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绿竹生物

LUZHU BIOTECH

Beijing Luzhu Biotechnology Co., Ltd.

北京綠竹生物技術股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2480)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2024**

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Luzhu Biotechnology Co., Ltd. (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2024 (the “**Reporting Period**”), together with comparative figures for the year ended December 31, 2023.

FINANCIAL HIGHLIGHTS

	For the year ended December 31,		
	2024	2023	Change
	<i>RMB'000</i>	<i>RMB'000</i>	(%)
Other income	21,387	20,085	6.5
Other gains and losses, net	11,818	18,167	(34.9)
Administrative expenses	(64,795)	(87,011)	(25.5)
Research and development expenses	(135,134)	(172,685)	(21.7)
Finance costs	(766)	(844)	(9.2)
Listing expenses	–	(26,459)	(100.0)
Other expenses	(745)	(603)	23.5
	<hr/>	<hr/>	<hr/>
Loss before tax	(168,235)	(249,350)	(32.5)
Income tax expense	–	–	–
	<hr/>	<hr/>	<hr/>
Loss and total comprehensive expense for the year	<u>(168,235)</u>	<u>(249,350)</u>	<u>(32.5)</u>

BUSINESS HIGHLIGHTS

During the year ended December 31, 2024, the Group continued to focus its R&D efforts on its Core Product, LZ901. The subject enrollment for the Phase III clinical trial of LZ901 in China was completed in January 2024 with a total of 26,000 healthy subjects aged 40 years and older being enrolled, and based on the interim analysis of the Phase III clinical trial, a BLA for LZ901 was submitted to the NMPA in January 2025, which was subsequently accepted in February 2025. The NMPA will take further steps, including but not limited to technical evaluation, clinical trial on-site inspection, and production site inspection, to assess the BLA, and LZ901 can only be commercialized after obtaining the BLA approval and batch release approval.

In addition, the Group has commenced the R&D for two new product candidates, namely, recombinant HSV-1 vaccine, a recombinant vaccine that targets oral herpes or cold sores caused by HSV-1, and recombinant HSV-2 vaccine, a recombinant vaccine that targets genital herpes caused by HSV-2, thereby increasing the number of the Group's pre-clinical product candidates to six as of December 31, 2024.

Furthermore, the Company completed its H Share full circulation in January 2024, pursuant to which a total of 59,729,296 Unlisted Shares had been converted into H Shares and listed on the Main Board, and the share capital of the Company has since only comprised H Shares.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2024

		For the year ended	
		December 31,	
	<i>NOTES</i>	2024	2023
		RMB'000	RMB'000
Other income	5	21,387	20,085
Other gains and losses, net	6	11,818	18,167
Administrative expenses		(64,795)	(87,011)
Research and development expenses		(135,134)	(172,685)
Finance costs	7	(766)	(844)
Listing expenses		–	(26,459)
Other expenses		(745)	(603)
		<u> </u>	<u> </u>
Loss before tax		(168,235)	(249,350)
Income tax expense	8	–	–
		<u> </u>	<u> </u>
Loss and total comprehensive expense for the year	9	(168,235)	(249,350)
		<u> </u>	<u> </u>
Loss per share (RMB)	11		
Basic		(0.83)	(1.25)
		<u> </u>	<u> </u>
Diluted		(0.83)	(1.25)
		<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2024

	<i>NOTES</i>	As at December 31,	
		2024	2023
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	<i>12</i>	457,588	383,905
Right-of-use assets	<i>13</i>	99,504	104,591
Intangible assets	<i>14</i>	8,329	4,127
Prepayments, deposits and other receivables	<i>15</i>	12,166	53,099
		<u>577,587</u>	<u>545,722</u>
CURRENT ASSETS			
Materials	<i>16</i>	5,735	3,477
Prepayments, deposits and other receivables	<i>15</i>	13,461	9,168
Financial assets at fair value through profit or loss (“FVTPL”)	<i>17</i>	313,554	343,345
Bank balances	<i>18</i>	140,126	264,982
		<u>472,876</u>	<u>620,972</u>
CURRENT LIABILITIES			
Advance payments received and other payables	<i>19</i>	97,037	89,183
Lease liabilities	<i>20</i>	–	129
Bank borrowing	<i>21</i>	1,820	7,000
		<u>98,857</u>	<u>96,312</u>
NET CURRENT ASSETS		<u>374,019</u>	<u>524,660</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>951,606</u>	<u>1,070,382</u>
NON-CURRENT LIABILITIES			
Bank borrowing	<i>21</i>	53,094	–
Lease liabilities	<i>20</i>	12,619	12,087
Deferred government grants	<i>22</i>	32,302	37,667
		<u>98,015</u>	<u>49,754</u>
NET ASSETS		<u>853,591</u>	<u>1,020,628</u>
CAPITAL AND RESERVES			
Share capital	<i>23</i>	202,450	202,450
Reserves		651,141	818,178
TOTAL EQUITY		<u>853,591</u>	<u>1,020,628</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

1. GENERAL INFORMATION

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

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

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

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

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

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

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

4. SEGMENT INFORMATION

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

The Group did not record any revenue during the year ended December 31, 2024 (year ended December 31, 2023: nil). As at December 31, 2024, the Group's non-current assets excluding financial instruments amounting to RMB577,236,000 (December 31, 2023: RMB545,351,000) are all located in Mainland China, accordingly, no analysis of geographical information is presented.

5. OTHER INCOME

	For the year ended December 31,	
	2024 RMB'000	2023 RMB'000
Income from sales of immunoreagent testing kits (<i>Note</i>)	1,925	1,802
Government grants related to		
– Research and development activities	6,442	–
– Plant and machinery (<i>Note 22</i>)	2,695	2,235
– Right-of-use assets (<i>Note 22</i>)	2,670	2,869
– Others	4,813	7,170
Interest income on bank balances	2,822	5,991
Interest income from rental deposits	20	18
	<hr/>	<hr/>
Total	21,387	20,085

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

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Type of goods		
Immunoreagent testing kits	<u>1,925</u>	<u>1,802</u>
Timing of recognition		
At a point in time	<u>1,925</u>	<u>1,802</u>

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

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

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Customer A	601	550
Customer B	293	318
Customer C	N/A*	228

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

6. OTHER GAINS AND LOSSES, NET

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Fair value gains on financial assets at FVTPL	11,097	11,377
(Loss) gain on disposal of property, plant and equipment	(247)	56
Foreign exchange gains, net	997	6,734
Loss on early termination of a lease	(29)	—
	<hr/>	<hr/>
Total	11,818	18,167

7. FINANCE COSTS

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Interest on bank borrowing	720	163
Interest on lease liabilities	724	681
	<hr/>	<hr/>
Total borrowing costs	1,444	844
Less: amounts capitalized in construction in progress	(678)	—
	<hr/>	<hr/>
	766	844

8. INCOME TAX EXPENSE

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

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

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

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

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

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Loss before tax	(168,235)	(249,350)
Tax at the statutory tax rate of 25% (2023: 25%)	(42,059)	(62,338)
Tax effect of expenses not deductible for tax purpose	8,496	19,249
Tax effect of income not taxable for tax purpose	(1,216)	–
Tax effect of super deduction for research and development expenses (<i>Note</i>)	(24,840)	(38,481)
Tax effect of deductible temporary differences not recognized	6,747	1,229
Tax effect of tax losses not recognized	53,086	80,341
Others	(214)	–
	<u>–</u>	<u>–</u>
	<u><u>–</u></u>	<u><u>–</u></u>

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

* *English name is for identification purpose only.*

9. LOSS FOR THE YEAR

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Loss for the year has been arrived at after charging:		
Employee benefits expense:		
– salaries and other allowances	31,684	26,474
– retirement benefits	2,994	2,261
– equity-settled share-based payments included in administrative expenses	24,479	57,197
– equity-settled share-based payments included in research and development expenses	9,024	16,387
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Total employee benefits expense	68,181	102,319
Auditor's remuneration	1,900	2,300
Listing expenses	–	26,459
	<hr/>	<hr/>
Depreciation of property, plant and equipment	21,277	11,438
Depreciation of right-of-use assets	4,771	4,870
Amortization of intangible assets	248	214
Less: capitalized in construction in progress	(1,286)	(414)
	<hr/>	<hr/>
Total depreciation and amortization	25,010	16,108
Short-term leases expense	415	143
Cost of materials included in research and development expenses	6,656	2,873
Outsourcing service fees included in research and development expenses	86,758	125,090
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10. DIVIDENDS

No dividend was paid or declared by the Company and its subsidiaries during the year ended December 31, 2024, nor has any dividend declaration been proposed since the end of the reporting period (year ended December 31, 2023: nil).

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	For the year ended December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Loss		
Loss for the year attributable to owners of the Company	<u>(168,235)</u>	<u>(249,350)</u>
	For the year ended December 31,	
	2024	2023
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>201,777</u>	<u>198,835</u>

The weighted average number of ordinary shares outstanding during the year is the number of shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year multiplied by a time-weighting factor.

12. PROPERTY, PLANT AND EQUIPMENT

	Property RMB'000	Leasehold improvement RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At January 1, 2023	17,006	21,804	61,723	2,459	2,240	152,814	258,046
Additions	-	-	1,536	649	220	163,360	165,765
Transfer	199,368	1,043	1,845	-	-	(202,256)	-
Disposals	-	-	-	(972)	(8)	-	(980)
At December 31, 2023	216,374	22,847	65,104	2,136	2,452	113,918	422,831
Additions	-	-	2,989	-	760	91,458	95,207
Transfer	8,815	1,257	10,815	-	-	(20,887)	-
Disposals	-	-	-	-	(5)	(247)	(252)
At December 31, 2024	225,189	24,104	78,908	2,136	3,207	184,242	517,786
ACCUMULATED DEPRECIATION							
At January 1, 2023	(14,437)	(1,598)	(9,883)	(1,690)	(811)	-	(28,419)
Provided for the year	(1,176)	(2,622)	(6,921)	(319)	(400)	-	(11,438)
Disposals	-	-	-	923	8	-	931
At December 31, 2023	(15,613)	(4,220)	(16,804)	(1,086)	(1,203)	-	(38,926)
Provided for the year	(9,770)	(2,766)	(7,899)	(327)	(515)	-	(21,277)
Disposals	-	-	-	-	5	-	5
At December 31, 2024	(25,383)	(6,986)	(24,703)	(1,413)	(1,713)	-	(60,198)
CARRYING VALUES							
At December 31, 2023	200,761	18,627	48,300	1,050	1,249	113,918	383,905
At December 31, 2024	199,806	17,118	54,205	723	1,494	184,242	457,588

Property, plant and equipment other than construction in progress are depreciated using the straight-line method after taking into account of their estimated residual values with the following useful lives:

Property	10 to 20 years
Leasehold improvement	Shorter of lease terms and 10 years
Machinery	3 to 10 years
Vehicles	4 to 5 years
Office equipment	3 to 5 years

As at December 31, 2024, the Group's properties of RMB171,159,000 and construction in progress of RMB176,723,000 (2023: nil) were pledged to secure bank facility and bank borrowings (Note 21) of the Group.

13. RIGHT-OF-USE ASSETS

	Leasehold lands <i>RMB'000</i>	Leasehold properties <i>RMB'000</i>	Total <i>RMB'000</i>
COST			
At January 1, 2023	50,700	24,342	75,042
Addition	46,622	377	46,999
At December 31, 2023	97,322	24,719	122,041
Early termination of a lease	–	(377)	(377)
Elimination at the end of a lease	–	(797)	(797)
At December 31, 2024	97,322	23,545	120,867
ACCUMULATED DEPRECIATION			
At January 1, 2023	(7,274)	(5,306)	(12,580)
Charge for the year	(2,287)	(2,583)	(4,870)
At December 31, 2023	(9,561)	(7,889)	(17,450)
Charge for the year	(2,385)	(2,386)	(4,771)
Early termination of a lease	–	61	61
Elimination at the end of a lease	–	797	797
At December 31, 2024	(11,946)	(9,417)	(21,363)
CARRYING VALUES			
At December 31, 2023	87,761	16,830	104,591
At December 31, 2024	85,376	14,128	99,504
For the year ended December 31,			
	2024	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	
Expense relating to short-term leases	415	143	
Total cash outflow for leases	222	1,818	

Right-of-use assets are depreciated on a straight-line basis over the lease terms.

The Group leases lands and properties to operate its business. These leases are made for fixed terms of 3 to 50 years. Lease terms are negotiated on an individual basis and contain different payment terms and conditions.

The Group's lease agreements do not contain any contingent rent nor any extension, termination or purchase option for lessee. Other than leasehold lands, the lease agreements do not impose any covenants other than the security deposit in the leased properties that are held by the lessor. Leased properties may not be used as security for borrowing purposes.

In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns buildings where its research and development facilities are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for properties and office equipment. As at December 31, 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term leases expense disclosed in Note 9.

As at December 31, 2024, leasehold lands with a carrying amount of RMB68,401,000 (December 31, 2023: nil) were pledged to secure bank borrowings (Note 21) and bank facility of the Group.

14. INTANGIBLE ASSETS

	License right	Software under development	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST			
At January 1, 2023	3,572	–	3,572
Addition	904	–	904
At December 31, 2023	4,476	–	4,476
Addition	90	4,360	4,450
At December 31, 2024	4,566	4,360	8,926
AMORTIZATION			
At January 1, 2023	(135)	–	(135)
Charge for the year	(214)	–	(214)
At December 31, 2023	(349)	–	(349)
Charge for the year	(248)	–	(248)
At December 31, 2024	(597)	–	(597)
CARRYING VALUE			
At December 31, 2023	4,127	–	4,127
At December 31, 2024	3,969	4,360	8,329

In May 2022, the Company entered into a licensing agreement with an independent third party regarding a non-exclusive license right including intellectual property rights, compounds and products for the clinical trial and future production of the Group's products. Under the terms of the agreement, the total upfront payment was cash consideration of Great Britain Pound (“GBP”) 440,000. The Group also agreed to pay the counterparty future clinical development milestone payments, commercialization milestone payments, as well as royalties on manufacturing and sales of the product under the corresponding research and development project using the rights under the licensing agreement.

In September 2023 and January 2024, the Group paid the counterparty clinical development milestone payments of GBP100,000 and the relative tax.

The license right is amortized over 19 years which is based on the terms of the licensing agreement and the estimated duration of product sales, whichever is shorter.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Value added tax recoverable	5,627	39,762
Prepayments for purchase of property, plant and equipment	11,815	13,499
Prepayments to suppliers and service providers	6,629	7,930
Rental deposits	351	371
Others	1,205	705
Total	<u>25,627</u>	<u>62,267</u>
Analyzed as:		
Non-current	12,166	53,099
Current	13,461	9,168
Total	<u>25,627</u>	<u>62,267</u>

16. MATERIALS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Materials for research and development projects	5,390	3,257
Immunoreagent testing kits	345	220
Total	<u>5,735</u>	<u>3,477</u>

17. FINANCIAL ASSETS AT FVTPL

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Financial assets at FVTPL	<u>313,554</u>	<u>343,345</u>
Financial assets at FVTPL denominated in:		
RMB	139,314	179,358
HK\$	2,882	—
United States dollars (“US\$”)	171,358	163,987
	<u>313,554</u>	<u>343,345</u>

The Group invested in certain financial products managed by banks and financial institutions which can be redeemed at any time or at maturity within one year. There is no predetermined or guaranteed return for each product. Such financial products are accounted for as financial assets at FVTPL under IFRS 9.

18. BANK BALANCES

	As at December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Term deposits with original maturity over three months	–	7,091
Cash and cash equivalents as stated in the consolidated statement of cash flows	<u>140,126</u>	<u>257,891</u>
Bank balances	<u>140,126</u>	<u>264,982</u>
Bank balances denominated in:		
RMB	95,618	177,780
US\$	136	166
HK\$	<u>44,372</u>	<u>87,036</u>
	<u>140,126</u>	<u>264,982</u>

Term deposits with original maturity over three months carry interest at market rates of 1.90% per annum as at December 31, 2023.

Cash and cash equivalents comprise cash at banks and term deposits with original maturity of three months or less which are held within banks and carry interest at market rate of 0.01% to 3.30% (December 31, 2023: 0.01% to 4.45%) per annum as at December 31, 2024.

19. ADVANCE PAYMENTS RECEIVED AND OTHER PAYABLES

	As at December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Payables for acquisition of property, plant and equipment	48,437	51,247
Payables for research and development activities	41,808	32,416
Accrued salaries and other allowances	5,091	4,070
Payables for intangible assets	1,327	904
Other tax payables	154	222
Others	<u>220</u>	<u>324</u>
	<u>97,037</u>	<u>89,183</u>
Advance payments received and other payables denominated in:		
RMB	94,915	87,685
US\$	2,098	496
HK\$	24	98
GBP	<u>–</u>	<u>904</u>
	<u>97,037</u>	<u>89,183</u>

20. LEASE LIABILITIES

At the beginning of the year, the Group had three leased properties used for research and development. During the year of 2024, the Group terminated one of the lease agreements and another lease agreement expired without renewal. Only one ongoing lease agreement remained at the year end.

The exposure of the Group's lease liabilities are as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	–	129
More than one year, but not exceeding two years	1,598	124
More than two years, but not exceeding five years	8,403	6,927
More than five years	2,618	5,036
	<u>12,619</u>	<u>12,216</u>
Less: Amount due for settlement within 12 months shown under current liabilities	<u>–</u>	<u>129</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>12,619</u>	<u>12,087</u>

The incremental borrowing rates applied by the relevant group entities was 6.05% (December 31, 2023: 3.50% to 6.05%) per annum for lease liabilities as at December 31, 2024.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

21. BANK BORROWING

	As at December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Analyzed as:		
Non-current	53,094	–
Current	1,820	7,000
	<u> </u>	<u> </u>
Total	<u>54,914</u>	<u>7,000</u>

In January 2024, a subsidiary of the Group entered into a bank borrowing agreement with a principal amount of RMB200,000,000 in relation to construction of the research and development and commercial manufacturing facility located in Beijing and will mature in five years from the date of the first withdrawal. The Group withdrew bank borrowings of RMB54,858,000 in 2024 which will mature from April 2027 to January 2029. The current portion represents interest payable due within one year. The bank borrowings bear interest rate from 3.15% to 3.50% per annum and the interest is payable quarterly. The borrowing is guaranteed by the executive directors of the Company, Mr. Kong Jian and his spouse, Ms. Zhang Yanping. The Group also pledged certain leasehold land and construction in progress to secure the bank borrowings. Save as set out above, the Group also have available undrawn credit facilities of RMB370,000,000 from licensed banks as at December 31, 2024.

On March 30, 2023, the Group obtained a new bank borrowing of RMB10,000,000 and partially repaid RMB3,000,000 in September 2023 and repaid the remaining RMB7,000,000 in March 2024.

22. DEFERRED GOVERNMENT GRANTS

Movements of deferred government grants

	Deferred government grants related to			
	Plant and	Right-of-use	Research and	
	machinery	assets	development	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>activities</i>	<i>RMB'000</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2023	17,828	9,543	9,400	36,771
Government grants received	6,000	–	–	6,000
Release of deferred government grants to profit or loss	(2,235)	(2,869)	–	(5,104)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At December 31, 2023	21,593	6,674	9,400	37,667
Government grants received	–	–	–	–
Reallocation (<i>Note</i>)	9,400	–	(9,400)	–
Release of deferred government grants to profit or loss	(2,695)	(2,670)	–	(5,365)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At December 31, 2024	<u>28,298</u>	<u>4,004</u>	<u>–</u>	<u>32,302</u>

Government grants include subsidies from local PRC governments which are specifically for (i) compensations of the capital expenditure incurred for purchase of plant and machinery and right-of-use assets, which are recognized over the useful life of the related assets and (ii) the research and development activities, which are recognized upon compliance with the attached conditions.

Note: In August 2024, Zhuhai Luzhu reallocated the classification of deferred government grants of RMB9,400,000 from research and development activities to plant and machinery as permitted pursuant to relevant government subsidy agreement. The related grants amortize along with the useful lives of properties.

23. SHARE CAPITAL/TREASURY SHARES

Share capital

	Number of shares '000	Share capital RMB'000
Issued and fully paid		
As at January 1, 2023	192,064	192,064
Issue of shares upon IPO (<i>Note</i>)	10,386	10,386
	<hr/>	<hr/>
At December 31, 2023 and 2024	202,450	202,450
	<hr/> <hr/>	<hr/> <hr/>

Note: On May 8, 2023, 10,386,000 ordinary shares with par value of RMB1 each were issued at HK\$32.80 by way of IPO, resulting in an increase of the share capital of RMB10,386,000. An amount of RMB289,797,000, being the excess of the consideration received of HK\$340,660,800 (equivalent to approximately RMB300,183,000) over the par value of the ordinary shares of RMB10,386,000, was credited to share premium and share issue cost of RMB41,255,000 was debited to the share premium.

Treasury shares

During the year, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares	Price per share		Aggregate consideration paid RMB'000
		Highest HK\$	Lowest HK\$	
July 2024	1,436,000	24.50	23.45	31,864
November 2024	24,000	20.10	20.10	441

During the year ended December 31, 2024, the Company repurchased 1,460,000 of its own ordinary shares through the Stock Exchange with an aggregate consideration of RMB32,305,000 paid. All repurchased 1,460,000 (year ended December 31, 2023: nil) shares were maintained as treasury shares at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

As of December 31, 2024, the Group's product pipeline consisted of three clinical-stage product candidates, including its Core Product, LZ901, and six pre-clinical stage product candidates.

As of December 31, 2024, the Group had a total of six invention patents in Russia, the PRC, Japan, Australia, the U.S. and South Korea and three pending applications relating to its Core Product in Europe, the UK and Canada. All of the registered patents and patent applications for the Core Product are related to the same set of patent claims filed to nine different jurisdictions to protect its intellectual property, given that in addition to the PRC and the U.S., the other jurisdictions are also the target markets or potential markets in the future for LZ901.

BUSINESS REVIEW

Research and development of product candidates

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

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

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

Product candidates at clinical trial stage

LZ901

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

The Group has initiated the multi-center, randomized, double-blind, placebo-controlled Phase III clinical trial for LZ901 in China in September 2023, and completed the subjects enrollment of a total of 26,000 healthy subjects aged 40 years and older in January 2024. The Group also launched a head-to-head clinical trial of LZ901 and Shingrix® in November 2023 by enrolling a total of 300 healthy subjects aged 50 and above to further compare the immunogenicity and safety of LZ901 and Shingrix®. The Group held a mid-term summary meeting for the Phase III clinical trial of LZ901 in June 2024, and based on the interim analysis of the Phase III clinical trial, a BLA for LZ901 was submitted to the NMPA in January 2025, which was subsequently accepted in February 2025. The NMPA will take further steps, including but not limited to technical evaluation, clinical trial on-site inspection, and production site inspection, to assess the BLA, and the Group currently expects to commercialize LZ901 in the PRC in or around the first half of 2026.

In addition, the Group has received IND approval from the FDA in July 2022 for LZ901. The Group has initiated a Phase I clinical trial for LZ901 in the U.S. in February 2023 and has completed its subject enrollment in July 2023. The Group has completed the on-site research on LZ901 Phase I clinical trial in the U.S. in the first half of 2024, and expects to complete the Phase I clinical trial for LZ901 in the U.S. in the second quarter of 2025.

K3

K3, the independently developed recombinant human anti-tumor necrosis factor (“TNF”)- α monoclonal antibody injection product candidate of the Group, is a biosimilar of Humira® (adalimumab) and mainly used for the treatment of various autoimmune diseases, such as rheumatoid arthritis, ankylosing spondylitis and plaque psoriasis. The Group has initiated the Phase I clinical trial in China in September 2018, in which K3 displayed pharmacokinetics consistent with adalimumab, and completed the Phase I clinical trial in December 2019. The Group will further assess the appropriate timing for initiation of Phase III clinical trial for K3 in China depending on, among others, the market conditions and prospect, as well as resources available to the Group. It is currently expected that the Phase III clinical trial for K3 in China will commence no earlier than the first half of 2026.

K193

K193 is an independently developed bispecific antibody injection (B-lymphocyte antigen CD19 (“**CD19**”) – cluster of differentiation 3 (“**CD3**”)) product candidate of the Group for the treatment of B cell leukemia and lymphoma. K193 is the world’s first bispecific antibody against CD19/CD3 with an asymmetric structure. K193 has an innovative molecular structure that was developed based on the internally developed bispecific antibody development platform of the Group, Fabite®, and the Group’s mammalian expression technology platform, which makes it less prone to polymerization and decreased activity compared to other similar products in the market. During pre-clinical studies, K193 displayed high *in vivo* and *in vitro* anti-tumor activity, and its optimized formulation is stable and convenient to use. K193’s unique mechanism of action endows it with a strong ability to treat various types of B cell leukemia and lymphoma. The safe and controllable administration of K193 also reduces the impact of patient stress caused by medication administration. In December 2019, the Group initiated a Phase I clinical trial of K193 in China and expects to complete the Phase I clinical trial in the second half of 2025.

Updates on other pre-clinical product candidates

During the year ended December 31, 2024, the Group commenced the R&D for two new product candidates, namely recombinant HSV-1 vaccine, a recombinant vaccine that targets oral herpes or cold sores caused by HSV-1, and recombinant HSV-2 vaccine, a recombinant vaccine that targets genital herpes caused by HSV-2, both of which are currently in the pre-clinical stage. According to the information published by the World Health Organization in December 2024⁽¹⁾, it is estimated that approximately 3.8 billion people under the age of 50 (approximately 64%) globally have HSV-1 infection, and approximately 520 million people aged 15 to 49 (approximately 13%) worldwide have HSV-2 infection. The Directors believe that the recombinant HSV-1 vaccine and recombinant HSV-2 vaccine, if successfully developed and marketed, will be able to address the unmet medical needs of the public, particularly in light of the fact that there has yet to be any HSV-1 vaccine or HSV-2 vaccine approved around the globe. As of December 31, 2024, the Group had a total of six pre-clinical stage product candidates, namely, recombinant varicella vaccine, recombinant RSV vaccine, recombinant HSV-1 vaccine, recombinant HSV-2 vaccine, K333 bispecific antibody for the treatment of myeloid leukemia and K1932 bispecific antibody for the treatment of lymphoma.

(1) Please refer to the website of the World Health Organization at <https://www.who.int/news-room/fact-sheets/detail/herpes-simplex-virus>.

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

Product Type	Product Pipeline	Indications	Pre-Clinical	Clinical Trials			BLA
				I	II	III	
Vaccine							
Recombinant Vaccine	LZ901 ⁽¹⁾	Herpes zoster	China				
		Herpes zoster	US				
Recombinant Vaccine	Recombinant Varicella Vaccine	Varicella	China				
Recombinant Vaccine	Recombinant RSV Vaccine	LRTD caused by RSV	China				
Recombinant Vaccine	Recombinant HSV-1 Vaccine ⁽²⁾	Oral herpes or cold sores caused by HSV-1	China				
	Recombinant HSV-2 Vaccine ⁽²⁾	Genital herpes caused by HSV-2	China				
Antibody							
Monoclonal Antibody	K3 ⁽³⁾	Ankylosing spondylitis, rheumatoid arthritis, plaque psoriasis	China				
Bispecific Antibody	K193	r/r B-cell lymphoma/leukemia	China				
Bispecific Antibody	K333	Myeloid leukemia	China				
Bispecific Antibody	K1932	r/r B-cell lymphoma	China				

Notes:

- (1) Core Product.
- (2) Recombinant HSV-1 vaccine and recombinant HSV-2 vaccines are new product candidates of the Group.
- (3) K3 is a biosimilar of adalimumab and therefore, is not required to conduct a Phase II clinical trial.

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

Research and development

The in-house R&D team of the Group is involved in all stages of novel vaccine and biologic therapeutic candidates development, from pre-clinical studies, laboratory research to clinical trials, regulatory filing and manufacturing process development, and the Group has thereby established a full range of in-house product discovery capabilities, including recombinant protein design and optimization, amplification, cultivation and harvesting. As of December 31, 2024, the in-house R&D team of the Group consisted of 17 personnel. With its R&D capabilities, the Group now possesses a diversified and advanced product pipeline covering human vaccine candidates, monoclonal antibody product candidates and bispecific antibody product candidates.

Manufacturing and quality assurance

The Group has R&D and manufacturing facilities in both Beijing and Zhuhai, and is currently constructing a new R&D and manufacturing facility with gross floor area of approximately 45,072.87 sq.m. in Beijing. The Group provides training to its manufacturing team to ensure that each team member possesses the skills sets and techniques required in the relevant product process, and comply with the quality control requirements, as well as applicable laws and regulations. As of December 31, 2024, the manufacturing team of the Group consisted of 43 personnel.

The Group also has a quality management system designed to adhere to national standards, including the GMP standards, covering substantially every aspect of the operations including product design, raw materials and manufacturing, among others. As of December 31, 2024, the Group had an experienced quality management team consisting of 44 personnel, all of whom had received professional training in regulations, GMP standards and quality control analysis methods.

FUTURE AND OUTLOOK

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

- actively promote the clinical development of the Group's pipeline candidates, in particular for LZ901, the Core Product of the Group;
- rapidly advance the development of the other pre-clinical product candidates of the Group, including recombinant varicella vaccine, recombinant RSV vaccine, recombinant HSV-1 vaccine, recombinant HSV-2 vaccine, K333 and K1932;
- lay out strategic plans to promote commercialization in China and abroad; and
- expand the product pipeline of the Group through independent development and/or collaboration.

FINANCIAL REVIEW

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

Other Income

Other income of the Group slightly increased by approximately 6.5% from approximately RMB20.1 million for the year ended December 31, 2023 to approximately RMB21.4 million for the year ended December 31, 2024, which was primarily due to the government grants relating to research and development activities of approximately RMB6.4 million received by the Group, partially offset by the decrease in interest income on bank balances of approximately RMB3.2 million.

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

	For the year ended	
	December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Income from sales of immunoreagent testing kits	1,925	1,802
Government grants related to		
– Research and development activities	6,442	–
– Plant and machinery	2,695	2,235
– Right-of-use assets	2,670	2,869
– Others	4,813	7,170
Interest income on bank balances	2,822	5,991
Interest income from rental deposits	20	18
	<hr/>	<hr/>
Total	21,387	20,085
	<hr/> <hr/>	<hr/> <hr/>

Other Gains and Losses, net

Net other gains of the Group decreased by approximately 34.9% from gains of approximately RMB18.2 million for the year ended December 31, 2023 to gains of approximately RMB11.8 million for the year ended December 31, 2024. Such decrease was primarily attributable to the decrease in net foreign exchange gains by approximately RMB5.7 million, which was in turn mainly due to the depreciation of Renminbi against Hong Kong dollars.

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

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Fair value gains on financial assets at FVTPL	11,097	11,377
Loss (gain) on disposal of property, plant and equipment	(247)	56
Foreign exchange gains, net	997	6,734
Loss on early termination of a lease	(29)	–
	<hr/>	<hr/>
Total	11,818	18,167
	<hr/> <hr/>	<hr/> <hr/>

Administrative Expenses

Administrative expenses of the Group decreased by approximately 25.5% from approximately RMB87.0 million for the year ended December 31, 2023 to approximately RMB64.8 million for the year ended December 31, 2024, which was primarily due to the decrease in staff costs relating to share-based payments, partially offset by the increase in depreciation resulting from the completion of construction of the second-phase of the Zhuhai manufacturing facility of the Group.

Research and Development Expenses

Research and development expenses of the Group decreased by approximately 21.7% from approximately RMB172.7 million for the year ended December 31, 2023 to approximately RMB135.1 million for the year ended December 31, 2024, which was primarily due to (a) a decrease in depreciation and amortization in relation to LZ901, which corresponded with the progress of the Phase III clinical trial of LZ901 in China; and (b) decrease in staff costs relating to share-based payments, partially offset by an increase in sub-contracting costs relating to other product candidates of the Group.

Finance Costs

Finance costs of the Group remained relatively stable at approximately RMB0.8 million and approximately RMB0.8 million for the years ended December 31, 2023 and 2024, respectively.

Listing Expenses

Given that the global offering and listing of the H Shares of the Company had been completed in May 2023, the Group did not incur any listing expenses for the year ended December 31, 2024. On the other hand, for the year ended December 31, 2023, the listing expenses of the Group amounted to approximately RMB26.5 million.

Other Expenses

Other expenses of the Group remained relatively stable at approximately RMB0.6 million and approximately RMB0.7 million for the years ended December 31, 2023 and 2024, respectively.

Loss before tax

For the above reasons, the loss before tax of the Group decreased by approximately 32.5% from approximately RMB249.4 million for the year ended December 31, 2023 to approximately RMB168.2 million for the year ended December 31, 2024.

Income Tax Expense

No Hong Kong profit tax was provided for as there was no estimated assessable profit of the Group's subsidiary in Hong Kong, which was subject to Hong Kong profit tax during the year ended December 31, 2024 (December 31, 2023: Nil).

Under the law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and implementation regulations of the EIT Law, the basic tax rate of the Company and the PRC subsidiaries of the Group is 25%. As the Group was loss-making for the years ended December 31, 2023 and 2024, no income tax expense were incurred.

Property, Plant and Equipment

The property, plant and equipment of the Group primarily consist of properties, leasehold improvement, machinery, vehicles, office equipment and construction in progress.

The property, plant and equipment of the Group increased by approximately 19.2% from approximately RMB383.9 million as of December 31, 2023 to approximately RMB457.6 million as of December 31, 2024, primarily due to the construction of the new R&D and manufacturing facility in Beijing and the acquisition of machinery and equipment for the same.

Prepayments, Deposits and Other Receivables

The prepayments, deposits and other receivables of the Group primarily consist of value added tax recoverable, prepayments for purchase of property, plant and equipment, and prepayments to suppliers and service providers.

The prepayments, deposits and other receivables of the Group decreased by approximately 58.8% from approximately RMB62.3 million as of December 31, 2023 to approximately RMB25.6 million as of December 31, 2024, primarily due to the decrease in value added tax recoverable by approximately RMB34.1 million, which was in turn mainly attributable to the value added tax refund received by the Group in 2024.

Liquidity, Capital resources and Structure

The bank balances decreased by approximately RMB124.9 million from approximately RMB265.0 million as of December 31, 2023 to approximately RMB140.1 million as of December 31, 2024, which was primarily due to (a) the repurchase of H Shares by the Company in 2024; and (b) capital expenditure of the Group, partially offset by the bank borrowings secured by the Group.

As of December 31, 2024, the Group had bank borrowings of approximately RMB54.9 million (December 31, 2023: approximately RMB7.0 million), of which approximately RMB1.8 million would be payable within one year (December 31, 2023: approximately RMB7.0 million). Such bank borrowings are denominated in RMB with term from three to five years, and bear interest rates from 3.15% to 3.50% per annum with such interest being payable on a quarterly basis. Such bank borrowings are secured by properties of the Group and/or guaranteed by Mr. KONG and Ms. ZHANG, the executive Directors and Controlling Shareholders. For the avoidance of doubt, the personal guarantee given by Mr. KONG and Ms. ZHANG is on normal commercial terms or better and is not secured by assets of the Group. Therefore, such guarantee is fully exempted under Rule 14A.90 of the Listing Rules.

As of December 31, 2024, approximately RMB515.1 million of the bank facilities secured by the Group remained unutilized.

There had been no breach of loan agreement by the Group during the year ended December 31, 2024.

Pledge of Assets

As of December 31, 2024, properties comprising of offices, laboratories and manufacturing facility of the Group, as well as construction in progress and leasehold lands, had been pledged to secure the bank borrowings and bank facility of the Group. Save as disclosed above, the Group had no other pledge of assets as of December 31, 2024.

Contingent Liabilities

As of December 31, 2024, the Group did not have any material contingent liabilities.

Gearing Ratio

The gearing ratio is calculated using the Group's total liabilities divided by its total assets. As of December 31, 2024, the Group's gearing ratio was 18.7% (December 31, 2023: 12.5%).

Net Current Assets

The net current assets of the Group decreased to approximately RMB374.0 million as of December 31, 2024 from approximately RMB524.7 million as of December 31, 2023.

Capital Expenditure

The Group regularly incurs capital expenditures to expand and enhance its research and development facilities, establish manufacturing capacities and increase operating efficiency. The capital expenditures of the Group during the year ended December 31, 2024 primarily consisted of expenditures on construction in progress.

The Group's capital commitments slightly decreased from approximately RMB49.8 million as of December 31, 2023 to approximately RMB38.3 million as of December 31, 2024. Such decrease was primarily due to completion of construction of the second-phase of the Zhuhai manufacturing facility of the Group.

Foreign Exchange

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect their financial condition and results of operation. The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars. The conversion of foreign currencies into RMB, including Hong Kong dollars, has been based on rates set by the People's Bank of China. The Group seeks to limit the exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. During the year ended December 31, 2024, the Group did not enter into any currency hedging transactions.

Significant Investments, Material Acquisitions and Disposals

The Group did not make any significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures for the year ended December 31, 2024.

Future Plans for Material Investments or Capital Assets

As of December 31, 2024, the Group had no concrete plans for material capital expenditure, investments or capital assets. The Company will make further announcement(s) in accordance with the Listing Rules, where applicable, if any investments and acquisition opportunities materialize.

OTHER INFORMATION

Use of Net Proceeds from the Global Offering

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

The net proceeds from the Global Offering have been and will be used in accordance with the purposes as set out in the Prospectus. The following table sets forth the use of the net proceeds from the Global Offering as of December 31, 2024:

Use of Proceeds	Allocation of the net proceeds from the Global Offering (HK\$ million)	Percentage of total net proceeds (%)	Unutilized amount as of December 31, 2023 (HK\$ million)	Utilized amount during the year ended December 31, 2024 (HK\$ million)	Unutilized amount as of December 31, 2024 ⁽¹⁾ (HK\$ million)	Expected timeline of full utilization of the remaining proceeds from the Global Offering as of December 31, 2024
For clinical development, manufacturing and commercialization of the Core Product, LZ901.	140.7	58.2	107.9	61.9	46.0	By the end of 2026
To fund ongoing planned clinical trials in China and the U.S. for LZ901	97.0	40.2	64.2	61.9	2.3	By the end of 2026
To fund commercial manufacturing of LZ901	14.6	6.0	14.6	–	14.6	By the end of 2026
To fund marketing and sales activities	29.1	12.0	29.1	–	29.1	By the end of 2026
For clinical development and manufacturing of K3 ⁽²⁾ .	53.4	22.1	53.4	–	53.4	By the end of 2027
To fund planned clinical trials for K3	38.8	16.1	38.8	–	38.8	By the end of 2026
To fund commercial manufacturing of K3	14.6	6.0	14.6	–	14.6	By the end of 2027
For construction of the second-phase commercial manufacturing facility in Zhuhai.	38.8	16.1	21.0	20.9	0.1	By the end of 2026
For working capital and other general corporate purposes.	8.7	3.6	8.7	1.9	6.8	By the end of 2026
Total	241.6	100.0	191.0	84.7	106.3	

Notes:

- (1) As of December 31, 2024, the unutilized net proceeds were deposited with licensed bank(s) in Hong Kong or the PRC.
- (2) The expected timeline of full utilization of net proceeds relating to K3 has been changed from by the end of 2026 to by the end of 2027 as discussed below.

The Group has been actively monitoring the development status and prospect of its pipeline products as well as prevailing market conditions and resources available to assess and, if necessary, fine-tune the pace of its development strategy including the timeline of utilization of the net proceeds from the Global Offering. The Group currently expects to initiate the Phase III clinical trial for K3 in China no earlier than the first half of 2026, and accordingly it is expected that the proceeds allocated for funding the clinical development and manufacturing of K3 will only be fully utilized by the end of 2027. For the avoidance of doubt, the Group has no intention to change the usage of the proceeds from the Global Offering.

The Company currently expects that the net proceeds from the Global Offering will be fully utilized by the end of 2027.

Employee and Remuneration Policy

As of December 31, 2024, the Group employed 164 full-time employees. The Group has designed an evaluation system to assess the performance of its employees periodically. Such system forms the basis of the Group's determinations of whether an employee should receive a salary raise, bonus, or promotion. The Group believes that the salaries and bonuses the employees received are competitive with market rates.

The following table sets forth the number of our employees for each function as of December 31, 2024:

Function	Number of Employees	Percentage (%)
Management and General Administrative (including Financial Department)	35	21.3
Research and Development (including Manufacturing Department and Quality Management Department)	104	63.4
Medical Affairs and Clinical Operations	9	5.5
Engineering	16	9.8
Total	164	100.0

The Group places strong emphasis on providing training to its employees in order to enhance their technical and product knowledge. The Group designs and offers different training programmes for its employees in various positions.

The Group makes contributions to the social insurance and housing provident fund for all of its employees in the PRC.

Funding and Treasury Policy

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

Employee Incentive Scheme

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

Compliance with Corporate Governance Code

The Group is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, and the Directors recognize the importance of good corporate governance. The Company’s corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules and the Company has adopted the Corporate Governance Code as its own code of corporate governance. The Corporate Governance Code has been applicable to the Company with effect from the Listing Date.

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

Save as disclosed above, the Company has complied with all applicable Code Provisions of the Corporate Governance Code during the year ended December 31, 2024. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the Corporate Governance Code.

Compliance with the Model Code for Securities Transactions

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

Specific enquiry has been made to each Director and Supervisor, and all Directors and Supervisors have confirmed that they have complied with the applicable standards set out in the Model Code during the year ended December 31, 2024. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended December 31, 2024, the Company repurchased from the market a total of 1,460,000 H Shares at an aggregate consideration of approximately HK\$35.4 million (equivalent to approximately RMB32.3 million), and such repurchase were funded by the internal resources of the Group. Further details of the repurchases are set out below:

Month	Number of H Shares repurchased	Highest purchase price per H Share	Lowest purchase price per H Share	Aggregate consideration paid
July 2024	1,436,000	HK\$24.50	HK\$23.45	HK\$34,887,880
November 2024	24,000	HK\$20.10	HK\$20.10	HK\$482,400

The Directors consider that the repurchases would lead to an enhancement of the net asset value per Share and/or earnings per Share, and would benefit the Company and the Shareholders as a whole.

As of December 31, 2024, the Company held a total of 1,460,000 H Shares in treasury. As of the date of this announcement, the Company does not have any concrete plan for the intended use of such treasury Shares.

Save as disclosed above, during the year ended December 31, 2024, the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Audit Committee

The Audit Committee, together with the management of the Company, has reviewed the consolidated financial statements and this annual results announcement of the Group for the year ended December 31, 2024, reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on March 18, 2025. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended December 31, 2024 (for the year ended December 31, 2023: nil).

EVENTS AFTER THE REPORTING PERIOD

In January 2025, the Group filed a BLA for its Core Product, LZ901, with the NMPA, which was subsequently accepted in February 2025. According to the relevant laws and regulations of the PRC, upon acceptance of the BLA, the NMPA will take further steps, including but not limited to technical evaluation, clinical trial on-site inspection, and production site inspection, to assess the application, and LZ901 can only be commercialized after obtaining the BLA approval and batch release approval.

Save as disclosed above, there was no important event affecting the Group which occurred after December 31, 2024 up to the date of this announcement.

ANNUAL GENERAL MEETING

The date of the AGM will be announced in due course. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be published and dispatched (if requested) by the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.luzhubiotech.com/>). The annual report of the Company for the year ended December 31, 2024 containing all the information required by the Listing Rules will be despatched to the Shareholders (if requested) and published on the aforementioned websites of the Stock Exchange and the Company in due course in accordance with the articles of association of the Company, the Listing Rules and applicable laws and regulations.

DEFINITIONS

In this announcement, the following expressions shall have the meaning set out below unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“AGM”	the annual general meeting of the Company
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of directors of the Company
“BLA”	biologics license application
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“China”, “Mainland China” or “the PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administration Region and Taiwan
“Company”, “the Company”, or “Luzhu Biotechnology”	Beijing Luzhu Biotechnology Co., Ltd. (北京綠竹生物技術股份有限公司), a joint stock company established in the PRC with limited liability on July 19, 2013, the H Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2480)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, in the context of this announcement to Mr. KONG, Ms. ZHANG and Hengqin Luzhu LP
“Core Product”	has the meaning ascribed to it in Chapter 18A of the Listing Rules and in this context, the Core Product refers to LZ901
“Director(s)”	the director(s) of the Company
“FDA”	U.S. Food and Drug Administration, the U.S. federal agency responsible for regulating food and drugs

“GMP”	good manufacturing practice, and in the context of PRC laws and regulations, refers to guidelines and regulations from time to time issued pursuant to the PRC Drug Administration Law (中華人民共和國藥品管理法) as part of quality assurance which aims to minimise the risks of contamination, cross contamination, confusion, and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each and listed on the Main Board of the Stock Exchange
“Hengqin Luzhu LP”	Zhuhai Hengqin Luzhu Enterprise Management Partnership (LP) (珠海橫琴綠竹企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on January 14, 2021, and an employee incentive platform of the Group
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HSV-1”	herpes simplex virus type 1
“HSV-2”	herpes simplex virus type 2
“IND”	investigational new drug or investigational new drug application, also known as clinical trial application in China
“K3”	the anti-human tumor necrosis factor (“TNF”)- α monoclonal antibody injection product candidate
“Listing” or “IPO”	the listing of the H Shares on the Main Board of the Stock Exchange on May 8, 2023
“Listing Date”	May 8, 2023, being the date on which the H Shares were listed on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“LRTD”	lower respiratory tract disease

“LZ901”	the recombinant herpes zoster vaccine candidate, a herpes zoster vaccine with a tetrameric molecular structure and the Core Product
“Main Board”	the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“Mr. KONG”	Mr. KONG Jian (孔健), the executive Director, general manager, chairman of the Board, one of the promoters and one of the Controlling Shareholders
“Ms. ZHANG”	Ms. ZHANG Yanping (張琰平), the executive Director, one of the promoters and one of the Controlling Shareholders
“NMPA”	the National Medical Products Administration of the People’s Republic of China
“Prospectus”	the prospectus issued by the Company dated April 25, 2023
“R&D”	research and development
“Renminbi” or “RMB”	Renminbi Yuan, the lawful currency of China
“RSV”	respiratory syncytial virus
“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, comprising Unlisted Shares and H Shares
“Shareholder(s)”	holder(s) of Shares
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	member(s) of the Board of Supervisors

“Unlisted Share(s)” ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are unlisted Shares not currently listed or traded on any stock exchange

“%” percent

In this announcement, capitalized terms used shall have the same meanings as those defined in the Prospectus, and the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “subsidiaries” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this announcement have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this document in both the Chinese and English languages; in the event of any inconsistency, the Chinese versions shall prevail.

By order of the Board
Beijing Luzhu Biotechnology Co., Ltd.
Mr. KONG Jian
Chairman and Executive Director

Hong Kong, March 18, 2025

As of the date of this announcement, the Board comprises Mr. KONG Jian, Ms. JIANG Xianmin and Ms. ZHANG Yanping as executive Directors; Mr. MA Biao and Mr. KONG Shuangquan as non-executive Directors; and Mr. LEUNG Wai Yip, Mr. LIANG Yeshe and Ms. HOU Aijun as independent non-executive Directors.