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**TYK Medicines, Inc**

**浙江同源康醫藥股份有限公司**

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

**(Stock Code: 2410)**

**CONTINUING CONNECTED TRANSACTION  
ADVANCEMENT TO CONNECTED PERSON IN RELATION TO  
INDIVIDUAL INCOME TAX ARISING FROM THE AWARDS  
UNDER THE EMPLOYEE INCENTIVE SCHEME**

**THE ADVANCEMENT AGREEMENT**

On December 13, 2024, the Company (as lender), Dr. Jiang (as borrower) and the ESOP Platforms entered into the Advancement Agreement, pursuant to which the Company agreed to advance cash in the principal amount of RMB3,100,861.50 to Dr. Jiang for a term from the date of the Advancement Agreement to December 15, 2026 for payment of ESOP Taxes payable by Dr. Jiang arising from the awards granted to him under the Employee Incentive Scheme.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, Dr. Jiang is an executive Director and therefore is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. As such, the transaction contemplated under the Advancement Agreement constitutes a continuing connected transaction of the Company under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Annual Caps under the Advancement Agreement calculated in accordance with Rule 14.07 of the Listing Rules exceeds 0.1% but below 5%, the transaction contemplated thereunder is subject to the reporting, annual review and announcement requirements, but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## BACKGROUND

Reference is made to the Prospectus. As disclosed in the Prospectus, the Company adopted the Employee Incentive Scheme and all of the awards under the Employee Incentive Scheme have been fully granted to 59 participants holding partnership interest in the ESOP Platforms (the “**Participants**”) and have vested prior to the Listing, among which Dr. Jiang was granted partnership interest of Changxing Caiyuan and Changxing Gangyuan in aggregate corresponding to 1,500,000 Shares.

According to the relevant PRC laws and regulations, the difference between the value of the awards granted to Dr. Jiang as assessed by the PRC competent tax authority and the total subscription price of the Shares corresponding to the awards paid by Dr. Jiang is taxable individual income and shall be subject to individual income taxes in the amount of RMB3,100,861.50 as imposed by the PRC competent tax authority (“**ESOP Taxes**”).

On December 13, 2024, the Company (as lender), Dr. Jiang (as borrower) and the ESOP Platforms entered into the Advancement Agreement, pursuant to which the Company agreed to advance cash in the principal amount of RMB3,100,861.50 to Dr. Jiang for a term from the date of the Advancement Agreement to December 15, 2026 for payment of ESOP Taxes.

## THE ADVANCEMENT AGREEMENT

The principal terms of the Advance Agreement are as follows:

Date of agreement:	December 13, 2024
Parties:	(i) the Company (as lender) (ii) Dr. Jiang (as borrower) (iii) the ESOP Platforms
Subject matter:	The Company shall make the Advancement to Dr. Jiang from time to time during the term of the Advancement Agreement for the purpose of satisfying the payment requirements of ESOP Taxes imposed on Dr. Jiang.
Principal amount:	RMB3,100,861.50
Interest rate:	3.10% per annum, being the prevailing interest rate as published by the PBOC at the time of entering into the Advancement Agreement
Term:	For a period from the date of the Advancement Agreement to December 15, 2026

Repayment: Dr. Jiang shall repay the principal amount and interest payable in one or more installments no later than the earlier of the following dates: (i) the date on which Dr. Jiang no longer holds the relevant awards; (ii) the date on which Dr. Jiang ceases to be employed with the Group; or (iii) the date on which the Advancement Agreement expires (i.e. December 15, 2026).

Security: The Advancement is unsecured.

## ANNUAL CAPS

The total maximum outstanding balance, including principal amount and accrued interest owed by Dr. Jiang to the Company under the Advancement Agreement at any time throughout the term of the Advancement Agreement, which constitutes the Annual Caps for each financial year during the term of the Advancement Agreement are as follows:

<b>Annual Caps</b>	<b>For the year ending December 31, 2024 (RMB)</b>	<b>For the year ending December 31, 2025 (RMB)</b>	<b>For the year ending December 31, 2026 (RMB)</b>
Principal amount	3,100,861.50	3,100,861.50	3,100,861.50
Maximum accrued annual interest	4,213.77	100,340.48	192,253.41
<b>Total</b>	<b><u><u>3,105,075.27</u></u></b>	<b><u><u>3,201,201.98</u></u></b>	<b><u><u>3,293,114.91</u></u></b>

In determining the Annual Caps, the Company has taken into account: (a) the principal amount of RMB3,100,861.50 to be provided by the Company under the Advancement Agreement; and (b) the maximum accruable annual interest amount arising under the Advancement Agreement based on the annual interest rate of 3.10% stipulated in the Advancement Agreement. The Company has not entered into any loan or advancement agreement with Dr. Jiang and the ESOP Platforms since it became a listed company in August 2024 and therefore no historical transaction value was available in determining the Annual Caps. The maximum annual accrued interest was determined based on the interest on the whole principal amount of the Advancement on the basis of an annual interest rate of 3.10%, being the prevailing interest rate as published by the PBOC at the time of entering into the Advancement Agreement.

## REASONS AND BENEFITS OF ENTERING INTO THE ADVANCEMENT AGREEMENT

The main purpose of the granting of awards under the Employee Incentive Scheme is to incentivize and retain the key management of the Group by aligning the interests of the key management with the Shareholders through their interests in the Shares. The Advancement can help Dr. Jiang to manage his cash flow without having to sell the underlying Shares (which are still subject to the lock-up period of 12 months following the Listing as required under the applicable PRC laws) immediately and is beneficial in retaining Dr. Jiang as a key executive of the Company by easing the financial burden associated with the Employee Incentive Scheme, thereby aligning his interest with those of the Company and the Shareholders.

Considering the above, the Board considers that the provision of the Advancement to Dr. Jiang will assist in the smooth implementation and operation of the Employee Incentive Scheme, and in turn further the objectives of the Employee Incentive Scheme. The terms of the Advancement Agreement were determined between the parties after arm's length negotiations and taking into account the prevailing interest rates as published by the PBOC at the time of entering into the Advancement Agreement. The Company is of the view that Dr. Jiang will be able to repay the Advancement and any accrued interest primarily through his remuneration and income from future sale down of underlying Shares in the Company. As Dr. Jiang has material interest in the Advancement Agreement and the transaction contemplated thereunder, he has abstained from voting on the relevant Board resolution. Save as disclosed above, there are no other Directors who have material interests in the Advancement Agreement and the transaction contemplated thereunder and therefore have abstained from voting on the relevant Board resolution.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Advancement Agreement are fair and reasonable, and the transaction contemplated thereunder is entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, and is in the interests of the Company and its shareholders as a whole. Save for Dr. Jiang, none of the Directors have abstained from voting in respect of the relevant Board resolutions in relation to the Advancement Agreement and the transaction contemplated thereunder.

## **INFORMATION ON THE PARTIES**

The Company is a joint stock company incorporated in the PRC with limited liability and the H Shares of which are listed on the Main Board of the Stock Exchange. The Company is clinical-stage biopharmaceutical company committed to the discovery, acquisition, development and commercialization of differentiated targeted therapies to address unmet medical needs in cancer treatment.

Dr. Jiang is an executive Director, vice president, Board secretary and one of the joint company secretaries of the Company. As at the date of this announcement, Dr. Jiang does not held any Shares.

Each of Changxing Caiyuan and Changxing Gangyuan is an ESOP Platform of the Company.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Dr. Jiang is an executive Director and therefore is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. As such, the transaction contemplated under the Advancement Agreement constitutes continuing connected transaction of the Company under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Annual Caps under the Advancement Agreement calculated in accordance with Rule 14.07 of the Listing Rules exceeds 0.1% but below 5%, the transaction contemplated thereunder is subject to the reporting, annual review and announcement requirements, but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## INTERNAL CONTROL MEASURES

The Company has formulated connected transaction management policies for the determination, management, reporting and disclosure obligations for connected transactions and has established internal review procedures to ensure that the terms of loans or advances supplied by or to connected persons are on normal commercial terms and no more favorable than terms available to independent third parties, including but not limited to the following:

- (i) the Company shall conduct arm's length negotiation with the relevant connected person to determine the terms in line with the relevant pricing policies based on comparable and/or objective reference rates (e.g. reputable published interest rates);
- (ii) after arm's length negotiation with the connected person, the Company will report to the senior management who will approve individual transactions as appropriate;
- (iii) the finance department and the legal department of the Company will collaborate with each other for the management of the continuing connected transactions of the Company, including but not limited to overseeing the implementation of the terms and conditions of written agreements (including but not limited to confirming that any proceeds from or advance to connected persons are used for their intended purposes), assessing the pricing policy and its basis, reviewing the monetary annual caps, and fulfilling the relevant disclosure obligations so as to ensure compliance with Chapter 14A of the Listing Rules. In particular, the Company's finance department will regularly collect and monitor the transaction amount of continuing connected transactions to ensure timely assessment on whether the annual caps are exceeded, and if the annual caps are expected to be exceeded for a particular year, it will report to the management and take appropriate measures in accordance with the relevant requirements under Chapter 14A of the Listing Rules; and
- (iv) the independent non-executive Directors will also conduct annual review of the relevant continuing connected transactions to ensure that such transactions have been entered into on normal commercial terms, are fair and reasonable and conducted according to the terms of the relevant agreements. The auditor of the Company will also conduct annual review on the pricing and annual cap of the relevant continuing connected transactions.

## DEFINITIONS

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

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|-------------------------|--|
| “Advancement”           | the advancement with a principal amount of RMB3,100,861.50 to be made by the Company for Dr. Jiang in accordance with the terms of the Advancement Agreement   |
| “Advancement Agreement” | tax advancement agreement dated December 13, 2024 entered into by and among the Company, Dr. Jiang and the ESOP Platforms, pursuant to which the Company agreed to provide the Advancement to Dr. Jiang during the term of the agreement |

“Annual Caps”	the total maximum outstanding balance, including principal amount and accrued interest, owed by Dr. Jiang to the Company under the Advance Agreement
“Board”	the board of Directors
“Changxing Gangyuan”	Changxing Gangyuan Enterprise Management Partnership (Limited Partnership)* (長興罡源企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on July 18, 2023, one of the ESOP Platforms
“Changxing Caiyuan”	Changxing Caiyuan Enterprise Management Partnership (Limited Partnership)* (長興彩源企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on July 19, 2023, one of the ESOP Platforms
“Company”	TYK Medicines, Inc (浙江同源康醫藥股份有限公司), a joint stock company incorporated in the PRC with limited liability on November 2, 2017
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Jiang”	Dr. JIANG Mingyu (蔣鳴昱), an executive Director, vice president, Board secretary and one of the joint company secretaries of the Company
“Employee Incentive Scheme”	the employee equity incentive scheme of our Company which was adopted on May 19, 2023
“ESOP Platforms”	Changxing Caiyuan and Changxing Gangyuan
“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary share(s) in the ordinary share capital of our Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing”	listing of the H Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange

“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	prospectus of the Company dated August 12, 2024
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of RMB1.00 each, comprising Unlisted Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Unlisted Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each and are not listed or traded on any stock exchange
“%”	per cent

By Order of the Board  
**TYK Medicines, Inc**  
(浙江同源康醫藥股份有限公司)  
**Dr. WU Yusheng**

*Chairman, Executive Director and Chief Executive Officer*

Hong Kong  
December 13, 2024

*As at the date of this announcement, the Board comprises Dr. WU Yusheng and Dr. JIANG Mingyu as executive Directors, Dr. LI Jun, Dr. GU Eric Hong, Dr. MENG Xiaoying, Mr. HE Chao and Dr. DING Zhao as non-executive Directors, and Mr. ZHANG Senquan, Dr. LENG Yuting, Dr. XU Wenqing and Dr. SHEN Xiuhua as independent non-executive Directors.*