures (Continued)*

The Directors assess the progress of each research and development projects and determine whether the criteria are met for capitalization. During the two years ended December 31, 2023, all research costs are expensed when incurred.

#### Key sources of estimation uncertainty

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

#### Useful lives and impairment of property, plant and equipment

The Group determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, the Group assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Any change in these estimates may have a material impact on the results of the Group. The Group will increase the depreciation charges where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired.

As at December 31, 2023, the carrying amount of property, plant and equipment of the Group was RMB383,905,000 (December 31, 2022: RMB229,627,000) as disclosed in Note 15.

### 5. SEGMENT INFORMATION

For the purposes of resources allocation and performance assessment, the executive directors of the Company, being the chief operating decision makers, review the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one operating and reportable segment and no further analysis of this single segment is presented.

The Group did not record any revenue during the year ended December 31, 2023 (year ended December 31, 2022: nil). As at December 31, 2023, the Group's non-current assets excluding financial instruments amounting to RMB545,391,000 (December 31, 2022: RMB468,853,000) are all located in Mainland China, accordingly, no analysis of geographical information is presented.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 6. OTHER INCOME

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Income from sales of immunoreagent testing kits (Note)	1,802	2,056
Government grants related to		
– Plant and machinery (Note 24)	2,235	195
– Right-of-use assets and plant and machinery (Note 24)	2,869	2,935
– Research and development activities (Note 24)	–	8,400
– IPO success subsidy	7,000	–
– Others	170	88
Interest income on bank balances	5,991	223
Interest income from rental deposits	18	26
Total	20,085	13,923

Note: An analysis of the Group's income from sales of immunoreagent testing kits is as follows:

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Type of goods		
Immunoreagent testing kits	1,802	2,056
Timing of recognition		
At a point in time	1,802	2,056

During the year, the Group sells immunoreagent testing kits to pharmaceutical companies. Sale of immunoreagent testing kits is not considered the principal business of the Group. For sales of immunoreagent testing kits to its customer, income is recognized when customer obtains control of the goods, being at the point the goods are delivered to the customer. The Group usually requires 100% upfront payments from its customers and occasionally allows a credit period of 30 days to its customers. The transaction price received by the Group is recognized as contract liability until the immunoreagent testing kits are delivered to the customer.

Sales of immunoreagent testing kits are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

During the year, income from sales of immunoreagent testing kits of the corresponding years contributing over 10% of such income of the Group are as follows:

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Customer A	550	853
Customer B	318	359
Customer C	228	–
Customer D	N/A*	351

\* The corresponding income did not contribute over 10% of total income from sales of immunoreagent testing kits of the Group for the relevant year.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 7. OTHER GAINS AND LOSSES, NET

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Fair value gains on financial assets at FVTPL	11,377	13,868
Gain (loss) on disposal of property, plant and equipment	56	(3)
Foreign exchange gains, net	6,734	996
Gain on early termination of a lease	–	239
Total	18,167	15,100

### 8. FINANCE COSTS

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Interest on bank borrowing	163	–
Interest on lease liabilities	681	722
Total	844	722

### 9. INCOME TAX EXPENSE AND DEFERRED TAXATION

#### Income tax expense

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the statutory tax rate of the Company and its PRC subsidiaries is 25% for both years.

Pursuant to the notice of the Ministry of Finance and the State Administration of Taxation on extending the loss carrying forward period of high and new technology enterprises and high-tech small and medium enterprises (Cai Shui [2018] No. 76), with effect from January 1, 2018, for qualified high and new technology enterprises and high-tech small and medium enterprises, the unutilized tax losses incurred in the previous 5 years can be utilized in 10 years from the year of loss. The Company was qualified as high and new technology enterprise from October 31, 2018 to October 31, 2021 and the unutilized tax losses of the Company incurred between year 2013 and year 2020 will be expired in 10 years from the year of loss.

No Hong Kong profit tax was provided for as there was no estimated assessable profit of the Group’s Hong Kong subsidiary that was subject to Hong Kong profit tax for both years.

No provision for PRC income tax was made as the Company and its PRC subsidiaries incurred tax losses for both years.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 9. INCOME TAX EXPENSE AND DEFERRED TAXATION (CONTINUED)

#### Income tax expense (Continued)

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

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Loss before tax	(249,350)	(725,180)
Tax at the statutory tax rate of 25% (2022: 25%)	(62,338)	(181,295)
Tax effect of expenses not deductible for tax purpose	19,249	152,320
Tax effect of income not taxable for tax purpose	–	(333)
Tax effect of super deduction for research and development expenses (Note)	(38,481)	(4,179)
Tax effect of deductible temporary differences not recognized	1,229	13,532
Tax effect of tax losses not recognized and utilization of tax losses not recognized in prior years	80,341	19,955
	–	–

Note: Pursuant to Cai Shui [2018] No. 99 and Cai Shui [2021] No. 6, the Company and Luzhu Biopharmaceuticals (Zhuhai) Co., Ltd.\* (綠竹生物製藥(珠海市)有限公司) (“Zhuhai Luzhu”) are entitled to claim 175% qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits from January 1, 2018 to December 31, 2023. Pursuant to Caishui 2021 circular No. 13, the Group enjoys accelerated deduction of 200% on qualifying research and development expenses from January 1, 2022.

\* English name is for identification purpose only.

#### Deferred taxation

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Deferred tax assets	4,884	4,980
Deferred tax liabilities	(4,884)	(4,980)
	–	–

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 9. INCOME TAX EXPENSE AND DEFERRED TAXATION (CONTINUED)

#### Deferred taxation (Continued)

The following are the deferred tax liabilities and assets recognized and movements thereon:

	Tax losses RMB'000	Revaluation of property, plant and equipment and leasehold lands RMB'000	Fair value gains on financial assets at FVTPL RMB'000	Total RMB'000
At January 1, 2022	5,558	(4,474)	(1,084)	-
(Charge) credit to profit or loss	(578)	331	247	-
At December 31, 2022	4,980	(4,143)	(837)	-
(Charge) credit to profit or loss	(96)	331	(235)	-
At December 31, 2023	<b>4,884</b>	<b>(3,812)</b>	<b>(1,072)</b>	<b>-</b>

As at December 31, 2023, the Group had estimated unused tax losses of approximately RMB491,491,000 (December 31, 2022: RMB170,512,000) which are available for offset against future profits. Deferred tax assets have been recognized in respect of approximately RMB19,538,000 (December 31, 2022: RMB19,922,000) of such losses as at December 31, 2023. No deferred tax asset has been recognized in respect of the remaining approximately RMB471,953,000 (December 31, 2022: RMB150,590,000) due to the unpredictability of future profit streams as at December 31, 2023.

The unrecognized tax losses with expiry dates are disclosed in the following table:

	As at December 31,	
	2023 RMB'000	2022 RMB'000
2024	-	12
2025	338	356
2026	13,246	11,838
2027	80,406	80,520
2028	357,961	37,862
2029	8,740	8,740
2030	11,262	11,262
Total	<b>471,953</b>	150,590

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 9. INCOME TAX EXPENSE AND DEFERRED TAXATION (CONTINUED)

#### Deferred taxation (Continued)

As at December 31, 2023, the Group has deductible temporary differences of RMB95,823,000 (December 31, 2022: RMB90,907,000) in relation to the share-based payments expenses of the Directors Options and accrued expenses. No deferred tax asset has been recognized in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

### 10. LOSS FOR THE YEAR

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Loss for the year has been arrived at after charging:		
Staff costs, including directors' and supervisors' remuneration		
– salaries and other allowances	26,474	21,037
– retirement benefits	2,261	1,625
– equity-settled share-based payments included in administrative expenses	57,197	68,925
– equity-settled share-based payments included in research and development expenses	16,387	42,488
Total staff costs	102,319	134,075
Auditor's remuneration	2,300	27
Listing expenses	26,459	21,542
Depreciation of property, plant and equipment	11,438	5,286
Depreciation of right-of-use assets	4,870	4,463
Amortization of intangible assets	214	135
Less: capitalized in construction in process	(414)	–
Total depreciation and amortization	16,108	9,884
Short-term leases expense	143	124
Cost of materials included in research and development expenses	2,873	7,941
Outsourcing service fees included in research and development expenses	125,090	17,849

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS

The emoluments paid or payable to the Directors, chief executive and supervisors of the Company are as follows:

Year ended December 31, 2023

	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000 (Note i)	Retirement benefits RMB'000	Equity-settled share-based payments expense RMB'000	Total RMB'000
Executive directors:					
Mr. Kong Jian (Note a)	555	100	59	1,221	1,935
Ms. Jiang Xianmin (Note b)	481	55	–	–	536
Ms. Zhang Yanping (Note c)	481	56	–	37,217	37,754
Sub-total	1,517	211	59	38,438	40,225
Non-executive directors:					
Mr. Ma Biao (Note d)	–	–	–	–	–
Mr. Kong Shuangquan (Note e)	–	–	–	–	–
Sub-total	–	–	–	–	–
Independent non-executive directors:					
Mr. Leung Wai Yip (Note h)	107	–	–	–	107
Mr. Liang Yeshi (Note h)	107	–	–	–	107
Ms. Hou Aijun (Note h)	107	–	–	–	107
Sub-total	321	–	–	–	321
Supervisors:					
Ms. Peng Ling	425	78	49	7,096	7,648
Ms. Kong Xi	287	37	26	–	350
Mr. Chen Liang (Note g)	251	42	37	1,048	1,378
Sub-total	963	157	112	8,144	9,376
Total	2,801	368	171	46,582	49,922

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Year ended December 31, 2022

	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000 (Note i)	Retirement benefits RMB'000	Equity-settled share-based payments expense RMB'000	Total RMB'000
Executive directors:					
Mr. Kong Jian (Note a)	485	82	43	39,282	39,892
Ms. Jiang Xianmin (Note b)	430	190	–	6,935	7,555
Ms. Zhang Yanping (Note c)	430	95	–	30,665	31,190
Sub-total	1,345	367	43	76,882	78,637
Non-executive directors:					
Mr. Ma Biao (Note d)	–	–	–	–	–
Mr. Kong Shuangquan (Note e)	–	–	–	–	–
Mr. Lin Lei (Note f)	–	–	–	–	–
Sub-total	–	–	–	–	–
Supervisors:					
Ms. Peng Ling	365	72	37	4,804	5,278
Ms. Kong Xi	174	40	23	177	414
Mr. Chen Liang (Note g)	156	13	21	779	969
Sub-total	695	125	81	5,760	6,661
Total	2,040	492	124	82,642	85,298

Notes:

- a. Mr. Kong Jian was appointed as a director on September 11, 2008, and was re-designated as an executive director on June 18, 2022. Mr. Kong Jian is also the chief executive of the Company.
- b. Ms. Jiang Xianmin was appointed as a director on June 28, 2013, and was re-designated as an executive director on June 18, 2022.
- c. Ms. Zhang Yanping was appointed as a director on June 28, 2013 and was re-designated as an executive director on June 18, 2022.
- d. Mr. Ma Biao was appointed as a non-executive director on August 2, 2019, and was re-designated as a non-executive director on June 18, 2022.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes: (Continued)

- e. Mr. Kong Shuangquan was appointed as a non-executive director on August 2, 2019, and was re-designated as a non-executive director on June 18, 2022.
- f. Mr. Lin Lei was appointed as a non-executive director on September 10, 2021, and resigned from his position of a non-executive director with effect from May 28, 2022.
- g. Mr. Chen Liang joined the Group in August 2021 and he was appointed as a supervisor on April 26, 2022.
- h. Mr. Leung Wai Yip, Mr. Liang Yeshi and Ms. Hou Aijun were appointed as independent non-executive directors on March 30, 2023.
- i. Discretionary bonuses are determined based on the Group's performance, performance of the relevant individual within the Group.

Certain directors and supervisors were granted shares, in respect of their services to the Group, details are set out in Note 29 to the consolidated financial statements.

There were no arrangement under which a director, a supervisor of the Company or the chief executive waived or agreed to waive any remuneration during the year ended December 31, 2023 (year ended December 31, 2022: nil).

### 12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included three directors or supervisors (year ended December 31, 2022: four directors or supervisors), details of whose remuneration are set out in Note 11 above. Details of the remuneration for the year of the remaining two (year ended December 31, 2022: one) highest paid employees who are neither a director nor a supervisor are as follows:

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Salaries and other allowances	728	1,727
Discretionary bonuses	98	154
Retirement benefits	49	55
Equity-settled share-based payments expense	7,210	1,779
Total	8,085	3,715

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 12. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

The number of the highest paid employees who are not the directors or supervisors whose remuneration fell within the following bands is as follows:

	For the year ended December 31,	
	2023 No. of employees	2022 No. of employees
Hong Kong dollars ("HK\$") 4,000,001 to HK\$4,500,000	1	1
HK\$4,500,001 to HK\$5,000,000	1	–
Total	2	1

No emoluments was paid by the Group to the directors, supervisors or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended December 31, 2023 (year ended December 31, 2022: nil).

### 13. DIVIDENDS

No dividend was paid or declared by the Company and its subsidiaries during the year ended December 31, 2023, nor has any dividend declaration been proposed since the end of the reporting period (year ended December 31, 2022: nil).

### 14. LOSS PER SHARE

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

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
<b>Loss</b>		
Loss for the year attributable to owners of the Company	(249,350)	(725,180)

	For the year ended December 31,	
	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	198,835	145,512

There are no potential ordinary shares in issue for the purpose of calculation of diluted loss per share for the year ended December 31, 2023. For the purpose of calculation of diluted loss per share for the year ended December 31, 2022, financial liabilities at FVTPL as detailed in Note 26 and Directors Options as detailed in Note 29 were not included as their inclusion would result in a decrease in loss per share.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 15. PROPERTY, PLANT AND EQUIPMENT

	Property RMB'000	Leasehold improvement RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At January 1, 2022	17,006	3,547	14,651	2,459	1,420	60,148	99,231
Additions	-	-	7,218	-	825	150,844	158,887
Transfer	-	18,257	39,921	-	-	(58,178)	-
Disposals	-	-	(67)	-	(5)	-	(72)
At December 31, 2022	17,006	21,804	61,723	2,459	2,240	152,814	258,046
Additions	-	-	1,536	649	220	163,360	165,765
Transfer	199,368	1,043	1,845	-	-	(202,256)	-
Disposals	-	-	-	(972)	(8)	-	(980)
At December 31, 2023	<b>216,374</b>	<b>22,847</b>	<b>65,104</b>	<b>2,136</b>	<b>2,452</b>	<b>113,918</b>	<b>422,831</b>
ACCUMULATED DEPRECIATION							
At January 1, 2022	(13,261)	(178)	(7,805)	(1,422)	(536)	-	(23,202)
Provided for the year	(1,176)	(1,420)	(2,142)	(268)	(280)	-	(5,286)
Disposals	-	-	64	-	5	-	69
At December 31, 2022	(14,437)	(1,598)	(9,883)	(1,690)	(811)	-	(28,419)
Provided for the year	(1,176)	(2,622)	(6,921)	(319)	(400)	-	(11,438)
Disposals	-	-	-	923	8	-	931
At December 31, 2023	<b>(15,613)</b>	<b>(4,220)</b>	<b>(16,804)</b>	<b>(1,086)</b>	<b>(1,203)</b>	<b>-</b>	<b>(38,926)</b>
CARRYING VALUES							
At December 31, 2022	2,569	20,206	51,840	769	1,429	152,814	229,627
At December 31, 2023	<b>200,761</b>	<b>18,627</b>	<b>48,300</b>	<b>1,050</b>	<b>1,249</b>	<b>113,918</b>	<b>383,905</b>

Property, plant and equipment other than construction in progress are depreciated using the straight-line method after taking into account of their estimated residual values with the following useful lives:

Property	10 to 20 years
Leasehold improvement	Shorter of lease terms and 10 years
Machinery	3 to 10 years
Vehicles	4 to 5 years
Office equipment	3 to 5 years

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 16. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leasehold properties RMB'000	Total RMB'000
COST			
At January 1, 2022	50,700	24,342	75,042
Addition	–	3,527	3,527
Early termination of a lease	–	(3,527)	(3,527)
At December 31, 2022	50,700	24,342	75,042
Addition	46,622	377	46,999
At December 31, 2023	<b>97,322</b>	<b>24,719</b>	<b>122,041</b>
ACCUMULATED DEPRECIATION			
At January 1, 2022	(6,176)	(2,686)	(8,862)
Charge for the year	(1,098)	(3,365)	(4,463)
Early termination of a lease	–	745	745
At December 31, 2022	(7,274)	(5,306)	(12,580)
Charge for the year	(2,287)	(2,583)	(4,870)
At December 31, 2023	<b>(9,561)</b>	<b>(7,889)</b>	<b>(17,450)</b>
CARRYING VALUES			
At December 31, 2022	43,426	19,036	62,462
At December 31, 2023	<b>87,761</b>	<b>16,830</b>	<b>104,591</b>

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Expense relating to short-term leases	143	124
Total cash outflow for leases	<b>1,818</b>	46,021

Right-of-use assets are depreciated on a straight-line basis over the lease terms.

The Group leases lands and properties to operate its business. These leases are made for fixed terms of 3 to 50 years. Lease terms are negotiated on an individual basis and contain different payment terms and conditions.

The Group's lease agreements do not contain any contingent rent nor any extension, termination or purchase option for lessee. Other than leasehold lands, the lease agreements do not impose any covenants other than the security interests in the leased properties that are held by the lessor. Leased properties may not be used as security for borrowing purposes.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 16. RIGHT-OF-USE ASSETS (CONTINUED)

In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns buildings where its research and development facilities are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for properties and office equipment. As at December 31, 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term leases expense disclosed in Note 10.

### 17. INTANGIBLE ASSETS

	License right RMB'000
COST	
At January 1, 2022	–
Addition	3,572
At December 31, 2022	3,572
Addition	904
At December 31, 2023	<b>4,476</b>
AMORTIZATION	
At January 1, 2022	–
Charge for the year	(135)
At December 31, 2022	(135)
Charge for the year	(214)
At December 31, 2023	<b>(349)</b>
CARRYING VALUE	
At December 31, 2022	3,437
At December 31, 2023	<b>4,127</b>

In May 2022, the Company entered into a licensing agreement with an independent third party regarding a non-exclusive license right including intellectual property rights, compounds and products for the clinical trial and future production of the Group's products. Under the terms of the agreement, the total upfront payment was cash consideration of British pound 440,000. The Group also agreed to pay the counterparty future clinical development milestone payments, commercialization milestone payments, as well as royalties on manufacturing and sales of the product under the corresponding research and development project using the rights under the licensing agreement.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 17. INTANGIBLE ASSETS (CONTINUED)

In September 2023, the Group paid the counterparty clinical development milestone payments of Great Britain Pound (“GBP”) 100,000.

The license right is amortized over 18 years which is based on the terms of the licensing agreement and the estimated duration of product sales, whichever is shorter.

### 18. MATERIALS

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Materials for research and development projects	3,257	2,370
Immunoreagent testing kits	220	165
Total	3,477	2,535

### 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Value added tax recoverable	39,762	19,129
Prepayments for purchase of property, plant and equipment	13,499	108,921
Prepayments to suppliers and service providers	7,930	4,901
Rental deposits	331	313
Prepayments for right-of-use assets	–	45,277
Deferred share issue costs for IPO	–	11,350
Others	745	578
Total	62,267	190,469
Analyzed as:		
Non-current	53,099	173,640
Current	9,168	16,829
Total	62,267	190,469

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 20. FINANCIAL ASSETS AT FVTPL

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Financial assets at FVTPL	343,345	512,664
Financial assets at FVTPL denominated in:		
RMB	179,358	512,664
United States dollars ("US\$ ")	163,987	-
	343,345	512,664

The Group invested in certain financial products managed by banks and financial institutions which can be redeemed at any time or at maturity within one year. There is no predetermined or guaranteed return for each product. Such financial products are accounted for as financial assets at FVTPL under IFRS 9.

### 21. BANK BALANCES

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Term deposits with original maturity over three months	7,091	-
Cash and cash equivalents as stated in the consolidated statement of cash flows	257,891	68,976
Bank balances	264,982	68,976
Bank balances denominated in:		
RMB	177,780	63,644
US\$	166	5,332
HK\$	87,036	-
	264,982	68,976

Term deposits with original maturity over three months carry interest at market rates of 1.90% (December 31, 2022: nil) per annum as at December 31, 2023.

Cash and cash equivalents comprise cash at banks and term deposits with original maturity of three months or less which are held within banks and carry interest at market rate of 0.01% to 4.45% (December 31, 2022: 0.01% to 1.90%) per annum as at December 31, 2023.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 22. ADVANCE PAYMENTS RECEIVED AND OTHER PAYABLES

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Payables for acquisition of property, plant and equipment	51,247	67,093
Payables for research and development activities	32,416	2,424
Accrued salaries and other allowances	4,070	3,885
Payables for intangible assets	904	–
Other tax payables	222	107
Accrued listing expenses	–	7,521
Accrued share issue costs for IPO	–	3,638
Others	324	46
	<b>89,183</b>	84,714
Advance payments received and other payables denominated in:		
RMB	87,685	74,819
US\$	496	9,895
HK\$	98	–
GBP	904	–
	<b>89,183</b>	84,714

### 23. LEASE LIABILITIES

Luzhu Biologics (Beijing) Co. Limited\* (綠竹生物製品(北京)有限公司) (“Beijing Luzhu”) leases a property from April 2022 to April 2025 for research and development. The lease liabilities amounting to RMB3,488,000 was recognized at the present value of the lease payments that are not yet paid, using the incremental borrowing rate of 4.50% per annum. The rental deposit paid at initial recognition is RMB318,000, of which the adjustment to fair value amounted to RMB39,000 is considered as additional lease payments and included in the cost of right-of-use assets. On December 2, 2022, Beijing Luzhu entered into a supplementary agreement with the lessor to terminate the lease. Beijing Luzhu derecognized the right-of-use assets of RMB2,782,000 and lease liabilities of RMB2,990,000, resulting in a gain of RMB239,000 recognized in profit or loss after consideration of refund of rental deposits.

The Company leases a property from October 2023 to October 2026 for research and development. The lease liabilities amounting to RMB377,000 was recognized at the present value of the lease payments that are not yet paid, using the incremental borrowing rate of 3.50% per annum.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 23. LEASE LIABILITIES (CONTINUED)

The exposure of the Group's lease liabilities are as follows:

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Lease liabilities payable:		
Within one year	129	–
More than one year, but not exceeding two years	124	–
More than two years, but not exceeding five years	6,927	4,449
More than five years	5,036	6,770
	12,216	11,219
Less: Amount due for settlement within 12 months shown under current liabilities	129	–
Amount due for settlement after 12 months shown under non-current liabilities	12,087	11,219

The incremental borrowing rates applied by the relevant group entities range from 3.50% to 6.05% (December 31, 2022: 6.05%) per annum for lease liabilities as at December 31, 2023.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

### 24. DEFERRED GOVERNMENT GRANTS

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Current	–	9,400
Non-current	37,667	27,371
	37,667	36,771

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 24. DEFERRED GOVERNMENT GRANTS (CONTINUED)

Movements of deferred government grants

	Deferred government grants related to			Total RMB'000
	Plant and machinery RMB'000	Right-of-use assets RMB'000	Research and development activities RMB'000	
At January 1, 2022	18,023	12,478	16,800	47,301
Government grants received	-	-	1,000	1,000
Release of deferred government grants to profit or loss	(195)	(2,935)	(8,400)	(11,530)
At December 31, 2022	17,828	9,543	9,400	36,771
Government grants received	6,000	-	-	6,000
Release of deferred government grants to profit or loss	(2,235)	(2,869)	-	(5,104)
At December 31, 2023	<b>21,593</b>	<b>6,674</b>	<b>9,400</b>	<b>37,667</b>

Government grants include subsidies from local PRC governments which are specifically for (i) compensations of the capital expenditure incurred for purchase of plant and machinery and right-of-use assets, which are recognized over the useful life of the related assets and (ii) the research and development activities, which are recognized upon compliance with the attached conditions.

### 25. BANK BORROWING

The Group obtained a new bank borrowing of RMB10,000,000 in March 2023 and partially repaid RMB3,000,000 in September 2023, the remaining balances will mature in March 2024. The borrowing carries interest at 2.35% per annum and guaranteed by one of the controlling shareholders of the Company, Mr. Kong Jian.

### 26. FINANCIAL LIABILITIES AT FVTPL

During year 2019 and 2022, the Company entered into several series of financing agreements with external investors, and these investors made investments in the Company as consideration for subscription of ordinary shares with preference rights of the Company ("Preference Shares"). Before the entering of series C financing agreement ("Series C Financing"), the investors had the preference rights including the liquidation preferences, anti-dilution right and redemption right so that the Group designated the Preference Shares which contain redemption features and other embedded derivatives as financial liabilities at FVTPL on initial recognition. The fair value change of Preference Shares is recognized to profit or loss except for the portion attributable to credit risk change which shall be recognized to other comprehensive income, if any. The Directors considered that the credit risk change on the financial liabilities that drive the fair value change of the financial liabilities during the year ended December 31, 2022 is immaterial.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 26. FINANCIAL LIABILITIES AT FVTPL (CONTINUED)

According to the Series C Financing entered into in 2022, no redemption obligation was undertaken by the Group, and the preference rights including the liquidation preferences and anti-dilution right shall terminate upon the Company's submission of the listing application.

The movements in the financial liabilities at FVTPL are as follows:

	Financial liabilities at FVTPL RMB'000
At January 1, 2022	1,237,517
Addition	338,000
Change in fair value	551,546
Reclassification ( <i>Note</i> )	(2,127,063)
At December 31, 2022	–

Note: Upon the Company's submission of the listing application in June 2022, the Preference Shares meet the definition of equity as the Group has no contractual obligation to deliver cash or a variable number of shares. Therefore, the Preference Shares were reclassified from financial liabilities to equity at their fair value, resulting in an increase of share capital of RMB92,481,000 and an increase of share premium of RMB2,034,582,000.

### 27. SHARE CAPITAL

	Number of shares '000	Share capital RMB'000
Issued and fully paid		
As at January 1, 2022	90,888	90,888
Exercise of Directors Options ( <i>Note 29(a)</i> )	8,695	8,695
Reclassification from financial liabilities at FVTPL ( <i>Note 26</i> )	92,481	92,481
At December 31, 2022	192,064	192,064
Issue of shares upon IPO ( <i>Note</i> )	10,386	10,386
At December 31, 2023	<b>202,450</b>	<b>202,450</b>

Note: On May 8, 2023, 10,386,000 ordinary shares with par value of RMB1 each were issued at HK\$32.80 by way of IPO, resulting in an increase of the share capital of RMB10,386,000. An amount of RMB289,797,000, being the excess of the consideration received of HK\$340,660,800 (equivalent to approximately RMB300,183,000) over the par value of the ordinary shares of RMB10,386,000, was credited to share premium and share issue cost of RMB41,255,000 was debited to the share premium.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 28. RETIREMENT BENEFITS PLANS

The PRC employees of the Group are members of a state-managed retirement benefits plan operated by the government of the PRC. The Company and its PRC subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits plan to fund the employee benefits. The only obligation of the Group with respect to the retirement benefits plan is to make the specified contributions. The retirement benefits cost charged to profit or loss for the year ended December 31, 2023 amounted to RMB2,261,000 (year ended December 31, 2022: RMB1,625,000).

At December 31, 2023 and 2022, the Group had no forfeited contributions under the above retirement benefit scheme which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at December 31, 2023 and 2022 under such scheme which may be used by the Group to reduce the contribution payable in future years.

### 29. SHARE-BASED PAYMENT TRANSACTIONS

#### (a) Directors Options

On August 30, 2021, share options were granted to three executive directors of the Company with an exercise price of RMB1.00 per share (the "Directors Options") with the condition that phase II clinical trials for product LZ901 is kicked off or a new round of financing is completed and pre-investment valuation is not less than RMB4 billion. The number of shares to be granted will be equal to 5% of the then issued shares of the Company.

The following table discloses movements in the Directors Options.

Category	Outstanding as at January 1, 2022	Grant during the year	Forfeited due to resignation during the year	Exercised during the year	Outstanding as at December 31, 2022
Directors Options	8,694,513	-	-	(8,694,513)	-

As phase II clinical trials for product LZ901 was kicked off in April 2022, the condition of the Directors Options has been fulfilled during the year ended December 31, 2022. On May 27, 2022, all the Directors Options were exercised and 8,694,513 ordinary shares of the Company were issued at a price of RMB1.00 per share, resulting in an increase of share capital of RMB8,695,000. The amount previously recognized in share-based payments reserve of RMB90,907,000 in relation to the Directors Options were transferred to share premium.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 29. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

#### (b) Options Cancelled or Replaced in 2022

Before 2022, various series of share options (excluding Directors Options as detailed above) were granted to certain members of management and eligible employees of the Group and had been cancelled or replaced by 2022 Restricted Shares (as detailed below) in April 2022 (the “Options Cancelled or Replaced in 2022”).

The following table discloses movements in the Options Cancelled or Replaced in 2022:

Category	Outstanding as at January 1, 2022	Cancelled during the year	Forfeited due to resignation during the year	Exercised during the year	Replaced by	Outstanding as at December 31, 2022
					Restricted Shares during the year	
Options Cancelled or Replaced in 2022	4,450,000	(575,000)	-	-	(3,875,000)	-

#### (c) 2022 Restricted Shares

Zhuhai Hengqin Luzhu Enterprise Management Partnership (LP)\* (珠海橫琴綠竹企業管理合夥企業(有限合夥)) (“Hengqin Luzhu LP”) was established in the PRC as a limited partnership in January 2021 as an employee incentive platform of the Group and is controlled by Mr. Kong Jian, the sole general partner of Hengqin Luzhu LP.

In April 2022, Zhuhai Luzhu Kangrui Enterprise Management Partnership (LP)\* (珠海綠竹康瑞企業管理合夥企業(有限合夥)) (“Zhuhai Luzhu Kangrui”) and Beijing Luzhu Kangrui Enterprise Management Partnership (LP)\* (北京綠竹康瑞企業管理合夥企業(有限合夥)) (“Beijing Luzhu Kangrui”) were established in the PRC as employee incentive platforms of the Group through an award of Hengqin Luzhu LP’s shares.

\* English name is for identification purpose only.

In April 2022, an employee incentive scheme was implemented to incentive certain eligible employees of the Group to retain them for the continual operation and development of the Group or to replace certain outstanding share options. Restricted shares representing 8,110,132 ordinary shares of par value of RMB1 each in the share capital of the Company (the “RSs”) were granted to certain eligible employees (the “2022 Restricted Shares”). Including (i) an aggregate of 7,450,000 restricted shares of Zhuhai Luzhu Kangrui and Beijing Luzhu Kangrui were granted, representing 7,450,000 ordinary shares of par value of RMB1 each in the share capital of the Company with the price of RMB2.54, RMB5.09 or RMB7.19 each RS; (ii) 1,942,320 restricted shares of Hengqin Luzhu LP were granted representing 660,132 ordinary shares of par value of RMB1 each in the share capital of the Company with the price of RMB2.94 each RS. Included in 8,110,132 RSs, 3,875,000 RSs were granted to replace the Options Cancelled or Replaced in 2022 and the remaining 4,235,132 RSs were newly granted.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 29. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

#### (c) 2022 Restricted Shares (Continued)

The consideration was fully settled in May 2022. The vesting of the RSs granted is conditional upon the fulfillment of requisite service conditions until end of the lock up period required by the securities and futures commission or the Stock Exchange after the completion of a qualified IPO. The employees have to transfer out their RSs to the person or entity designated by Mr. Kong Jian, the general partner of Hengqin Luzhu LP, at the original grant price, if their employments with the Group were terminated within the vesting period.

Included in the 2022 Restricted Shares, 1,000,000 RSs were granted to Ms. Jiang Xianmin, 110,000 RSs were granted to Ms. Zhang Yan Ping, 1,154,000 RSs were granted to Ms. Peng Ling, 250,000 RSs were granted to Ms. Kong Xi and 130,000 RSs were granted to Mr. Chen Liang.

The following table discloses movements in the 2022 Restricted Shares.

Category	Outstanding as at January 1, 2023	Grant during the year	Forfeited due to resignation during the year	Vested during the year	Outstanding as at December 31, 2023
2022 Restricted Shares	8,110,132	185,000	(185,000)	–	8,110,132

Category	Outstanding as at January 1, 2022	Grant during the year	Forfeited due to resignation during the year	Vested during the year	Outstanding as at December 31, 2022
2022 Restricted Shares	–	8,140,132	(30,000)	–	8,110,132

The fair value of 2022 Restricted Shares at the grant date was determined with reference to the issue price of the Series C Financing or the market price of the Company's shares at the relevant grant dates after deducting the purchase price.

#### (d) Controlling Shareholders Restricted Shares

On June 18, 2022, Mr. Kong Jian and Ms. Zhang Yanping were granted 350,000 and 10,000,000 restricted shares of Hengqin Luzhu LP representing 118,952 and 3,398,680 ordinary shares of par value of RMB1 each in the share capital of the Company, respectively, with the price of RMB1.00 each restricted share (the "Controlling Shareholders Restricted Shares").

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 29. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

#### (d) Controlling Shareholders Restricted Shares (Continued)

The consideration was fully settled as at December 31, 2022 and the vesting of the restricted shares granted is conditional upon the fulfillment of requisite service conditions until end of the lock up period required by the securities and futures commission or the Stock Exchange after the completion of a qualified IPO. The grantees have to transfer out their restricted shares at the original grant price, if their employments with the Group were terminated within the vesting period.

The following table discloses movements in the Controlling Shareholders Restricted Shares.

Category	Outstanding as at January 1, 2023	Grant during the year	Forfeited due to resignation during the year	Vested during the year	Outstanding as at December 31, 2023
Controlling Shareholders Restricted Shares	3,517,632	–	–	–	3,517,632

Category	Outstanding as at January 1, 2022	Grant during the year	Forfeited due to resignation during the year	Vested during the year	Outstanding as at December 31, 2022
Controlling Shareholders Restricted Shares	–	3,517,632	–	–	3,517,632

The fair value of Controlling Shareholders Restricted Shares at the grant date was determined with reference to the issue price of the Series C Financing after deducting the purchase price.

The share-based payment expense of the Group recognized for the year ended December 31, 2023 are as follows:

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Directors Options	–	54,126
Options Cancelled or Replaced in 2022	–	4,725
2022 Restricted Shares	37,486	31,276
Controlling Shareholders Restricted Shares	36,098	21,286
Total	73,584	111,413

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 30. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	As at December 31,	
	2023 RMB'000	2022 RMB'000
<b>Financial assets</b>		
Amortized costs	266,058	69,847
Financial assets at FVTPL	343,345	512,664
	<b>609,403</b>	582,511
<b>Financial liabilities</b>		
Amortized cost	91,891	80,722

#### Financial risk management objectives and policies

The Group's major financial instruments include deposits and other receivables, bank balances, financial assets at FVTPL, other payables and bank borrowing. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risk

##### (i) Currency risk

As at the end of the reporting period, the Group had the following monetary assets and monetary liabilities denominated in currencies other than RMB.

	As at December 31,	
	2023 RMB'000	2022 RMB'000
HK\$		
– Bank balances	87,036	–
– Other payables	(98)	–
US\$		
– Bank balances	166	5,332
– Financial assets at FVTPL	163,987	–
– Other payables	(496)	(9,895)
GBP		
– Other payables	(904)	–



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

*Market risk (Continued)*

(i) *Currency risk (Continued)*

*Sensitivity analysis*

The Group was primarily subject to foreign currency risk from the movement of the exchange rates between RMB against HK\$ and US\$. At the end of each reporting period, if the exchange rate of RMB had been weakened against HK\$ and US\$ by 5% and all other variables were held constant, the Group's post-tax loss would increase/decrease as follows. For a 5% strengthening of RMB against HK\$ and US\$, there would be an opposite impact on the post-tax loss for the year.

	<b>(Decrease) increase in post-tax loss For the year ended December 31,</b>	
	<b>2023 RMB'000</b>	2022 RMB'000
HK\$	<b>(4,347)</b>	–
US\$	<b>(8,183)</b>	228

(ii) *Interest rate risk*

The Group's fair value interest rate risk relates primarily to fixed-rate term deposits (Note 21), lease liabilities (Note 23) and bank borrowing (Note 25). The Group is also exposed to cash flow interest risk in relation to variable-rate bank balances (Note 21) which carry prevailing market interests and financial products (Note 20). The Group currently does not have a specified policy to manage its interest rate risk but will closely monitor their interest rate risk exposure in the future. No sensitivity analysis on cash flow interest rate risk is presented as the management considers the sensitivity on interest rate risk on bank balances is insignificant.

(iii) *Other price risk*

The Group is exposed to other price risk through investments in financial products measured at FVTPL.

The management of the Group considers the fluctuation in fair value changes on financial products is insignificant, taking into account the short-term duration of such financial products.

### 30. FINANCIAL INSTRUMENTS (CONTINUED)

#### Financial risk management objectives and policies (Continued)

##### *Credit risk and impairment assessment*

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position (including bank balances, financial assets at FVTPL, deposits and other receivables). The Group does not hold any collaterals or other credit enhancement to cover its credit risks associated with its financial assets.

In order to minimize the credit risk, the Group monitors the exposure to credit risk on an on-going basis. Except for financial assets at FVTPL, the Group individually assessed the expected credit losses on its financial assets measured at amortized cost, mainly including bank balances, deposits and other receivables, on the basis of a loss rate approach at the end of each reporting period. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle the amounts in full	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group and the Company have no realistic prospect of recovery	Amount is written off

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

*Credit risk and impairment assessment (Continued)*

*Bank balances*

The Group's bank balances are placed with state-owned banks or commercial banks with high credit ratings in the Mainland China and Hong Kong. Therefore, the credit risk on bank balances is insignificant and no loss allowance was recognized.

Approximately 40.9%, 38.2% and 10.9% of total bank balances were deposited in bank A, bank B and bank C respectively as at December 31, 2023 (December 31, 2022: 36.5%, 13.3%, 19.9% and 28.5% of the Group's bank balances placed with bank A, bank B, bank C and bank D respectively).

*Deposits and other receivables*

The counterparties of the Group's deposits and other receivables are subsidiaries of local government, subsidiary of a listed company in the PRC or employees of the Group. The Group assessed the ECL for its deposits and other receivables individually based on internal credit rating which, in the opinion of the Directors, there is no significant increase in credit risk since initial recognition. No loss allowance was made for deposits and other receivables, the estimated loss rates are limited as the historical observed default rates of counterparties above are minimal, therefore the Group assessed the ECL for deposits and other receivables are insignificant.

Other than the concentration of credit risks of bank balances mentioned above, the Group does not have any other significant concentration of credit risk.

*Liquidity risk*

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on shareholders' investment as a significant source of liquidity.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

*Liquidity risk (Continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Interest rates %	Within 180 days RMB'000	181 days to 365 days RMB'000	1-5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At December 31, 2023							
Bank borrowing	2.35	7,044	-	-	-	7,044	7,000
Other payables	N/A	84,891	-	-	-	84,891	84,891
		91,935	-	-	-	91,935	91,891
Lease liabilities	3.50-6.05	-	131	8,732	7,142	16,005	12,216

	Interest rates %	Within 180 days RMB'000	181 days to 365 days RMB'000	1-5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At December 31, 2022							
Other payables	N/A	80,722	-	-	-	80,722	80,722
Lease liabilities	6.05	-	-	5,064	10,608	15,672	11,219

### 31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group determines the appropriate valuation techniques and inputs for fair value measurements.

Except for financial assets at FVTPL as set out below, there is no financial instrument measured at fair value on a recurring basis.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets

	Note	Fair value as at December 31,		Fair value hierarchy	Valuation techniques and key inputs
		2023 RMB'000	2022 RMB'000		
Financial assets at FVTPL	20	343,345	512,664	Level 2	Redemption value quoted by financial institutions.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated statement of financial position of the Group approximate their respective fair values.

### 32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowing RMB'000	Lease liabilities RMB'000	Financial liabilities at FVTPL RMB'000	Issue costs for financial liabilities at FVTPL RMB'000	Accrued share issue costs for IPO RMB'000	Total RMB'000
At January 1, 2022	-	10,580	1,237,517	-	335	1,248,432
Financing cash flows	-	(581)	338,000	(2,547)	(6,589)	328,283
Commencement of lease	-	3,488	-	-	-	3,488
Interest expenses recognized	-	722	-	-	-	722
Early termination of a lease	-	(2,990)	-	-	-	(2,990)
Fair value changes	-	-	551,546	-	-	551,546
Reclassification	-	-	(2,127,063)	-	-	(2,127,063)
Addition	-	-	-	-	9,892	9,892
Issue costs for financial liabilities at FVTPL	-	-	-	2,547	-	2,547
At December 31, 2022	-	11,219	-	-	3,638	14,857
Financing cash flows	6,837	(61)	-	-	(33,788)	(27,012)
Commencement of lease	-	377	-	-	-	377
Interest expenses recognized	163	681	-	-	-	844
Addition	-	-	-	-	29,905	29,905
Foreign exchange gains, net	-	-	-	-	245	245
At December 31, 2023	7,000	12,216	-	-	-	19,216

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 33. MAJOR NON-CASH TRANSACTIONS

During the year ended December 31, 2023, the Group entered into a new lease agreement for the use of leased properties for 3 years (2022: the Group entered into a new lease agreement for the use of leased properties for 3 years). On the lease commencement, the Group recognized right-of-use assets and lease liabilities of RMB377,000 and RMB377,000 (2022: RMB3,488,000 and RMB3,488,000) respectively.

### 34. RELATED PARTY BALANCES AND TRANSACTIONS

#### a. Compensation of key management personnel

The emoluments of key management during the year are as follows:

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Short-term employee benefits	4,881	5,621
Retirement benefits	287	258
Equity-settled share-based payments	55,689	92,217
	60,857	98,096

#### b. Guarantee provided by a related party

As disclosed in Note 25, the bank borrowing of RMB7,000,000 as at December 31, 2023 was guaranteed by one of the controlling shareholders of the Company, Mr. Kong Jian.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of the subsidiaries	Place of incorporation/ operations	Paid up issued/registered capital	Equity interest attributable to the Company		Principal activities
			December 31, 2023	December 31, 2022	
Zhuhai Luzhu	PRC	Registered capital of RMB200,000,000 and paid-in capital of RMB200,000,000	100%	100%	research, development and production of vaccines and therapeutic biologics
Luzhu Biologics (Hong Kong) Co., Limited	Hong Kong	Registered capital of HK\$100,000 and issued and paid share capital of HK\$100,000	100%	100%	inactive
Beijing Luzhu	PRC	Registered capital of RMB150,000,000 and issued and paid share capital of RMB150,000,000	100%	100%	research, development and production of vaccines and therapeutic biologics

### 36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the lease liabilities, and bank borrowing as disclosed in Notes 23 and 25, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debts.

### 37. CAPITAL COMMITMENTS

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Capital expenditure in respect of the acquisition of equipment and machineries and construction projects contracted for but not provided in the consolidated financial statements	49,768	13,498

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 38. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

Information about the financial position of the Company at the end of the reporting period includes:

	As at December 31,	
	2023 RMB'000	2022 RMB'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	8,625	9,948
Right-of-use assets	17,894	18,118
Intangible assets	4,127	3,437
Investments in subsidiaries	398,493	384,050
Prepayments, deposits and other receivables	202,777	20,936
	<b>631,916</b>	436,489
<b>CURRENT ASSETS</b>		
Materials	1,067	462
Prepayments, deposits and other receivables	104,580	16,233
Financial assets at FVTPL	168,645	492,962
Bank balances	260,055	59,001
	<b>534,347</b>	568,658
<b>CURRENT LIABILITIES</b>		
Advance payments received and other payables	34,676	17,549
Lease liability	129	–
Bank borrowing	7,000	–
	<b>41,805</b>	17,549
<b>NET CURRENT ASSETS</b>	<b>492,542</b>	551,109
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>1,124,458</b>	987,598
<b>NON-CURRENT LIABILITIES</b>		
Deferred government grants	6	14
Lease liability	189	–
	<b>195</b>	14
<b>NET ASSETS</b>	<b>1,124,263</b>	987,584
<b>CAPITAL AND RESERVES</b>		
Share capital	202,450	192,064
Reserves	921,813	795,520
<b>TOTAL EQUITY</b>	<b>1,124,263</b>	987,584



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 38. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movements in the Company's reserves

	Share premium RMB'000	Share-based payments reserve RMB'000 (Note 29)	Accumulated loss RMB'000	Total RMB'000
At January 1, 2022	74,214	45,680	(788,752)	(668,858)
Loss and total comprehensive expense for the year	–	–	(681,617)	(681,617)
Recognition of equity-settled share-based payments	–	111,413	–	111,413
Exercise of Directors Options (Note 29(a))	90,907	(90,907)	–	–
Reclassification from financial liabilities at FVTPL	2,034,582	–	–	2,034,582
At December 31, 2022	2,199,703	66,186	(1,470,369)	795,520
Loss and total comprehensive expense for the year	–	–	(195,833)	(195,833)
Recognition of equity-settled share-based payments	–	73,584	–	73,584
Issue of shares upon IPO (Note 27)	289,797	–	–	289,797
Share issue costs for IPO	(41,255)	–	–	(41,255)
At December 31, 2023	<b>2,448,245</b>	<b>139,770</b>	<b>(1,666,202)</b>	<b>921,813</b>

### 39. EVENTS AFTER THE REPORTING PERIOD

In February 2024, the Group pledged certain leasehold land and construction in progress to secure its bank facility in the principal amount of RMB200 million.

# Financial Summary

	For the year ended December 31,			
	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Other income	<b>20,085</b>	13,923	6,896	4,978
Other expenses	<b>(603)</b>	(3,137)	(9,041)	(1,537)
Other gains and losses, net	<b>18,167</b>	15,100	10,794	6,584
Fair value loss of financial liabilities at fair value through profit or loss (“FVTPL”)	<b>–</b>	(551,546)	(441,077)	(165,056)
Administrative expenses	<b>(87,011)</b>	(85,830)	(60,217)	(3,287)
Research and development expenses	<b>(172,685)</b>	(91,426)	(42,983)	(15,665)
Finance costs	<b>(844)</b>	(722)	(603)	(66)
Listing expenses	<b>(26,459)</b>	(21,542)	(3,126)	–
Loss before tax	<b>(249,350)</b>	(725,180)	(539,357)	(174,649)
Income tax expense	<b>–</b>	–	–	–
Loss and total comprehensive expense for the year	<b>(249,350)</b>	(725,180)	(539,357)	(174,049)
Loss per share	<b>RMB</b>	RMB	RMB	RMB
– Basic	<b>(1.25)</b>	(4.98)	(5.94)	(1.94)
– Diluted	<b>(1.25)</b>	(4.98)	(5.94)	(1.94)

# Definitions

In this report, unless the context otherwise requires, the following expressions shall have the following meanings.

“Actual Controller”	the individual or entity that can control the behavior of a company by way of investment, contract or other arrangements according to the Listing Rules of the Shenzhen Stock Exchange 《深圳證券交易所股票上市規則》 published and as amended from time to time by the Shenzhen Stock Exchange, where Beijing Science Sun is listed
“Articles” or “Articles of Association”	the articles of association of the Company (as amended, supplemented or otherwise modified from time to time)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Beijing Luzhu”	Luzhu Biologics (Beijing) Co., Limited (綠竹生物製品(北京)有限公司), a company established in the PRC with limited liability on March 31, 2022, and a direct wholly-owned subsidiary of the Company
“Beijing Science Sun”	Beijing Science Sun Pharmaceutical Co., Ltd. (北京賽升藥業股份有限公司), a joint stock company established in the PRC on May 20, 1999 and listed on the ChiNext board of the Shenzhen Stock Exchange (stock code: 300485)
“Beijing Yizhuang”	Biological Medicine Investment Center (Limited Partnership) (北京亦莊生物醫藥併購投資中心(有限合夥)), one of the pre-IPO investors of the Company
“Beijing Yizhuang II”	Beijing Yizhuang II Biological Medical Industry Investment Fund (Limited Partnership) (北京亦莊二期生物醫藥產業投資基金(有限合夥)), one of the pre-IPO investors of the Company
“Board” or “Board of Directors”	the board of directors of the Company
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“China”, “Mainland China” or “the PRC”	the People’s Republic of China, excluding, for the purpose of this report, Hong Kong, Macau Special Administration Region and Taiwan
“Company”, “the Company”, or “Luzhu Biotechnology”	Beijing Luzhu Biotechnology Co., Ltd. (北京綠竹生物技術股份有限公司), a joint stock company established in the PRC with limited liability on July 19, 2013, the H Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2480)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, in the context of this report, refers to Mr. KONG, Ms. ZHANG and Hengqin Luzhu LP
“Core Product”	has the meaning ascribed to it in Chapter 18A of the Listing Rules and in this context, the Core Product refers to LZ901
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“E-town Sun”	Beijing E-town Sun Fund Management Co., Ltd. (北京屹唐賽盈基金管理有限公 司), a company established in the PRC with limited liability on May 25, 2016
“FDA”	U.S. Food and Drug Administration, the U.S. federal agency responsible for regulating food and drugs
“Full Circulation”	the conversion of the Unlisted Shares into H Shares and their listing on the Stock Exchange, of which the Company received the Filing Notice from the CSRC and was completed on January 29, 2024
“GMP”	good manufacturing practice, and in the context of PRC laws and regulations, refers to guidelines and regulations from time to time issued pursuant to the PRC Drug Administration Law (中華人民共和國藥品管理法) as part of quality assurance which aims to minimise the risks of contamination, cross contamination, confusion, and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each and listed on the Main Board of the Stock Exchange
“Hengqin Luzhu LP”	Zhuhai Hengqin Luzhu Enterprise Management Partnership (LP) (珠海橫琴綠 竹企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on January 14, 2021, and an employee incentive platform of the Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## Definitions

“Hong Kong Luzhu”	Luzhu Biologics (Hong Kong) Co., Limited (綠竹生物製品(香港)有限公司), a company incorporated in Hong Kong with limited liability on December 20, 2021, and a direct wholly-owned subsidiary of the Company
“IND”	investigational new drug or investigational new drug application, also known as clinical trial application in China
“Independent Third Party(ies)”	an individual(s) or a company(ies), who or which, is not a connected person of the Company within the meaning of the Listing Rules
“K3”	the anti-human tumor necrosis factor (“ <b>TNF</b> ”)- $\alpha$ monoclonal antibody injection product candidate
“Listing” or “IPO”	the listing of the H Shares on the Main Board of the Stock Exchange on May 8, 2023
“Listing Date”	May 8, 2023, being the date on which the H Shares were listed on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“LZ901”	the recombinant herpes zoster vaccine candidate, a herpes zoster vaccine with a tetrameric molecular structure and the Core Product
“Main Board”	the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“Mr. KONG”	Mr. KONG Jian (孔健), the executive Director, general manager, chairman of the Board, one of the promoters and one of the Controlling Shareholders
“Ms. JIANG”	Ms. JIANG Xianmin (蔣先敏), the executive Director, the vice-chairlady of the Board and one of the promoters
“Ms. ZHANG”	Ms. ZHANG Yanping (張琰平), the executive Director, one of the promoters and one of the Controlling Shareholders
“NMPA”	the National Medical Products Administration of the People’s Republic of China

“Prospectus”	the prospectus issued by the Company dated April 25, 2023
“R&D”	research and development
“Renminbi” or “RMB”	Renminbi Yuan, the lawful currency of China
“Reporting Period”	the twelve-month period from January 1, 2023 to December 31, 2023
“Saide Ruibo”	Tianjin Saide Ruibo Asset Management Center (Limited Partnership) (天津賽德瑞博資產管理中心), a limited liability partnership established in the PRC on December 1, 2015, with Mr. MA Jianan (馬嘉楠) (the son of Mr. MA Biao) as its general partner holding approximately 80.00% partnership interest, and Ms. MA Li (馬麗) (the sister of Mr. MA Biao) as its limited partner holding approximately 20.00% partnership interest to the best knowledge of the Company, and is a connected person of the Company
“Saiding Fangde”	Tianjin Saiding Fangde Asset Management Center (Limited Partnership) (天津賽鼎方德資產管理中心), a limited liability partnership established in the PRC on December 1, 2015, with (i) Mr. MA Biao (馬彪) as its general partner holding approximately 60.00% partnership interest; and (ii) Mr. WANG Xuefeng (王雪峰), Mr. MA Jianan (馬嘉楠) (the son of Mr. MA Biao) and Ms. MA Li (馬麗) (the sister of Mr. MA Biao) as its limited partners, holding approximately 10.00%, 10.00% and 20.00% partnership interest, respectively, to the best knowledge of the Company, and is a connected person of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, comprising Unlisted Shares and H Shares
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	member(s) of the board of Supervisors
“Supervisory Board”	the board of Supervisors
“Unlisted Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are unlisted Shares not currently listed or traded on any stock exchange

## Definitions

“U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“Zhuhai Luzhu”	Luzhu Biopharmaceuticals (Zhuhai) Co., Ltd. (綠竹生物製藥(珠海市)有限公司), a company established in the PRC with limited liability on November 29, 2018, and a direct wholly-owned subsidiary of the Company
“%”	percent

*In this report, capitalized terms used shall have the same meanings as those defined in the Prospectus, and the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “subsidiaries” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

*Certain amounts and percentage figures included in this report have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.*

*For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this document in both the Chinese and English languages; in the event of any inconsistency, the Chinese versions shall prevail.*