



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DUALITY BIOTHERAPEUTICS, INC. AND MORGAN STANLEY ASIA LIMITED, JEFFERIES HONG KONG LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Duality Biotherapeutics, Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-51, which comprises the consolidated balance sheets as at 31 December 2023 and 2024, the balance sheets of the Company as at 31 December 2023 and 2024, and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2023 and 2024 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-51 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 7 April, 2025 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2023 and 2024 and the consolidated financial position of the Group as at 31 December 2023 and 2024 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.



羅兵咸永道

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 28 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

A large, stylized handwritten signature in blue ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

7 April, 2025

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all amounts are rounded to the nearest thousand (RMB'000) except when otherwise stated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Notes	Year ended 31 December	
		2023	2024
		RMB'000	RMB'000
Revenue	5	1,786,540	1,941,257
Cost of revenue	6	(427,655)	(1,156,590)
Gross Profit		1,358,885	784,667
Research and development expenses	6	(558,997)	(836,726)
Administrative expenses	6	(62,567)	(158,692)
Other income	8	3,261	7,338
Other gains, net	9	40,773	14,421
Operating profit/(loss)		781,355	(188,992)
Finance income	10	34,483	48,112
Finance costs	10	(188)	(250)
Fair value change of financial liabilities at fair value through profit or loss	25	(1,017,899)	(873,416)
Loss before income tax		(202,249)	(1,014,546)
Income tax expense	11	(155,263)	(35,888)
Loss for the year attributable to the owners of the Company		(357,512)	(1,050,434)
Other comprehensive loss:			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences on translation		(19,553)	(37,950)
Changes in fair value of financial liabilities from own credit risk		(1,688)	(15)
Other comprehensive loss for the year, net of tax		(21,241)	(37,965)
Total comprehensive loss for the year attributable to the owners of the Company ..		(378,753)	(1,088,399)
Loss per share for the loss attributable to owners of the Company			
Basic and diluted loss per share (in RMB)	12	(44.7)	(131.3)

CONSOLIDATED BALANCE SHEETS

		As at 31 December	
	Notes	2023	2024
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	12,313	13,072
Intangible assets	16	54,248	46,237
Right-of-use assets	15	5,445	5,523
Other non-current assets	22	94,008	115,555
Total non-current assets		166,014	180,387
Current assets			
Cash and cash equivalents	17	1,130,889	1,208,906
Restricted cash	18	42,645	45,155
Term deposits with initial term over three months ..	19	—	181,766
Trade receivables	20	100,803	379,021
Prepayments and other receivables	21	27,024	24,598
Other current assets	22	32,534	70,389
Total current assets		1,333,895	1,909,835
Total assets		1,499,909	2,090,222
DEFICITS			
Share capital	23	6	6
Other reserves	24	31,861	223,343
Accumulated losses		(1,155,780)	(2,245,248)
Deficits attributable to the owners of the Company		(1,123,913)	(2,021,899)
Total deficits		(1,123,913)	(2,021,899)
LIABILITIES			
Non-current liabilities			
Contract liabilities	5	60,164	238,251
Lease liabilities		2,412	2,302
Total non-current liabilities		62,576	240,553
Current liabilities			
Financial liabilities at fair value through profit or loss	25	2,132,720	3,046,784
Trade payables	26	234,814	670,910
Other payables	27	34,674	60,631
Contract liabilities	5	156,132	90,256
Lease liabilities		2,906	2,987
Total current liabilities		2,561,246	3,871,568
Net current liabilities		1,227,351	1,961,733
Total liabilities		2,623,822	4,112,121
Total deficits and liabilities		1,499,909	2,090,222

THE COMPANY BALANCE SHEETS

		As at 31 December	
	Notes	2023	2024
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	33	994,762	1,199,848
Total non-current assets		994,762	1,199,848
Current assets			
Cash and cash equivalents	17	6,201	1,885
Prepayments and other receivables		2,937	4,205
Total current assets		9,138	6,090
Total assets		1,003,900	1,205,938
DEFICITS			
Share capital	23	6	6
Other reserves	24	29,155	195,505
Accumulated losses		(1,158,101)	(2,062,751)
Deficits attributable to the owners of the Company		(1,128,940)	(1,867,240)
Total deficits		(1,128,940)	(1,867,240)
LIABILITIES			
Current liabilities			
Financial liabilities at fair value through profit or loss	25	2,132,720	3,046,784
Other payables	27	120	26,394
Total current liabilities		2,132,840	3,073,178
Net current liabilities		2,123,702	3,067,088
Total liabilities		2,132,840	3,073,178
Total deficits and liabilities		1,003,900	1,205,938

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owners of the Company			
	Share capital	Other reserves	Accumulated losses	Total deficits
	RMB'000	RMB'000	RMB'000	RMB'000
Balances at 1 January 2023	<u>6</u>	<u>(16,085)</u>	<u>(753,038)</u>	<u>(769,117)</u>
Comprehensive loss				
Loss for the year	—	—	(357,512)	(357,512)
Surplus reserves	—	45,230	(45,230)	—
Other comprehensive loss				
<i>Items that will not be reclassified to profit or loss</i>				
Exchange differences on translation	—	(19,553)	—	(19,553)
Changes in fair value of financial liabilities from own credit risk..	—	(1,688)	—	(1,688)
Transactions with owners in their capacity as owner:				
Share-based compensation expense	—	23,957	—	23,957
Balance at 31 December 2023 ...	<u>6</u>	<u>31,861</u>	<u>(1,155,780)</u>	<u>(1,123,913)</u>
Comprehensive loss				
Loss for the year	—	—	(1,050,434)	(1,050,434)
Surplus reserves	—	39,034	(39,034)	—
Other comprehensive loss				
<i>Items that will not be reclassified to profit or loss</i>				
Exchange differences on translation	—	(37,950)	—	(37,950)
Changes in fair value of financial liabilities from own credit risk..	—	(15)	—	(15)
Transactions with owners in their capacity as owner:				
Share-based compensation expense	—	190,413	—	190,413
Balance at 31 December 2024 ...	<u>6</u>	<u>223,343</u>	<u>(2,245,248)</u>	<u>(2,021,899)</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the year ended 31 December	
		2023	2024
		RMB '000	RMB '000
Cash flows from operating activities			
Cash generated from operating activities	29	1,030,781	292,209
Income tax paid		(248,929)	(54,540)
Interest received		34,483	48,112
Net cash inflow from operating activities		816,335	285,781
Cash flows from investing activities			
Purchase of property, plant and equipment		(11,284)	(4,079)
Purchase of intangible assets		(24,621)	(27,100)
Payments for financial assets at fair value through profit or loss		—	(1,362,145)
Redemption of financial assets at fair value through profit or loss		—	1,362,145
Interest received on financial assets		—	2,248
Increase in term deposits with initial term over three months		—	(179,710)
Changes in restricted cash balances		(42,645)	(2,510)
Net cash outflow from investing activities		(78,550)	(211,151)
Cash flows from financing activities			
Proceeds from issuance of convertible preferred shares	25	151,101	—
Repayments of loans with warrants to purchase Series B-2 Preferred Shares from convertible preferred shareholders	25	(135,191)	—
Settlement of financial assets at fair value through profit or loss		(1,162)	—
Deposits in relation to lease agreements		(244)	(653)
Principal element of lease payments		(3,499)	(3,397)
Interests elements of lease payments		(188)	(250)
Payment of listing expenses		—	(3,321)
Net cash inflow from/(outflow to) financing activities		10,817	(7,621)
Net increase in cash and cash equivalents		748,602	67,009
Cash and cash equivalents at the beginning of year		375,974	1,130,889
Effect of foreign exchange rate changes on cash and cash equivalents		6,313	11,008
Cash and cash equivalents at end of year		1,130,889	1,208,906

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Duality Biotherapeutics, Inc. (the “Company”) was incorporated on 3 July 2019 in the Cayman Islands with limited liabilities under the Companies Law Cap. 22 of the Cayman Islands. The address of the Company’s registered office is at Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are a global clinical-stage biopharmaceutical company discovering, developing next generation Antibody-Drug Conjugate therapeutics in the People’s Republic of China (the “PRC”) and United States of America (the “US”).

2 BASIS OF PREPARATION AND NEW OR AMENDED STANDARDS OR INTERPRETATIONS

2.1 Basis of preparation

The Historical Financial Information have been prepared in accordance with all applicable International Financial Reporting Standards issued by the International Accounting Standards Board (“IFRS Accounting Standards”). The Historical Financial Information have been prepared under the historical cost convention, except for financial assets and financial liabilities measured at fair value through profit or loss.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

The accounting policies applied in the preparation of the Historical Financial Information have been consistently applied to the Track Record Period, unless otherwise stated.

Other than those material accounting policies information as disclosed in the notes to the relevant financial line items or transactions in this Historical Financial Information, a summary of the other accounting policies information has been set out in Note 35 to this Historical Financial Information.

The Group had net current liabilities of RMB1,961.7 million as at 31 December 2024, of which the convertible preferred shares classified as current liabilities were RMB3,046.8 million and contract liabilities were RMB90.3 million, which do not result in future cash payments. The Group had net liabilities of RMB2,021.9 million as at 31 December 2024, of which the convertible preferred shares classified as liabilities were RMB3,046.8 million and contract liabilities were RMB328.5 million, which do not result in future cash payments. The directors of the Company assessed the Group’s liquidity by evaluating its ability to generate cash from operating activities, attract additional capital or other means of finance funding. Historically, the Group has relied principally on both operational sources of cash (e.g. revenue from out-licensing) and non-operational sources of financing from investors (e.g. convertible preferred shares) to fund its research and development activities.

Pursuant to the resolution passed by the shareholders of the Company in September 2022, the Company shall redeem, at the option of any holder of outstanding convertible preferred shares, all of the outstanding convertible preferred shares held by the requesting holder, at any time after the earliest occurrence of failure to complete the qualified public offering within four years after 23 April 2021, which was the date of Initial USD Closing as defined in Series B share purchase agreements and a few other specified events. Please refer to Note 25 for details. In August 2024, the Company entered into supplemental agreements with respect to certain rights with the shareholders to suspend such redemption feature for a period commencing on the day immediately prior to the date of the Company’s first submission of the listing application, until the earlier of:

- (a) the withdrawal of the listing application by the Company;
- (b) the rejection of the listing application by the Hong Kong Stock Exchange; and
- (c) the expiration of eighteen months after the first submission date.

Based on the above factors and the Group's historical performance and management's operating and financing plans, the directors of the Company believe the cash and cash equivalents and the operating and financing cash flows are sufficient to meet the cash requirements to fund the Group's planned operations, capital expenditures and other obligations for at least the next twelve months after 31 December 2024. Therefore, the Historical Financial Information have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

2.2 New or amended standards, amendments or interpretations

All effective standards, amendments to standards and interpretations, which are mandatorily effective for the financial year beginning on 1 January 2024, are consistently applied to the Group for the Track Record Period.

New standards, amendments and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

Standards	Key requirements	Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Amendments to the classification and measurement of financial instruments	1 January 2026
Amendments to IFRS 9 and IFRS 7	Contracts referencing nature-dependent electricity	1 January 2026
Annual improvements project	Annual improvements to IFRS Accounting Standards — volumes 11	1 January 2026
IFRS 18	Presentation and disclosure in financial statements	1 January 2027
IFRS 19	Subsidiaries without public accountability: disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, these standards and amendments are not expected to have a significant impact on the Group's financial performance and position, except IFRS 18, which may mainly impact the presentation of the consolidated statements of the comprehensive loss and the Group is still in the process of assessing the impact.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the management of the Group.

3.1.1 Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Company's functional currency is USD. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency.

The Group operates mainly in the PRC. There are certain cash and bank balances, trade receivables, other non-current assets and other payables denominated in a currency that is not the functional currency. The Group constantly reviews the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures, as may be necessary.

At 31 December 2023 and 2024, if the USD strengthened/weakened by 5% against the RMB with all other variables held constant, net loss for the years would have been RMB25,878,000 lower/higher and RMB47,348,000 lower/higher, respectively.

At 31 December 2023 and 2024, if the Euro strengthened/weakened by 5% against the RMB with all other variables held constant, net loss for the years would have been RMB84,000 lower/higher and RMB74,000 lower/higher, respectively.

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing cash and cash equivalents and term deposits with initial term over three months. When cash and cash equivalents and term deposits with initial term over three months obtained at variable rates expose the Group to cash flow interest-rate risk. The Group has not hedged its cash flow or fair value interest-rate risk. The cash and cash equivalents and term deposits with initial term over three months are disclosed in Note 17 and 19.

The Group has no significant interest-bearing assets except for cash and cash equivalents and term deposits with initial term over three months, details of which have been disclosed in Note 17 and 19.

3.1.2 Credit risk

Credit risk arises from cash and cash equivalents, term deposits, restricted cash, trade receivables as well as other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, cash and cash equivalents, term deposits and restricted cash are mainly deposited with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.

For trade receivables, management applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The directors of the Group believe that there is no material credit risk inherent in the Group's outstanding balance of trade receivables, details of which have been disclosed in Note 20.

For other receivables and other non-current assets, management has assessed that during the years ended 31 December 2023 and 2024, other receivables and other non-current assets have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The Group does not expect any losses from non-performance by the counterparties of other receivables and no loss allowance provision for other receivables and other non-current assets was recognized.

To measure the expected credit losses, other receivables have been grouped based on shared credit risk characteristics and the days past due. As at 31 December 2023 and 2024, the Group has assessed that the expected loss rate for other receivables was immaterial. Thus no loss allowance provision for other receivables was recognized as at 31 December 2023 and 2024.

3.1.3 Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents or have available facility through an adequate amount of available financing to meet its daily operating working capital.

The table below analyzes the Group's non-derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The following table presents the Group's contractual maturities of financial liabilities at 31 December 2024:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Trade payables	670,910	—	—	—	670,910
Other payables (excluding salaries and welfare payables and VAT and other taxes payables). . .	20,417	—	—	—	20,417
Lease liabilities	3,169	940	1,568	—	5,677
	<u>694,496</u>	<u>940</u>	<u>1,568</u>	<u>—</u>	<u>697,004</u>

The following table presents the Group's contractual maturities of financial liabilities at 31 December 2023:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Trade payables	234,814	—	—	—	234,814
Other payables (excluding salaries and welfare payables and VAT and other taxes payables). . .	10,168	—	—	—	10,168
Lease liabilities	3,119	2,082	408	—	5,609
	<u>248,101</u>	<u>2,082</u>	<u>408</u>	<u>—</u>	<u>250,591</u>

The Group recognizes the convertible preferred shares liabilities and loans with warrants to purchase Series B-2 Preferred Shares at fair value through profit or loss. Accordingly, these liabilities are managed on a fair value basis rather than by maturing dates (Note 25).

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital and convertible preferred shares on an as-if-converted basis) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. In the opinion of the directors of the Company, the Group's capital risk is low.

As at 31 December 2023 and 2024, the Group was in a net cash position, hence it is not meaningful to present the gearing ratio.

3.3 Fair value estimation

Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.
- Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2024:

	Level 1	Level 2	Level 3	Total
	RMB '000	RMB '000	RMB '000	RMB '000
Liabilities				
Financial liabilities at fair value				
through profit or loss	—	—	3,046,784	3,046,784
	—	—	3,046,784	3,046,784
	=	=	=	=

The following table presents the Group's liabilities that were measured at fair value at 31 December 2023:

	Level 1	Level 2	Level 3	Total
	RMB '000	RMB '000	RMB '000	RMB '000
Liabilities				
Financial liabilities at fair value				
through profit or loss	—	—	2,132,720	2,132,720
	—	—	2,132,720	2,132,720
	=	=	=	=

(i) *Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments mainly include binomial option-pricing model or discounted cash flow analysis.

There were no changes in valuation techniques for the years ended 31 December 2023 and 2024.

(ii) *Valuation processes*

The Group's finance team manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the relevant instruments on a case by case basis. At least once a year, the team uses valuation techniques to determine the fair value of the Group's level 3 instruments. External valuers will be involved when necessary.

The summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis was disclosed in Note 25.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) Fair value of convertible preferred shares

The fair value of convertible preferred shares that are not traded in an active market is determined by using valuation techniques. The Group applied the back-solve method and discounted cash flow approach to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the convertible preferred shares. Key assumptions such as discount rate, volatility and discount for lack of marketability ("DLOM") are disclosed in Note 25.

(ii) Share-based compensation

The Group has granted share options to the Group's employees. The Company has engaged an independent valuer to determine the fair value of the options granted to employees, which is expensed over the vesting periods. Unobservable inputs such as the risk-free interests rate, volatility and dividend yield, etc. are used in determining the fair value of the share-based compensations.

(iii) Impairment of non-current assets

The Group assesses impairment based on its subjective judgment and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

Intangible assets not ready for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Group obtained in-licenses and In-Process Research and Development ("IPR&D") to continue research and development work and commercialize the products, which are classified as intangible assets not ready for use.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

(iv) Accrual of research and development expenses

Research and development expenses include costs paid to hospitals and third-party contract research organizations (CROs). The estimate of accrual of research and development expenses is complex because billing terms under relevant contracts often do not coincide with the timing of when the work is performed, which in turn requires estimates of outstanding obligations as of period end. These estimates are based on a number of factors, including management's knowledge of the research and development ("R&D") programs and activities associated with timelines, invoicing date, and the provisions in the contracts.

(v) **Revenue recognition**

(i) *Identification of performance obligations and allocation of the transaction price*

The Group identifies the performance obligations within the contracts and evaluates which performance obligations are distinct, which requires the use of judgment. The Group has determined that both the licenses of intellectual property and research and development services are each capable of being distinct. The Group also determined that the promises to transfer the licenses of intellectual property and to provide research and development services are distinct within the context of the contract. Then the Group allocates the transaction price between the licenses of intellectual property and research and development services based on their relative standalone selling prices. The Group uses residual approach to estimate the stand-alone selling price of the licenses of intellectual property as well as expected cost plus a margin approach to estimate the stand-alone selling price of research and development services.

(ii) *Estimation of variable consideration*

The consideration within the contracts includes variable consideration such as milestone payments and sales-based royalties. The Group determines the amount of milestone payments by using either the expected value or the most likely amount based on which method better predicts the amount of consideration to which it will be entitled. The Group assesses whether the milestones are considered highly probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. In making these assessments, the Group considers various factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve a particular milestone. For sales-based royalties, the Group recognizes the revenue when the occurrence of the subsequent sales.

5 SEGMENT AND REVENUE INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Group.

(a) **Description of segments and principal activities**

The Group is principally engaged in the research and development of new drugs. The CODM reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM regards that there is only one segment which is used to make strategic decisions.

(b) **License and collaboration agreements with customers**

The Group entered into a number of license and collaboration agreements with certain customers during the Track Record Period. Under the terms of these agreements, the Group agreed to grant licenses of certain intellectual properties and to provide research and development services in relation to certain licensed products to the relevant customers. The considerations of these agreements generally consist of non-refundable upfront payment, reimbursements for research and development costs incurred, and variable considerations including milestone payments and royalties on net sales of the licensed products.

(c) **Disaggregated revenue information is as follows:**

	For the year ended 31 December	
	2023	2024
	RMB '000	RMB '000
Type of revenue		
Revenue from the license and collaboration agreement	1,781,088	1,937,049
Others	5,452	4,208
	<u>1,786,540</u>	<u>1,941,257</u>

	For the year ended 31 December	
	2023	2024
	RMB '000	RMB '000
Timing of revenue recognition		
Over time	356,924	1,257,298
At a point in time	1,429,616	683,959
	<u>1,786,540</u>	<u>1,941,257</u>

(d) Liabilities related to contracts with customers

The Group has recognized the following liabilities related to contracts with customers:

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Contract liabilities.	<u>216,296</u>	<u>328,507</u>

During the Track Record Period, revenue recognized in relation to contract liabilities that was included in the contract liabilities at the beginning of the year is as follows:

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Revenue recognized that was included in the contract liabilities at beginning of the year	—	154,258
	<u>—</u>	<u>154,258</u>

The unsatisfied performance obligations arising from the contracts with customers, is as follows:

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Within one year	156,132	90,256
Above one year	60,164	238,251
	<u>216,296</u>	<u>328,507</u>

(e) Accounting policy of revenue recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

At contract inception, the Group assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct.

The Group considers the terms of the contracts to determine the transaction price. When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group recognizes revenue only when it satisfies a performance obligation by transferring control of the promised goods or services. The transfer of control can occur over time or at a point in time. A performance obligation is satisfied over time if it meets one of the following criteria.

- The counterparty simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- The Group's performance creates or enhances an asset that the counterparty controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The Group adopts an appropriate method of measuring progress for the purpose of recognizing revenue. The Group evaluates the measure of progress at the end of each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

The Group enters into license and collaboration agreements for research, development, manufacturing and commercialization services. The terms of these arrangements typically include non-refundable upfront payments, reimbursements for costs incurred, milestone payments and royalties on net sales of licensed products. The contracts generally do not include a significant financing component.

Licenses of intellectual property: The Group assesses whether the licensing of the Group's intellectual property is distinct from the other performance obligations identified in the arrangements. For licenses determined to be distinct, the Group recognizes revenue from non-refundable, upfront payments allocated to the license at a point in time, when the license is transferred to the licensee and the licensee is able to use and benefit from the license.

Research and development services: For research and development services determined to be distinct, the portion of the reimbursements for costs incurred and other transaction price allocated to the performance obligations is recognized as revenue over time as delivery or performance of such services occurs.

The Group uses judgment to determine whether milestones or other variable consideration should be included in the transaction price.

Milestone payments: At the inception of each arrangement that includes milestone payments, the Group assesses whether the milestones are considered highly probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method.

In making these assessments, the Group considers various factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve a particular milestone. Milestone payments that are subject to regulatory approvals and commercialization stages are not considered highly probable of being achieved until those approvals are received or commercialization stages are achieved.

The transaction price will be allocated to each performance obligation on a relative stand-alone selling price basis, for which the Group recognizes revenue as or when the performance obligations are satisfied. At the end of each subsequent reporting period, the Group re-evaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price.

Royalties: For arrangements that include sales-based royalties, the Group recognizes revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

The excess of cumulative revenue recognized in profit or loss over the cumulative billings to customers is recognized as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognized in profit or loss is recognized as contract liabilities.

6 EXPENSES BY NATURE

	Year ended 31 December	
	2023	2024
	RMB '000	RMB '000
Technical services expenses	883,272	1,677,860
Employee benefit expenses (Note 7)	117,234	355,510
Professional services expenses	28,247	28,618
Warehouse, logistics and insurance service expenses	8,208	24,377
Listing expenses	–	24,145
Impairment of intangible assets (Note 16)	–	21,350
Depreciation and amortization	4,987	7,870
Traveling expenses	2,759	5,518
Auditors' remuneration	300	–
Other expenses	4,212	6,760
	<u>1,049,219</u>	<u>2,152,008</u>

7 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2023	2024
	RMB '000	RMB '000
Share-based compensation expenses (Note 13)	23,957	190,413
Wages, salaries and bonus	84,729	147,053
Social insurance (a)	8,268	17,535
Other welfare for employees	280	509
	<u>117,234</u>	<u>355,510</u>

(a) Social insurance

The employees of the Group's subsidiaries participate in various government-sponsored defined contribution pension plans and various government supervised housing funds, medical insurance and other employee social insurance plan under which these subsidiaries are required to make monthly contributions to these plans at certain percentages of the employee's monthly salaries and wages subject to certain ceilings. During the years ended 31 December 2023 and 2024, the Group had no forfeited contributions under these plans which may be utilized by the Group to reduce its contributions for the current year.

The Group has no other material obligation for the payment of retirement benefit associated with these schemes beyond the annual contribution described above.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 1 director for the years ended 31 December 2023 and 2024, whose emoluments are reflected in the analysis shown in Note 32. The emoluments payable to the remaining individuals during the year are as follows:

	Year ended December 31	
	2023	2024
	RMB '000	RMB '000
Share-based compensation expenses	5,628	42,124
Wages, salaries and bonus	15,432	14,796
Social insurance	891	827
Other welfare for employees	404	387
	<u>22,355</u>	<u>58,134</u>

The emoluments fell within the following bands:

	Year ended December 31	
	2023	2024
Emolument bands		
HKD3,500,001 to HKD4,000,000	1	—
HKD4,000,001 to HKD4,500,000	1	—
HKD5,000,001 to HKD5,500,000	1	—
HKD8,000,001 to HKD8,500,000	—	1
HKD9,000,001 to HKD9,500,000	—	1
HKD11,000,001 to HKD11,500,000	1	—
HKD16,500,001 to HKD17,000,000	—	1
HKD29,500,001 to HKD30,000,000	—	1
	<u>4</u>	<u>4</u>
	<u>=</u>	<u>=</u>

8 OTHER INCOME

Grants from the government are recognized at their fair value where there is a reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions.

	Year ended 31 December	
	2023	2024
	<i>RMB '000</i>	<i>RMB '000</i>
Government grants	3,154	7,124
Others	<u>107</u>	<u>214</u>
	<u>3,261</u>	<u>7,338</u>

9 OTHER GAINS, NET

	Year ended 31 December	
	2023	2024
	<i>RMB '000</i>	<i>RMB '000</i>
Foreign exchange gains, net	41,935	12,273
Others	<u>(1,162)</u>	<u>2,148</u>
	<u>40,773</u>	<u>14,421</u>

10 FINANCE INCOME

	Year ended 31 December	
	2023	2024
	<i>RMB '000</i>	<i>RMB '000</i>
Finance income:		
Finance income from bank deposits	<u>34,483</u>	<u>48,112</u>
Finance costs:		
Interest expense on lease liabilities	<u>(188)</u>	<u>(250)</u>
Finance income – net	<u>34,295</u>	<u>47,862</u>

11 INCOME TAX EXPENSE

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

The Group's principal applicable taxes and tax rates are as follows:

(a) *Cayman Islands*

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

(b) *Hong Kong*

Under the current Hong Kong Inland Revenue Ordinance, the Group's subsidiary in Hong Kong is subject to Hong Kong profit tax on its taxable income generated from operations in Hong Kong at two-tiered profits tax rates, 8.25% for first HKD2 million of assessable profits and 16.5% for assessable profits above HKD2 million. Additionally, payments of dividends by the subsidiary incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax. No provision for Hong Kong profits tax has been provided for at the rate of 16.5% as the Group's subsidiary in Hong Kong has no estimated assessable profit during the Track Record Period.

(c) *United States*

DualityBio Inc. is incorporated in the United States and is subject to federal income tax at 21% and state and local income tax (generally ranges from 1% to 12%) where it has operation. DualityBio Inc. did not have any taxable income, therefore no income tax expense was accrued for the Track Record Period.

(d) *Mainland China*

Duality Biologics (Suzhou) Co., Ltd. incorporated in the PRC is subject to Corporate Income Tax at a rate of 15% as the "High and New Technology Enterprises" certificate was obtained on 19 November 2024 with a valid period of three years. Duality Biologics (Shanghai) Co., Ltd. incorporated in the PRC is subject to Corporate Income Tax at a rate of 25%. Beijing Duality Biologics Co., Ltd. incorporated in the PRC, as a small and micro enterprise, can enjoy a 20% Corporate Income Tax rate on 25% of the taxable income amount for the proportion of taxable income not exceeding RMB3 million.

According to the Corporate Income Tax Law of the PRC and the respective regulations, the income derived by a resident enterprise in China from the transfer of technology which meets certain prescribed criteria could be eligible for income tax incentives. The part of the annual income from the transfer of technology derived by a resident enterprise within RMB5 million shall be tax-exempt; and the remainder shall be subject to a 50% reduction in the enterprise income tax rate. During the year ended 31 December 2023 and 2024, Duality Biologics (Suzhou) Co., Ltd has incurred income of transfer of technology for the above mentioned tax reduction and exemption incentives.

No provision for Mainland China profits tax has been provided for at a rate of 15%, 20% or 25% pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), as the Group has no estimated assessable profits during the Track Record Period.

(e) *Withholding tax*

According to the CIT rules and regulations, distribution of profits earned by PRC companies is generally subject to a withholding tax of 10% upon the distribution of profits to overseas-incorporated immediate holding companies. Depending on the tax residency of the foreign shareholder, the withholding tax rate may be adjusted based on the relevant bilateral tax treaty. During the years ended 31 December 2023 and 2024, the Group does not have any profit distribution plan.

Withholding tax on revenue from out-licensing

The Group entered into a number of license and collaboration agreements with certain overseas customers. According to the local income tax rules and regulations in the tax jurisdictions of the customers, a withholding tax might be triggered for the whole or part of the income arising from the license and collaboration agreements.

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	Year ended 31 December	
	2023	2024
	RMB '000	RMB '000
Loss before income tax	(202,249)	(1,014,546)
Income tax expenses calculated at applicable tax rates	215,130	13,446
Withholding tax	155,263	35,888
Additional deduction of research and development expense	(83,331)	(91,908)
Expenses not deductible for tax purposes	14,031	97
Tax exempted interest income	(906)	—
Taxable income reduction or exemption arising from technology transfer income	(171,560)	(90,998)
Deductible temporary differences for which no deferred tax asset was recognized	14,630	72,561
Utilisation of previously unrecognized tax losses	(32,395)	—
Tax losses for which no deferred income tax asset was recognized, net	44,401	96,802
Income tax expense	155,263	35,888

No deferred tax asset has been recognized in respect of the tax losses and deductible temporary difference due to the unpredictability of future profit streams.

12 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss of the Group attributable to the equity holders of the Company by weighted average number of ordinary shares outstanding during the Track Record Period.

	For the year ended 31 December	
	2023	2024
Loss attributable to the ordinary equity holders of the Company (RMB'000)	(357,512)	(1,050,434)
Weighted average number of ordinary shares in issue (in thousands)	8,000	8,000
Basic loss per share (RMB)	(44.7)	(131.3)

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the years ended 31 December 2023 and 2024, the Company had two categories of potential ordinary shares, namely the stock options granted to employees and convertible preferred shares of the Company. As the Group incurred losses for the years ended 31 December 2023 and 2024, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive.

Accordingly, diluted loss per share for the years ended 31 December 2023 and 2024 are the same as basic loss per share.

13 SHARE-BASED COMPENSATION

Accounting policy for share-based compensation

The Group operates stock options granted to employees, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments (options) is recognized as an expense during the Track Record Period. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, the requirement for employees to serve);
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive loss, with a corresponding adjustment to equity.

(i) Employee share option

The Group adopted a number of employee share option plans to provide long-term incentives for its employees and directors of the Group to deliver long-term shareholder returns. Under the plans, participants are granted options which only vest if certain conditions are met. Participation in the plan is at the board of directors' discretion.

Except for the share options granted to certain key management personnel, for substantially all the abovementioned share options granted, in the event of termination of service prior to the initial public offering of the Company ("IPO"), the grantees may only retain certain percentage of the abovementioned "temporarily owned" share options. The remaining portion of these share options shall be forfeited immediately. The retention ratio shall be determined as follows:

Years of service upon termination of service	Retention ratio
Less than 3 years	—
3 – 4 years	40%
4 – 5 years	50%
More than 5 years	60%

Substantially all the share options granted shall not be exercisable until the IPO. The expiry dates of the share options granted are the tenth anniversary of the grant dates.

Basically, the share options are divided into two categories as follows, according to whether the vesting is dependent upon achievement of specified performance targets.

(a) Share options without performance targets ("Service-based Options")

For the year ended 31 December 2023, the Company granted 5,221,959 Service-based Options at nil consideration to certain employees of the Group, of which 2,731,959 were granted to the founder of the Group.

For the year ended 31 December 2024, the Company granted 1,918,500 Service-based Options at nil consideration to certain employees of the Group, of which no options were granted to the founder of the Group.

Pursuant to relevant award agreements, the abovementioned options were generally divided in several tranches and to be "temporarily owned" by the grantees with the following schedules:

- 25% of the share options on the first anniversary of the grant date and the remaining 75% monthly thereafter in 36 equal monthly instalments; or
- 33% of the share options immediately on the grant date and the remaining 67% over a period of around two years on a case-by-case basis.

The following table summarizes the movements in the number of Service-based Options granted and their related weighted average exercise price during the years ended 31 December 2023 and 2024.

	Year ended 31 December 2023		Year ended 31 December 2024	
	Average exercise price per Service-based Option	Number of Service-based Options	Average exercise price per Service-based Option	Number of Service-based Options
	USD		USD	
At beginning of the year	0.53	11,149,044	0.65	16,241,003
Granted	0.89	5,221,959	0.90	1,918,500
Forfeited	0.72	(130,000)	0.82	(390,000)
At end of the year.	0.65	<u>16,241,003</u>	0.67	<u>17,769,503</u>

(b) *Share options with performance targets ("Milestone Options")*

For the year ended 31 December 2023, the Company granted nil Milestone Options to certain employees of the Group.

For the year ended 31 December 2024, the Company granted 903,920 Milestone Options at nil consideration to certain employees of the Group, of which 903,920 options were granted to the founder of the Group.

Pursuant to relevant award agreements, the vesting schedule is as follows, on the condition that the grantee meet specified performance targets ("Milestone").

Vesting date	Percentage of an option
Date of milestone achievement	33%
First anniversary of milestone achievement	33%
Second anniversary of milestone achievement	34%

As of 31 December 2024, management expected that the completion of milestones was probable and one of the milestones was already completed.

The following table summarizes the movements in the number of Milestone Options granted and their related weighted average exercise price during the years ended 31 December 2023 and 2024.

	Year ended 31 December 2023		Year ended 31 December 2024	
	Average exercise price per Milestone Option	Number of Milestone Options	Average exercise price per Milestone Option	Number of Milestone Options
	USD		USD	
At beginning of the year	—	—	—	—
Granted	—	—	1.60	903,920
Forfeited	—	—	—	—
At end of the year.	—	<u>—</u>	1.60	<u>903,920</u>

(ii) *Fair value of share options granted*

At the grant date, the assessed fair value of above options granted during the years ended 31 December 2023 and 2024 was as follows:

	Number of options	Weighted average fair value per option	
		IPO as non-market performance condition*	IPO as non-vesting condition*
		USD	USD
Share options granted in the year ended			
31 December 2023	5,221,959	5.04	2.27
Share options granted in the year ended			
31 December 2024	2,822,420	5.65	3.96

* For the portion of share options that cannot be retained in the event of termination of service prior to the IPO, IPO is regarded as non-market performance condition. For the remaining portion that can be retained even in the event of termination of service prior to the IPO, IPO is regarded as non-vesting condition.

As a private company with no quoted market price of the Company's equity instruments, the Company needs to estimate the fair value of the Group's equity interests at the relevant grant date.

The directors of the Company estimated the risk-free interest rate based on the yield of US Treasury Bond with a maturity life close to the option life of the share option. Expected volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option.

The fair value of the share options granted have been valued by an independent qualified valuer using the binomial valuation model as at the relevant grant date. Key assumptions are set as below:

	Risk-free interest rate	Expected volatility	Dividend yield
Share options granted in the year ended			
31 December 2023	3.8%-4.5%	57.3-58%	0.0%
Share options granted in the year ended			
31 December 2024	4%-4.8%	56.5-58%	0.0%

(iii) *Expenses arising from share-based payment transactions*

Expenses for the share-based compensation have been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2023	2024
	RMB '000	RMB '000
Research and development expenses	15,662	129,334
Administrative expenses	8,295	61,079
	<u>23,957</u>	<u>190,413</u>

Before 2024, management expected IPO was not probable as no IPO plan was in anticipation. Hence, for the portion of share options that cannot be retained in the event of termination of service prior to the IPO, management considered that the IPO was a performance condition and thus no share-based compensation expense was recorded for the years ended 31 December 2023.

For certain portion of share options that can be retained in the event of termination of service prior to the IPO and are exercisable only if an IPO occurs, IPO was a non-vesting condition for the years ended 31 December 2023 and it was considered in the grant-date fair value.

As of 31 December 2024, management updated their expectation and considered IPO became probable to occur and the Group re-assessed whether IPO is non-vesting condition or non-market performance condition as well as re-estimated the number of share options that are expected to vest, probability of meeting this non-market performance condition.

Accordingly, the Group determined the cumulative share-based compensation expenses as at 31 December 2024 and all changes in the cumulative expenses between the beginning and end of the period were recognized in profit or loss during the year ended 31 December 2024.

14 PROPERTY, PLANT AND EQUIPMENT

Accounting policy for property, plant and equipment

(i) Recognition and subsequent measurement

Property, plant and equipment, comprising office equipment, electronic equipment, laboratory equipment and leasehold improvement are stated at historical cost less depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	<u>Estimated useful lives</u>
Office equipment	5 years
Electronic equipment	3 years
Laboratory equipment	5 years
Leasehold improvement	2-5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(ii) *Impairment*

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGU). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Group

Non-current	Office equipment	Electronic equipment	Laboratory equipment	Leasehold improvement	Construction in progress	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2023						
Cost.	121	508	–	220	1,992	2,841
Accumulated depreciation	(36)	(216)	–	(78)	–	(330)
Net book amount	<u>85</u>	<u>292</u>	<u>–</u>	<u>142</u>	<u>1,992</u>	<u>2,511</u>
Year ended 31 December 2023						
Opening net book amount	85	292	–	142	1,992	2,511
Transfers	7	–	1,624	2,872	(4,503)	–
Additions	120	858	4,373	3,236	2,697	11,284
Depreciation charge	(26)	(237)	(464)	(755)	–	(1,482)
Closing net book amount	<u>186</u>	<u>913</u>	<u>5,533</u>	<u>5,495</u>	<u>186</u>	<u>12,313</u>
At 31 December 2023						
Cost.	248	1,366	5,997	6,328	186	14,125
Accumulated depreciation	(62)	(453)	(464)	(833)	–	(1,812)
Net book amount	<u>186</u>	<u>913</u>	<u>5,533</u>	<u>5,495</u>	<u>186</u>	<u>12,313</u>
Non-current	Office equipment	Electronic equipment	Laboratory equipment	Leasehold improvement	Construction in progress	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2024						
Cost.	248	1,366	5,997	6,328	186	14,125
Accumulated depreciation	(62)	(453)	(464)	(833)	–	(1,812)
Net book amount	<u>186</u>	<u>913</u>	<u>5,533</u>	<u>5,495</u>	<u>186</u>	<u>12,313</u>
Year ended 31 December 2024						
Opening net book amount	186	913	5,533	5,495	186	12,313
Transfers	–	–	905	432	(1,337)	–
Additions	–	689	1,532	155	1,703	4,079
Depreciation charge	(45)	(499)	(1,392)	(1,384)	–	(3,320)
Closing net book amount	<u>141</u>	<u>1,103</u>	<u>6,578</u>	<u>4,698</u>	<u>552</u>	<u>13,072</u>
At 31 December 2024						
Cost.	248	2,055	8,434	6,915	552	18,204
Accumulated depreciation	(107)	(952)	(1,856)	(2,217)	–	(5,132)
Net book amount	<u>141</u>	<u>1,103</u>	<u>6,578</u>	<u>4,698</u>	<u>552</u>	<u>13,072</u>

Depreciation of the Group charged to consolidated statements of comprehensive loss is analyzed as follows:

	Year ended December 31	
	2023	2024
	RMB '000	RMB '000
Administrative expenses	318	290
Research and development expense	1,164	3,030
	<u>1,482</u>	<u>3,320</u>

15 RIGHT-OF-USE ASSETS

Group

The Group leases offices and laboratory for its own use. Information about leases for which the Group is a lessee is presented below:

	Offices and laboratory
	RMB '000
As at 1 January 2023	
Cost	7,055
Accumulated depreciation	(2,487)
Net book amount	<u>4,568</u>
For the year ended 31 December 2023	
Opening net book amount	4,568
Additions	4,152
Depreciation charge	(3,275)
Closing net book amount	<u>5,445</u>
As at 31 December 2023	
Cost	11,207
Accumulated depreciation	(5,762)
Net book amount	<u>5,445</u>
	Offices and laboratory
	RMB '000
As at 1 January 2024	
Cost	11,207
Accumulated depreciation	(5,762)
Net book amount	<u>5,445</u>
For the year ended 31 December 2024	
Opening net book amount	5,445
Additions	3,368
Depreciation charge	(3,290)
Closing net book amount	<u>5,523</u>
As at 31 December 2024	
Cost	14,575
Accumulated depreciation	(9,052)
Net book amount	<u>5,523</u>

(i) **Amounts recognized in the consolidated statement of comprehensive loss**

The consolidated statements of comprehensive loss contain the following amounts relating to leases:

	Year ended 31 December	
	2023	2024
	RMB '000	RMB '000
Depreciation charge of right-to-use assets		
Offices and laboratory	3,275	3,290
Interest expenses	188	250
Expenses relating to short-term leases (included in administrative expenses and research and development expenses)	19	42

The total cash outflow for leases in the years ended 31 December 2023 and 2024 were RMB3,706,000 and RMB3,689,000 respectively.

16 INTANGIBLE ASSETS

Accounting policy for intangible assets

(i) *Recognition and subsequent measurement*

(a) *Software*

Computer software is recognized at historical cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. The Group amortized on a straight-line basis over their estimated useful lives of 1-3 years.

(b) *Licenses*

Certain intangible assets are for license of intellectual properties in development, with non-refundable upfront payment, milestone payment and royalty payment. Upfront payment is capitalized when paid. The milestone payment is capitalized as intangible assets when incurred, unless the payment is for outsourced research and development work which would follow the capitalization policy in Note 16 (c). Royalty payment would be accrued for in line with the underlying sales and recognized as a cost of sales. However, if the intangible asset is acquired in a business combination, it is measured at fair value at initial recognition.

In-licenses with finite useful life are amortized using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

(c) *Research and development*

The Group incurs significant costs and efforts on research and development activities. Research expenditures are charged to the profit or loss as an expense in the period the expenditures are incurred. Development costs are recognized as assets if they can be directly attributable to a newly developed drug products and all the following can be demonstrated:

- (i) the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- (ii) the intention to complete the intangible asset and use or sell it;
- (iii) the ability to use or sell the intangible assets;
- (iv) the intangible asset will generate probable future economic benefits;

- (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The cost of an internally generated intangible asset is the sum of the expenditures incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalized in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads. The Group generally considers capitalization criteria for internally generated intangible assets is met when obtaining regulatory approval of new drug license.

Capitalized development expenditures are amortized using the straight-line method over the life of the related drug products. Amortization shall begin when the asset is available for use. Subsequent to initial recognition, internally generated intangible assets are reported as cost less accumulated amortization and accumulated impairment losses (if any).

Development expenditures not satisfying the above criteria are recognized in the profit or loss as incurred and development expenditures previously recognized as an expense are not recognized as an asset in a subsequent period.

(ii) Impairment

Expenditure to acquire in-licenses and IPR&D is capitalised at fair value at the acquisition date. Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGU). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Group

	In-licenses and IPR&D	Software	Total
	RMB '000	RMB '000	RMB '000
At 1 January 2023	50,825	318	51,143
Additions	24,218	403	24,621
Amortization charges	—	(230)	(230)
License out	(21,421)	—	(21,421)
Currency translation	135	—	135
At 31 December 2023	<u>53,757</u>	<u>491</u>	<u>54,248</u>
As at 31 December 2023			
Cost	53,757	781	54,538
Accumulated amortization and impairment	—	(290)	(290)
Net book amount	<u>53,757</u>	<u>491</u>	<u>54,248</u>

	In-licenses and IPR&D	Software	Total
	RMB '000	RMB '000	RMB '000
At 1 January 2024	53,757	491	54,248
Additions	24,902	4,958	29,860
Amortization charges	—	(1,260)	(1,260)
License out	(15,439)	—	(15,439)
Impairment	(21,350)	—	(21,350)
Currency translation	178	—	178
At 31 December 2024	<u>42,048</u>	<u>4,189</u>	<u>46,237</u>
As at 31 December 2024			
Cost	63,613	5,739	69,352
Accumulated amortization and impairment	(21,565)	(1,550)	(23,115)
Net book amount	<u>42,048</u>	<u>4,189</u>	<u>46,237</u>

The intangible assets related to in-license and IPR&D are not ready for use and the Group is continuing research and development work.

Impairment tests were performed in respect of these intangible assets based on the recoverable amount of the cash-generating unit (“CGU”) to which the intangible asset is related. The appropriate CGU is at the product level.

The impairment test was performed for each pipeline product by engaging an independent appraiser to estimate fair value less cost to sell as the recoverable amount of each pipeline product. The fair value was based on the multi-period excess earnings method and the Group estimated the forecast of profit for its pipeline products based on the timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential, and potential license out upfront fee and the length of exclusivity for each pipeline product. The discount rate used is post-tax and reflects specific risks relating to the relevant products.

The annual impairment test was performed by engaging an independent valuer to estimate the fair value less cost to sell as the recoverable amount. The fair value is based on the multi-periods excessive earning method with key assumptions as below, and certain pipeline products are not applicable to impairment tests during the year ended 31 December 2024, given that they were out-licensed already:

DB-1202	As at 31 December	
	2023	2024
Post-tax discount rate	16.0%	Not applicable
Revenue growth rate	-5% to 68%	Not applicable
Recoverable amount of CGU (in RMB'000)	43,226	Not applicable
Carrying amount of CGU (in RMB'000)	<u>21,248</u>	<u>—</u>
DB-1312	As at 31 December	
	2023	2024
Post-tax discount rate	16.0%	Not applicable
Revenue growth rate	-10% to 199.8%	Not applicable
Recoverable amount of CGU (in RMB'000)	202,777	Not applicable
Carrying amount of CGU (in RMB'000)	<u>15,439</u>	<u>—</u>

DB-1310

	As at 31 December	
	2023	2024
Post-tax discount rate	16.0%	15.0%
Revenue growth rate	-6% to 140%	-6% to 140%
Recoverable amount of CGU (in RMB'000)	84,406	238,287
Carrying amount of CGU (in RMB'000)	<u>10,790</u>	<u>10,790</u>

DB-1419

	As at 31 December	
	2023	2024
Post-tax discount rate	16.0%	15.0%
Revenue growth rate	-8.7% to 218%	-8.7% to 218%
Recoverable amount of CGU (in RMB'000)	74,834	172,888
Carrying amount of CGU (in RMB'000)	<u>3,349</u>	<u>10,077</u>

DB-1311

	As at 31 December	
	2023	2024
Post-tax discount rate	16.0%	15.0%
Revenue growth rate	-10% to 160%	-10% to 160%
Recoverable amount of CGU (in RMB'000)	140,526	336,571
Carrying amount of CGU (in RMB'000)	<u>2,931</u>	<u>5,563</u>

DB-1418

	As at 31 December	
	2023	2024
Post-tax discount rate	Not applicable	15.0%
Revenue growth rate	Not applicable	-5% to 333.9%
Recoverable amount of CGU (in RMB'000)	Not applicable	66,711
Carrying amount of CGU (in RMB'000)	<u>—</u>	<u>6,703</u>

DB-1324

	As at 31 December	
	2023	2024
Post-tax discount rate	Not applicable	15.0%
Revenue growth rate	Not applicable	-19.6% to 246.1%
Recoverable amount of CGU (in RMB'000)	Not applicable	235,392
Carrying amount of CGU (in RMB'000)	<u>—</u>	<u>8,915</u>

Impairment test-sensitivity

The Company performed sensitivity test by increasing 1 percentage point of post-tax discount rate or decreasing 1 percentage point of revenue growth rate, which management considers are the key assumptions in determining the recoverable amount of each intangible asset, with all other variables held constant. The impacts on the amount (in RMB thousand) by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

DB-1202	As at 31 December	
	2023	2024
Headroom	21,978	Not applicable
Impact by increasing post-tax discount rate	(16,194)	Not applicable
Impact by decreasing revenue growth rate	<u>(19,353)</u>	<u>Not applicable</u>
DB-1312	As at 31 December	
	2023	2024
Headroom	187,338	Not applicable
Impact by increasing post-tax discount rate	(80,015)	Not applicable
Impact by decreasing revenue growth rate	<u>(47,233)</u>	<u>Not applicable</u>
DB-1310	As at 31 December	
	2023	2024
Headroom	73,616	227,497
Impact by increasing post-tax discount rate	(32,146)	(34,228)
Impact by decreasing revenue growth rate	<u>(23,873)</u>	<u>(28,565)</u>
DB-1419	As at 31 December	
	2023	2024
Headroom	71,485	162,811
Impact by increasing post-tax discount rate	(26,473)	(30,023)
Impact by decreasing revenue growth rate	<u>(14,653)</u>	<u>(17,544)</u>
DB-1311	As at 31 December	
	2023	2024
Headroom	137,595	331,008
Impact by increasing post-tax discount rate	(44,266)	(48,098)
Impact by decreasing revenue growth rate	<u>(33,000)</u>	<u>(39,443)</u>
DB-1418	As at 31 December	
	2023	2024
Headroom	Not applicable	60,008
Impact by increasing post-tax discount rate	Not applicable	(19,587)
Impact by decreasing revenue growth rate	<u>Not applicable</u>	<u>(10,488)</u>

	2023	2024
Headroom	Not applicable	226,477
Impact by increasing post-tax discount rate	Not applicable	(6,820)
Impact by decreasing revenue growth rate	Not applicable	(3,535)

Based on the result of the above assessment, there was no impairment for the in-licenses and IPR&D as at 31 December 2023. Considering there was sufficient headroom based on the assessment, except for DB-1202 which was terminated and fully impaired due to change in market condition during the year ended 31 December 2024, the directors and management believe that a reasonably possible change in any of the key assumptions would not cause the relevant carrying amount of the CGU to exceed its recoverable amount, and there was no impairment as at 31 December 2024.

17 CASH AND BANK BALANCES

Group

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Cash in bank and on hand	1,130,889	1,390,672
Less: term deposits with initial term over three months (Note 19)	—	(181,766)
Cash and cash equivalents (a)	<u>1,130,889</u>	<u>1,208,906</u>

(a) All cash in bank are deposits with original maturity within 3 months. The Group earns interest on cash in bank.

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Cash and cash equivalents are denominated in:		
USD	558,170	943,255
RMB	570,485	263,666
EUR	2,234	1,985
	<u>1,130,889</u>	<u>1,208,906</u>

Company

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Cash in bank and on hand (a)	<u>6,201</u>	<u>1,885</u>

- (a) All cash in bank are deposits with original maturity within 3 months. The Group earns interest on cash in bank.

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Cash in bank and on hand are denominated in:		
USD	6,201	1,885

18 RESTRICTED CASH

As at 31 December 2023 and 2024, all the restricted deposits were denominated in USD and held in designated bank accounts mainly as security deposits for derivative financial instruments.

19 TERM DEPOSITS WITH INITIAL TERM OVER THREE MONTHS

Term deposits with initial term over three months which represented bank deposits in USD with a maturity of more than three months and less than one year was nil and RMB181,766,000 as at 31 December 2023 and 2024.

20 TRADE RECEIVABLES

Group

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Trade receivables	100,888	379,545
Less: provision for impairment of trade receivables	(85)	(524)
Trade receivables – net.	100,803	379,021

Customers are generally granted with credit terms ranging from 12 to 45 days.

As at 31 December 2023 and 2024, the ageing analysis of trade receivables based on invoices date and net of expected credit losses is as follows:

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Within 30 days.	100,803	377,783
31 days to 60 days	–	1,238
	100,803	379,021

The carrying amounts of the Group's trade receivables are denominated in RMB and approximate their fair values.

The credit loss allowance as at 31 December 2023 and 2024 was determined as follows for trade receivables:

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Provision on collective basis		
Expected credit loss rate	0.08%	0.14%
Gross carrying amount (RMB'000)	100,888	379,545
Credit loss allowance (RMB'000)	<u>(85)</u>	<u>(524)</u>

Impairment losses on trade receivables are presented as credit loss allowance within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item. Movements on the Group's credit loss allowance for trade receivables are as follows:

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Loss allowance		
At beginning of the year	2	85
Increase in loss allowance recognized in the consolidated statements of profit or loss	<u>83</u>	<u>439</u>
At end of the year	<u>85</u>	<u>524</u>

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payment.

21 PREPAYMENTS AND OTHER RECEIVABLES

Group

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Prepayments to suppliers	21,746	14,057
Deposits	5,264	6,290
Deferred listing expenses	–	4,205
Others	<u>14</u>	<u>46</u>
	<u>27,024</u>	<u>24,598</u>

22 OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS

Group

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Other current assets		
Value-added tax recoverable.	32,534	70,389
Other non-current assets		
Tax deduction related to withholding tax (i)	93,666	115,400
Others	342	155
	<u>94,008</u>	<u>115,555</u>

- (i) The overseas income made by the Group's PRC subsidiaries will normally be subject to withholding tax. During the Track Record Period, certain overseas customers withheld excessive tax without considering the relevant bilateral tax treaties. The receivables in relation to such excessive withholding tax are RMB93,666,000 and RMB115,400,000 as at 31 December 2023 and 2024, respectively.

The withholding tax receivable from the Federal Central Tax Office represents excess withholding tax withheld and paid by overseas collaboration partner, BioNTech SE, of Duality Suzhou in Germany based on the normal statutory withholding tax rate of 15.825%. According to the double tax treaty between China and Germany, Duality Suzhou, as the recipient of the payment and a Chinese tax resident, is eligible to apply for a reduced withholding tax rate of 10% under Article 12 of the double tax treaty between China and Germany.

Duality Suzhou has submitted an application for this treaty benefit and received a formal withholding tax exemption certificate issued by the Federal Central Tax Office. The certificate confirms that Duality Suzhou (as the creditor of the payment) is entitled to the reduced withholding tax rate of 10% for license payments made by BioNTech SE.

The refund process for the portion of withholding tax is currently ongoing. No issues are anticipated regarding the recoverability of the withholding tax recoverable.

23 SHARE CAPITAL

Group and Company

Authorized

	Number of Ordinary Shares	Number of Series Seed Preferred Shares	Number of Series A-1 Preferred Shares	Number of Series A-2 Preferred Shares	Number of Series B-1 Preferred Shares	Number of Series B-2 Preferred Shares	Equivalent Nominal Value
							RMB '000
At 31 December 2023 and 2024	<u>139,895,836</u>	<u>5,000,000</u>	<u>12,333,333</u>	<u>2,666,667</u>	<u>16,666,666</u>	<u>23,437,498</u>	<u>137</u>

Issued

The Company was incorporated in the Cayman Islands as an exempted company registered under the laws of the Cayman Islands on 3 July 2019. Upon incorporation of the Company, 8,000,000 shares were issued at par value of USD0.0001 each.

	Number of Ordinary Shares	Equivalent Nominal Value of Ordinary Shares
		RMB '000
At 31 December 2023 and 2024.	8,000,000	6
		=

24 OTHER RESERVES

Group

	Translation reserve	Share-based compensation	Surplus reserves	Credit risk of convertible preferred shares	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2023.	(34,232)	10,624	–	7,523	(16,085)
Surplus reserves	–	–	45,230	–	45,230
Other comprehensive loss – resulted from change of credit risk of convertible preferred shares	–	–	–	(1,688)	(1,688)
Currency translation loss	(19,553)	–	–	–	(19,553)
Share-based compensation	–	23,957	–	–	23,957
At 31 December 2023	(53,785)	34,581	45,230	5,835	31,861
Surplus reserves	–	–	39,034	–	39,034
Other comprehensive loss – resulted from change of credit risk of convertible preferred shares	–	–	–	(15)	(15)
Currency translation loss	(37,950))	–	–	–	(37,950)
Share-based compensation	–	190,413	–	–	190,413
At 31 December 2024	(91,735)	224,994	84,264	5,820	223,343

Company

	Translation reserve	Share-based compensation	Credit risk of convertible preferred shares	Total
	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2023	(5,359)	10,624	7,523	12,788
Other comprehensive loss – resulted from change of credit risk of convertible preferred shares	–	–	(1,688)	(1,688)
Currency translation loss.	(5,902)	–	–	(5,902)
Share-based compensation	–	23,957	–	23,957
At 31 December 2023	(11,261)	34,581	5,835	29,155
Other comprehensive loss – resulted from change of credit risk of convertible preferred shares	–	–	(15)	(15)
Currency translation loss.	(24,048)	–	–	(24,048)
Share-based compensation	–	190,413	–	190,413
At 31 December 2024	(35,309)	224,994	5,820	195,505

25 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Convertible preferred shares issued by the Company are redeemable upon occurrence of certain future events. This instrument can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering (“IPO”) of the Company.

The Group designated the convertible preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Subsequent to initial recognition, the convertible preferred shares are carried at fair value with changes in fair value recognized in the consolidated statements of comprehensive loss.

If the Company’s own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognized in other comprehensive loss.

Group

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Series Seed Preferred Shares	166,600	253,439
Series A-1 Preferred Shares	417,219	625,157
Series A-2 Preferred Shares	90,203	135,169
Series B-1 Preferred Shares	600,614	844,855
Series B-2 Preferred Shares	858,084	1,188,164
	<u>2,132,720</u>	<u>3,046,784</u>

Through March to April 2023, the Company issued 7,366,070 Series B-2 Preferred Shares to certain onshore investors at a cash consideration of USD22,000,000 (RMB151,101,000), via the following arrangement.

(a) Loans with warrants to purchase Series B-2 Preferred Shares

Prior to investing in the Company, onshore investors shall obtain requisite overseas direct investment approvals (“ODI approval”). In the Series B-2 financing, prior to obtaining ODI approval, these onshore investors entered into loan agreements with the Group in 2022 whereby these onshore investors agreed to provide loans to Duality Biologics (Suzhou) Co., Ltd. (the “WFOE”), a subsidiary of the Company that incorporated in PRC, and the Company agreed to issue Series B-2 Preferred Share Purchase Warrants (the “Warrants”) to these investors.

Once these onshore investors obtain ODI approval, the WFOE shall return these onshore investors the principal amount of loans, and such amount shall be paid by these onshore investors to the Company as part of purchase consideration for Series B-2 Preferred Shares.

These abovementioned loans were designated as financial liabilities at fair value through profit or loss, which are initially recognized at fair value. The component of fair value changes relating to the Company’s own credit risk is recognized in other comprehensive income/(loss). Amounts recorded in other comprehensive income/(loss) related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized. Fair value changes relating to market risk are recognized in profit or loss.

(b) Convertible preferred shares of the Company

The rights, preferences and privileges of the above convertible preferred shares are as follows:

(i) Conversion feature

Each convertible preferred share may, at the option of the holder thereof, be converted at any time after the date of issuance of such convertible preferred shares into ordinary shares, or shall automatically be converted into ordinary shares upon the closing of a qualified initial public offering (“QIPO”) of the Company.

The conversion ratio for the convertible preferred shares to the ordinary shares is 1:1 if no adjustments to conversion price have occurred. As at 31 December 2024, each convertible preferred share is convertible into one ordinary share.

(ii) Liquidation preferences

Each holder of convertible preferred shares shall be entitled to receive for each series of convertible preferred shares he or it holds on the preferential basis, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of other series of convertible preferred shares and ordinary shares or any other class or series of shares by reason of their ownership of such shares, the amount equal to one hundred percent (100%) of the respective applicable issue price, plus (a) all interest that would accrue on the applicable issue price during the period from the relevant issue date to the date of receipt by the holder thereof of the full liquidation amount at a rate of 10% per annum, plus (b) accrued or declared but unpaid dividends on such convertible preferred shares, respectively.

If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full preferred preference amount, the liquidation preference amount will be paid to the holders of convertible preferred shares in the following order: first to holders of Series B-1 and B-2 Preferred Shares ("Series B Preferred Shares"), second to holders of Series A Preferred Shares, third to holders of Series Seed Preferred Shares, and lastly to the holders of ordinary shares. After distributing or paying in full the liquidation preference amount to all of the holders of convertible preferred shares, the remaining assets of the Company available for distribution to members, if any, shall be distributed to the holders of the ordinary shares on a pro rata basis.

(iii) Redemption feature

The shareholders of Series B Preferred Shares, Series A Preferred Shares and Series Seed Preferred Shares may give a written notice to the Company at any time or from time to time requesting redemption of all or part of their convertible preferred shares under certain conditions as provided in the article of association. These conditions substantially include the following:

- (a) the Company fails to complete a QIPO within four (4) years after 23 April 2021, which was the date of Initial USD Closing as defined in Series B share purchase agreements;
- (b) the Company fails to abstain from the occurrence of a deemed liquidation event within four years after the Initial USD Closing;
- (c) other than as approved by the board, the founder terminates his full-time employment relationship with the Group within four years after the Initial USD Closing;
- (d) other than as approved by the board, the founder transfers two thirds or more of the ordinary shares directly or indirectly held by him as of the Initial USD Closing within four years after the Initial USD Closing;
- (e) the Group fails to maintain, obtain or renew any permits, authorizations, approvals, consents or licenses necessary to the principal business; or
- (f) the occurrence of a material breach, violation or misconduct by the Group or founder parties in its performance of the relevant transaction documents.

The redemption price payable on each of the abovementioned convertible preferred shares is the applicable purchase price for each share, plus (a) all interest that would accrue on applicable purchase price during the period from the relevant issue date to the date of receipt by the holder thereof of the full redemption amount at a rate of 10% or 30% per annum, (b) minus any dividends already paid on each share.

The directors of the Group believes that due to the conversion feature of the convertible preferred shares, the financial liabilities at fair value through profit or loss will not result in cash payment in the future.

The movement of financial liabilities at fair value through profit or loss is set out below:

	Total
	<i>RMB '000</i>
At 1 January 2023	1,072,720
Issuance of convertible preferred shares (1)	151,101
Repayments of loans with warrants to purchase Series B Preferred Shares	(135,191)
Changes in fair value – profit or loss (2).	1,017,899
Changes in fair value – other comprehensive loss (2)	1,688
Currency translation difference	24,503
At 31 December 2023	2,132,720
Changes in fair value – profit or loss	873,416
Changes in fair value – other comprehensive loss	15
Currency translation difference	40,633
At 31 December 2024	3,046,784

(1) Through March to April 2023, the Company received total consideration of USD22,000,000 (RMB151,101,000) by issuance of the 7,366,070 Series B-2 Preferred Shares with Warrants exercised (Note 25(a)).

(2) The fair value change of financial liabilities at fair value through profit or loss in relation with these Warrants before the issuance dates of Series B-2 Preferred Shares were approximately USD10,309,000 (RMB70,807,000).

With the assistance from an external valuer appointed by the Group, the Group applied the back-solve method and discounted cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the financial instruments issued to investors. Key assumptions are set out as below:

Unobservable inputs	31 December 2023	31 December 2024	Relationship of unobservable inputs to fair value
Discount rate	15.0%	14.0%	The higher the discount rate, the lower the fair value of financial instrument to investors.
Volatility	57.7%	51.4%	Nonlinear relationships
DLOM	22.0%	10.0%	The higher the DLOM, the lower the fair value of financial instrument to investors.

As of 31 December 2023, increasing/decreasing expected volatility by 5% would increase/decrease the fair value of financial instruments by RMB845,000 and RMB941,000 respectively. Increasing/Decreasing discount rate by 1% would decrease/increase the fair value by RMB34,068,000 and RMB34,881,000 respectively. Increasing/Decreasing DLOM by 1% would decrease/increase the fair value by RMB5,799,000 and RMB5,799,000 respectively.

As of 31 December 2024, increasing/decreasing expected volatility by 5% would increase/decrease the fair value of financial instruments by RMB20,000 and RMB13,000 respectively. Increasing/Decreasing discount rate by 1% would decrease/increase the fair value by RMB44,618,000 and RMB43,706,000 respectively. Increasing/Decreasing DLOM by 1% would decrease/increase the fair value by RMB3,339,000 and RMB3,339,000 respectively.

Company

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Series Seed Preferred Shares	166,600	253,439
Series A-1 Preferred Shares	417,219	625,157
Series A-2 Preferred Shares	90,203	135,169
Series B-1 Preferred Shares	600,614	844,855
Series B-2 Preferred Shares	858,084	1,188,164
	<u>2,132,720</u>	<u>3,046,784</u>
		Total
		RMB '000
At 1 January 2023		937,529
Issuance of convertible preferred shares		151,101
Changes in fair value – profit or loss		1,017,899
Changes in fair value – other comprehensive loss		1,688
Currency translation difference		24,503
At 31 December 2023		<u>2,132,720</u>
Changes in fair value – profit or loss		873,416
Changes in fair value – other comprehensive loss		15
Currency translation difference		40,633
At 31 December 2024		<u>3,046,784</u>

26 TRADE PAYABLES

Group

As at 31 December 2023 and 2024, the ageing analysis of trade payables based on invoice date is as follows:

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Within 6 months	234,476	670,199
6 months to 12 months	338	711
	<u>234,814</u>	<u>670,910</u>

27 OTHER PAYABLES

Group

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Staff salaries and welfare payables	23,587	38,496
Payables for acquisition of property, plant and equipment and intangible assets	7,408	10,114
Payables for listing expenses	–	8,822
Other taxes payable	919	1,718
Payables for financial and consulting services	1,651	390
Recruitment services and other accrued expenses	–	85
Others	1,109	1,006
	<u>34,674</u>	<u>60,631</u>

The carrying amounts of accruals and other payables of the Group are denominated in the following currencies:

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
RMB	26,584	36,443
USD	8,090	24,064
Others	–	124
Total	<u>34,674</u>	<u>60,631</u>

Company

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Payables to subsidiaries	–	17,948
Payables for listing expenses	–	8,442
Others	120	4
	<u>120</u>	<u>26,394</u>

The carrying amounts of accruals and other payables of the Company are denominated in the following currencies:

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
RMB	–	13,240
USD	120	13,030
Others	–	124
Total	<u>120</u>	<u>26,394</u>

28 DIVIDENDS

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the years ended 31 December 2023 and 2024.

29 CASH FLOW INFORMATION

(a) Reconciliation of loss for the year to net cash used in operations

	Year ended 31 December	
	2023	2024
	RMB '000	RMB '000
Loss before income tax	(202,249)	(1,014,546)
Adjustments for:		
– Depreciation of property, plant and equipment	1,482	3,320
– Impairment of intangible assets	–	21,350
– Amortization of intangible assets	230	1,260
– Share-based compensation expenses	23,957	190,413
– Depreciation of right-of-use assets	3,275	3,290
– Finance income	(34,483)	(48,112)
– Finance cost	188	250
– Net foreign exchange gains	(41,935)	(12,273)
– Fair value losses on financial liabilities at fair value through profit or loss	1,017,899	873,416
– Losses on disposal of financial assets at fair value through profit or loss	1,162	–
– Investment income	–	(2,248)
– License out of intangible assets	21,421	15,439
Changes in working capital:		
– Increase in trade, other receivables and prepayments	(120,969)	(276,769)
– Increase in other current assets	(9,949)	(37,855)
– Increase/(decrease) in contract liabilities	216,296	112,211
– Increase in trade and other payables	154,456	463,063
Cash generated from operating activities	<u>1,030,781</u>	<u>292,209</u>

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities	Financial liabilities at fair value through profit or loss	Total
	RMB '000	RMB '000	RMB '000
Net debt as at 1 January 2023	(4,665)	(1,072,720)	(1,077,385)
Cash flows	3,687	(15,910)	(12,223)
Acquisition-leases	(4,152)	–	(4,152)
Other changes	(188)	(1,019,587)	(1,019,775)
Foreign exchange adjustments	–	(24,503)	(24,503)
Net debt as at 31 December 2023	<u>(5,318)</u>	<u>(2,132,720)</u>	<u>(2,138,038)</u>
Cash flows	3,647	–	3,647
Acquisition-leases	(3,368)	–	(3,368)
Other changes	(250)	(873,431)	(873,681)
Foreign exchange adjustments	–	(40,633)	(40,633)
Net debt as at 31 December 2024	<u>(5,289)</u>	<u>(3,046,784)</u>	<u>(3,052,073)</u>

30 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for by the Group at the balance sheet date but not yet incurred is as follows:

	As at 31 December	
	2023	2024
	RMB '000	RMB '000
Property, plant and equipment	519	423
	<u>519</u>	<u>423</u>

31 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2023 and 2024 respectively.

(a) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 32 is set out below.

	Year ended 31 December	
	2023	2024
	RMB '000	RMB '000
Share-based compensation expenses	5,968	50,333
Wages, salaries and bonus	23,406	25,280
Social insurance	1,476	1,527
Other welfare for employees	480	672
	<u>31,330</u>	<u>77,812</u>

32 DIRECTORS' BENEFITS AND INTERESTS

(a) Directors' and senior management's emoluments

Directors and chief executives' emoluments for the years ended 31 December 2023 and 2024 are set out as follows:

	Fees	Salary	Discretionary bonus	Share-based compensation expenses	Pension costs	Other benefits	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Year ended							
December 31, 2023							
<i>Executive directors</i>							
Dr. Zhongyuan Zhu (i) . .	—	2,334	1,260	14,665	143	142	18,544
Mr. Shaoren Zhang (ii) .	—	1,364	402	150	143	13	2,072
Ms. Wen Si (iii)	—	933	297	18	143	13	1,404
<i>Non-executive directors</i>							
Dr. Tao Yu (iv)	—	—	—	—	—	—	—
Dr. Xianghong Lin (v) . .	—	—	—	—	—	—	—
	—	<u>4,631</u>	<u>1,959</u>	<u>14,833</u>	<u>429</u>	<u>168</u>	<u>22,020</u>

	Fees	Salary	Discretionary bonus	Share-based compensation expenses	Pension costs	Other benefits	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Year ended December 31,							
2024							
Executive directors							
Dr. Zhongyuan Zhu (i)	—	2,415	1,144	81,710	144	149	85,562
Mr. Shaoren Zhang (ii)	—	1,567	438	3,185	144	13	5,347
Ms. Wen Si (iii)	—	991	275	1,928	144	13	3,351
Non-executive directors							
Dr. Tao Yu (iv)	—	—	—	—	—	—	—
Mr. Zhiyang Cai (vi)	—	—	—	—	—	—	—
	—	4,973	1,857	86,823	432	175	94,260
	—	—	—	—	—	—	—

- (i) Dr. Zhongyuan Zhu, as the founder, was appointed as executive director on 19 February 2020.
- (ii) Mr. Shaoren Zhang was appointed as executive director on 23 April 2021.
- (iii) Ms. Wen Si was appointed as executive director on 23 April 2021.
- (iv) Dr. Tao Yu was appointed as a non-executive director on 23 April 2021.
- (v) Dr. Xianghong Lin was appointed as a non-executive director on 13 May 2020 and resigned on 22 July 2024.
- (vi) Mr. Zhiyang Cai was appointed as a non-executive director on 12 August 2024.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31 December 2023 and 2024.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 December 2023 and 2024.

(d) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2023 and 2024, the Company did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favor of directors, bodies corporate controlled by or entities connected with directors

Same as disclosed in Note 10, there were no loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors during the years ended 31 December 2023 and 2024.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended 31 December 2023 and 2024.

33 SUBSIDIARIES

The details of the subsidiaries of the Group are set out below:

Name	Place and date of incorporation	Principal activities	Paid-in-capital/Reserve		Percentage of attributable equity interest to the Company	
			As at 31 December		As at 31 December	
			2023	2024	2023	2024
			(RMB '000)	(RMB '000)		As at the date of this report
DualityBio HK Limited (a)	Hong Kong, 21 January 2020	Investment holding	USD1	USD1	100%	100%
Duality Biologics (Suzhou) Co., Ltd. (b)	PRC, 23 March 2020	Investment holding and pharmaceuticals research, development and production	USD73,000	USD73,000	100%	100%
Duality Biologics (Shanghai) Co., Ltd. (b)	PRC, 26 April 2020	Pharmaceuticals research, development and production	RMB70,000	RMB90,000	100%	100%
DualityBio Inc. (c)	United States, 3 May 2021	Pharmaceuticals research, development and production	–	–	100%	100%
Beijing Duality Biologics Co., Ltd. (d)	PRC, 20 November 2024	Pharmaceuticals research, development and production	Not applicable	–	Not applicable	100%

Notes:

- (a) The statutory auditor of the subsidiary of the Group for the year ended 31 December 2023 was AYC CPA Limited, certified public accountants registered in the Hong Kong and no audited financial statement has been issued for the year ended 31 December 2024 until the date of the report.
- (b) The statutory auditor of the subsidiaries of the Group for the year ended 31 December 2023 were Suzhou Genhood C.P.A Co., Ltd, certified public accountants registered in the PRC and no audited financial statement has been issued for the year ended 31 December 2024 until the date of the report.
- (c) No audited financial statements have been issued for these companies for the years ended 31 December 2023 and 2024, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.
- (d) In November 2024, the Group acquired the entire equity interests from the shareholders of Beijing Duality Biologics Co., Ltd. No audited financial statement has been issued for the year ended 31 December 2024 until the date of the report.

34 SUBSEQUENT EVENTS

There are no material subsequent events undertaken by the Duality Biotherapeutics Group after 31 December 2024.

35 SUMMARY OF OTHER ACCOUNTING POLICIES

35.1 Principles of consolidation and equity accounting

35.1.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

35.2 Foreign currency translation

35.2.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is USD; however the Historical Financial Information are presented in RMB. As the major operations of the Group are within the PRC, the Group determined to present the Historical Financial Information in RMB (unless otherwise stated).

35.2.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in consolidated statements of comprehensive loss in the period in which they arise.

Monetary assets and liabilities denominated in foreign currencies at the year end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

All foreign exchange gains and losses are presented in the consolidated statements of comprehensive loss within "Other gains/losses — net".

35.2.3 Group companies

The results and balance sheet of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position are translated at the closing rate;
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rate; and
- All resulting exchange differences are recognized in other comprehensive income and accumulated as "Other reserves" in equity.

35.3 Prepayments and other receivables

Prepayments mainly represent upfront cash payments made to testing companies. Prepayments to testing companies will be subsequently recorded as research and development expenses in accordance with the applicable performance requirements.

Prepayments are generally due for settlement within one year or less and therefore are all classified as current assets.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

35.4 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

35.5 Share capital

Ordinary shares are classified as equity. Convertible preferred shares issued to investors are classified as liabilities based on the respective contract terms (see Note 25).

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

35.6 Trade and other payables

Trade and other payables mainly represent the obligations to pay for services that have been acquired in the ordinary course of business from hospitals and clinical trial companies. Trade and other payables are presented as current liabilities unless payment is not due within one year or less after the reporting period.

Trade and other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

35.7 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

35.8 Employee benefits

35.8.1 Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

35.8.2 Housing funds, medical insurances and other social insurances

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

35.8.3 Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

35.8.4 Employee leave entitlement

Employee entitlement to annual leave are recognized when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employees entitlement to sick leave and maternity leave are not recognized until the time of leave.

35.8.5 Bonus plan

The expected cost of bonus is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

35.9 Government grants

Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognized in consolidated statements of comprehensive loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to consolidated statements of comprehensive loss over the estimated useful lives of the related assets using the straight-line method.

35.10 Leases as lessee

The Group leases various properties. Rental contracts are typically made for fixed periods of 1 to 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated statements of comprehensive loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- the lease payments are discounted using the interest rate implied in the lease, if that rate can be determined, or the respective incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- payments associated with short-term leases are recognized on a straight-line basis as an expense in consolidated statements of comprehensive loss. Short-term leases are leases with a lease term of 12 months or less.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies comprising the Group in respect of any period subsequent to 31 December 2024 and up to the date of this report. No dividend or distribution has been declared, made or paid by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 December 2024.