KeyMed Biosciences

# Keymed Biosciences Inc.
# 康諾亞生物醫藥科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2162

# 2022 ANNUAL REPORT

# Contents

# Definitions

In this report, unless the context otherwise requires, the following expressions shall have the following meanings.

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|---|---|
| "AGM" | the annual general meeting of the Company to be held on June 27, 2023 |
| "Audit Committee" | the audit committee of the Board |
| "BLA" | biologics license application |
| "Board of Directors" or "Board" | the board of Directors |
| "CDE" | Center for Drug Evaluation of the NMPA |
| "CG Code" | the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules |
| "China" or "PRC" | the People's Republic of China, which, for the purpose of this report and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan |
| "cGMP" or "Current Good Manufacturing Practice" | cGMP refers to the Current Good Manufacturing Practice regulations enforced by the FDA. cGMPs provide for systems that assure proper design, monitoring, and control of manufacturing processes and facilities. Adherence to the cGMP regulations assures the identity, strength, quality, and purity of drug products by requiring that manufacturers of medications adequately control manufacturing operations. This includes establishing strong quality management systems, obtaining appropriate quality raw materials, establishing robust operating procedures, detecting and investigating product quality deviations, and maintaining reliable testing laboratories |
| "Company" or "our Company" | Keymed Biosciences Inc. (formerly known as 2Health Biosciences, Inc.), an exempted company with limited liability incorporated in the Cayman Islands on April 23, 2018 |
| "Controlling Shareholders" | have the meaning ascribed to it under the Listing Rules |
| "Core Product" | CM310, the designated "core product" as defined under Chapter 18A of the Listing Rules |
| "CRO(s)" | contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis |
| "CSPC" | CSPC Pharmaceutical Group Limited, a company listed on the Stock Exchange (stock code: 1093), and its affiliates |

# Definitions

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| "Director(s)" | the director(s) of the Company or any one of them |
| "Dr. Chen" | Dr. Bo CHEN, the chairman of our Board, an executive Director and the chief executive officer of our Company |
| "EASI" | the Eczema Area and Severity Index is a validated scoring system that grades the physical signs of AD. An area score of 0-6 is assigned for each body region (total of four), depending on the percentage of AD-affected skin in that area: 0 (none), 1 (1% to 9%), 2 (10% to 29%), 3 (30% to 49%), 4 (50% to 69%), 5 (70% to 89%), or 6 (90% to 100%). The composite score, on a scale from 0 to 72, determines the severity of the signs of AD and the extent to which a patient is affected. EASI-75 indicates ≥75% improvement from baseline |
| "FDA" | the Food and Drug Administration of the United States |
| "FVTPL" | fair value through profit and loss |
| "Global Offering" | the global offering of the Shares, details of which are set forth in the Prospectus |
| "Group", "our Group", "our", "we", or "us" | the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong dollars" or "HK dollars" or "HK$" | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| "IFRSs" | International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board |
| "IGA" | Investigator's Global Assessment scale, a five-point scale that provides a global clinical assessment of AD severity ranging from 0 to 4, where 0 indicates clear, 2 is mild, 3 is moderate and 4 indicates severe AD |

# Definitions

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| "IND" | investigational new drug or investigational new drug application, also known as clinical trial application in China or the U.S. |
| "Independent Third Party" or "Independent Third Parties" | a person or entity who is not a connected person of the Company under the Listing Rules |
| "InnoCare" | Beijing InnoCare Pharma Tech Co., Ltd. (北京諾誠健華醫藥科技有限公司), a limited liability company incorporated under the laws of PRC on December 13, 2013, a subsidiary of InnoCare Pharma Limited (Stock Code: 9969), and an Independent Third Party |
| "IPO" | the initial public offering of the Shares on the Main Board of the Stock Exchange on July 8, 2021 |
| "JMT-Bio" | Shanghai JMT-Bio Technology Co., Ltd. (上海津曼特生物科技有限公司), a wholly-owned subsidiary of CSPC |
| "KYM" | KYM Biosciences Inc., a 70% non-wholly owned subsidiary of the Company |
| "Listing Date" | July 8, 2021, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time) |
| "Model Code" | the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules |
| "NDA" | new drug application |
| "NMPA" | the National Medical Product Administration of the PRC (國家藥品監督管理局), successor to the China Food and Drug Administration or CFDA (國家食品藥品監督管理總局) |
| "Prospectus" | the prospectus of the Company dated June 25, 2021 |
| "R&D" | research and development |
| "Reporting Period" | the year ended December 31, 2022 |
| "RMB" | Renminbi, the lawful currency of the PRC |

# Definitions

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| "RSU(s)" | restricted share unit(s), being a conditional right when an award under the 2021 RSU Scheme or 2022 RSU Scheme vests whereby the grantee shall be entitled to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting |
| "Share(s)" | ordinary share(s) with nominal value of US$0.0001 each in the share capital of the Company |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "United States" or "U.S." | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| "US$" | United States dollars, the lawful currency of the U.S. |
| "2021 RSU Scheme" | the restricted share unit scheme adopted by the Board on April 5, 2021 |
| "2022 RSU Scheme" | the restricted share unit scheme adopted by the Board on January 21, 2022 |
| "%" | per cent |

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Dr. Bo CHEN
Dr. Changyu WANG
Dr. Gang XU

### Non-executive Directors

Mr. Qi CHEN
Dr. Min Chuan WANG
Mr. Yilun LIU
Dr. Dong LYU *(resigned on March 29, 2022)*

### Independent non-executive Directors

Prof. Xiao-Fan WANG
Prof. Yang KE
Mr. Cheuk Kin Stephen LAW
Prof. Linqing LIU

## AUDIT COMMITTEE

Mr. Cheuk Kin Stephen LAW *(Chairperson)*
Mr. Qi CHEN
Prof. Linqing LIU

## REMUNERATION COMMITTEE

Prof. Xiao-Fan WANG *(Chairperson)*
Dr. Changyu WANG
Prof. Yang KE

## NOMINATION COMMITTEE

Dr. Bo CHEN *(Chairperson)*
Prof. Xiao-Fan WANG
Prof. Linqing LIU

## JOINT COMPANY SECRETARIES

Mr. Yanrong ZHANG
Ms. Vivien Pak Yu TAM

## AUTHORISED REPRESENTATIVES

*(for the purpose of the Listing Rules)*
Dr. Bo CHEN
Dr. Changyu WANG

## AUDITOR

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

## COMPLIANCE ADVISER

Somerley Capital Limited

## REGISTERED OFFICE

Floor 4, Willow House, Cricket Square
Grand Cayman KY1-9010
Cayman Islands

## CORPORATE HEADQUARTERS

Building D2, No. 18 BioTown Middle Road
Tianfu International BioTown, Chengdu
Sichuan, 610219
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1701 Lippo Centre Tower 2
Queensway
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Campbells Corporate Services Limited
Floor 4, Willow House, Cricket Square
Grand Cayman KY1-9010
Cayman Islands

# Corporate Information

## HONG KONG SHARE REGISTRAR

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

## PRINCIPAL BANKS

China Minsheng Bank
China Merchants Bank

## COMPANY WEBSITE

www.keymedbio.com

## STOCK CODE

2162

## LISTING DATE

July 8, 2021

# Chairman's Statement

Dear investors:

On behalf of the Board of Directors of Keymed, I would like to first express my sincere thanks to all investors for your long-term trust.

In the past year, Keymed carried on its painstaking efforts in dimensions such as product R&D, clinical trials, operations and the expansion of production facilities. We have nine products in the clinical stage as of the publication date of this report. CM310 (IL-4Rα), a core autoimmune pipeline candidate, entered registrational trial stage successively for three important indications: Moderate-to-severe atopic dermatitis (AD), chronic rhinosinusitis with nasal polyposis (CRSwNP), and asthma. Specifically, CM310 for treatment against moderate-to-severe AD in adults has been approved as a Breakthrough Designation by the NMPA. We plan to submit an NDA to CDE in mid-2023, and CM310 is expected to become Keymed's first commercialized product and the first domestic IL-4Rα antibody drug to be approved for sale in the market, which will quickly close the gap in the market once commercialized. Moreover, we entered into an exclusive global license agreement with AstraZeneca in February 2023 for CMG901, pursuant to which, AstraZeneca will be responsible for the global R&D, manufacturing and commercialization of CMG901, while KYM Biosciences, a subsidiary of Keymed, will receive an upfront payment of US$63 million with potential additional R&D and sales-related milestone payments of over US$1.1 billion and tiered royalties up to low double digits. The cooperation between Keymed and AstraZeneca, a world-class MNC, represents not only the high recognition of CMG901 as a First-in-class Claudin 18.2 ADC by the industry, but also a great affirmation of Keymed's independent R&D and innovation capabilities. Leveraging on the rich experience of AstraZeneca in the development and commercialization of antitumor drugs, we hope that CMG901 will benefit more patients around the world as earlier as possible, given that the ADC has been granted Breakthrough Therapy Designation as well as FDA's Fast Track Designation and Orphan Drug Designation. In addition, the druggability of CM326 (TSLP), CM313 (CD38), CM338 (MASP-2), CM369 (CCR8) and three CD3 bispecific antibodies has been further verified respectively along with the progress of clinical trials or successive clinical data readouts.

In respect of production and construction, the first phase of the new plant in Chengdu was completed by the end of 2022 with an additional production capacity of 16,000 L in total, serving as solid hardware infrastructure for the commercialization and clinical medication of multiple pipeline candidates including CM310 in the future.

In respect of talent recruitment, the Company had more than 600 employees as of the end of 2022, and they worked together as a committed unit. It is worth mentioning that the number of staff working in the clinical departments, who serves as robust support for the progress of the Company's clinical pipeline, has reached over 240. We are very delighted to find that a growing number of professional personnel have been joining Keymed, which further improves the efficiency of the progress of our pipeline and commercialization capabilities.

Looking ahead, we will recruit more new outstanding talents in clinical development, production and product commercialization (including marketing, sales and other functions) on board, strategically preparing the Company for the first year of commercialization by solid and adequate endeavors. In addition, we will not cease to expand, enrich and enhance the functions of our technology platforms to lay the strong groundwork for the next decade of thriving research and development of the pipeline.

# Chairman's Statement

We owe our performance today to our investors' trust, supervision and support. We are also gratified that the Company's strong R&D capabilities, development strategies and operational efficiency have been widely recognized by the capital markets over the past few years. We will remain true to our aspirations by upholding our vision – stay innovative and R&D oriented – to dedicate more high-quality, affordable innovative therapies to patients.

Yours faithfully,
**Dr. Bo CHEN**
*Chairman and Chief Executive Officer*

# Financial Highlights

## FINANCIAL HIGHLIGHTS

| | **2022** ***RMB'000*** | 2021 *RMB'000* | Changes *RMB'000* | Year-on-year changes *%* |
|---|---|---|---|---|
| Revenue | **100,063** | 110,269 | (10,206) | (9%) |
| Cost of sales | **(2,585)** | (17,200) | 14,615 | (85%) |
| Gross profits | **97,478** | 93,069 | 4,409 | 5% |
| Research and development expenses | **(507,374)** | (358,156) | (149,218) | 42% |
| Administrative expenses | **(133,912)** | (92,454) | (41,458) | 45% |
| Fair value losses on convertible redeemable preferred shares | **–** | (3,480,294) | 3,480,294 | (100%) |
| Total comprehensive loss for the year | **(303,596)** | (3,892,632) | 3,589,036 | (92%) |
| Adjusted total comprehensive loss for the year (as illustrated under "**Non-IFRSs Measures**") | **(255,029)** | (295,515) | 40,486 | (14%) |

| | **December 31, 2022** ***RMB'000*** | December 31, 2021 *RMB'000* | Changes *RMB'000* | Year-on-year changes *%* |
|---|---|---|---|---|
| Cash and cash equivalents, time deposits, and financial assets at FVTPL | **3,175,326** | 3,524,579 | (349,253) | (10%) |

**IFRS Measures:**

- Revenue amounted to RMB100 million for the year ended December 31, 2022, mainly represented collaboration income from CSPC in respect of granting the relevant license.
- Cost of sales mainly represented R&D costs incurred under the out-licensing arrangement for the year ended December 31, 2022.
- Research and development expenses increased by RMB149 million to RMB507 million for the year ended December 31, 2022. The increase was primarily attributable to the increase of pre-clinical and clinical study expenses.
- Administrative expenses increased by RMB41 million to RMB134 million for the year ended December 31, 2022. The increase was consistent with the expansion of the operation of the Group during the year ended December 31, 2022.
- From 2018 to 2021, the Group issued convertible redeemable preferred shares ("**Preferred Shares**") for equity financing. These Preferred Shares had been automatically converted to ordinary shares on a 1:1 basis upon the completion of the IPO on July 8, 2021, and the then fair value of financial liabilities had been reclassified as equity accordingly. Accordingly, no fair value changes on the Preferred Shares were recorded during the year ended December 31, 2022.

# Financial Highlights

**Non-IFRSs Measures:**

To supplement the Group's consolidated financial statements, which are presented in accordance with IFRSs, we also use the adjusted total comprehensive loss for the year as an additional financial measure, which is not required by, or presented in accordance with IFRSs. We believe that these adjusted measures provide useful information to shareholders and potential investors in understanding and evaluating our consolidated results of operations in turn as they help our management.

Adjusted total comprehensive loss for the year represents the total comprehensive loss for the year excluding the effect of certain non-cash items, namely the fair value loss on convertible redeemable preferred shares and share-based compensation expenses. The term adjusted total comprehensive loss for the year is not defined under IFRSs. The use of this non-IFRSs measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRSs. Our presentation of this adjusted figure may not be comparable to similarly titled measures presented by other companies. However, we believe that this non-IFRSs measure reflects our core operating results by eliminating potential impacts of items that our management do not consider to be indicative of our core operating performance, and thus, facilitate comparisons of core operating performance from period to period and company to company to the extent applicable. The table below sets forth a reconciliation of total comprehensive loss to adjusted total comprehensive loss for the years indicated:

| | **2022** | 2021 | Changes | Year-on-year changes |
|---|---|---|---|---|
| | ***RMB'000*** | *RMB'000* | *RMB'000* | *%* |
| Total comprehensive loss for the year | **(303,596)** | (3,892,632) | 3,589,036 | (92%) |
| *Add:* | | | | |
| Fair value losses on convertible redeemable preferred shares | **–** | 3,480,294 | (3,480,294) | (100%) |
| Share-based payment expenses | **48,567** | 116,823 | (68,256) | (58%) |
| Adjusted total comprehensive loss for the year | **(255,029)** | (295,515) | 40,486 | (14%) |

# Business Highlights

## BUSINESS HIGHLIGHTS

During the Reporting Period, we have rapidly proceeded with the research and development of our products and made the following milestones and progress with respect to our pipeline under development and business operation:

- **Rapid development of in-house discovered products**

  The progress of pipeline products:

  CM310 (IL-4Rα antibody)

  We initiated a randomized, double-blinded, placebo-controlled Phase III clinical study to evaluate the efficacy and safety of CM310 in adult subjects with moderate-to-severe AD in the first quarter of 2022, and the patient enrollment of the Phase III clinical study was completed in November 2022. The Phase III clinical trial is expected to be completed and the NDA is expected to be submitted in 2023.

  In June 2022, the CDE granted CM310 breakthrough therapy designation for the treatment of moderate-to-severe AD.

  We completed the Phase II clinical trial of CM310 for patients with CRSwNP at the end of the first quarter of 2022. We also completed unblinded data and disclosed the relevant data in March 2022. Based on the positive results from Phase II clinical trial, we initiated a randomized, double-blinded, placebo-controlled Phase III clinical trial to evaluate the efficacy and safety of CM310 in patients with CRSwNP in mid-2022.

  In July 2022, the IND for CM310 for the treatment of allergic rhinitis was approved by the NMPA.

  In August 2022, the IND for CM310 for the treatment of adults with moderate-to-severe AD was approved by the FDA.

  JMT-Bio, a wholly-owned subsidiary of CSPC, holds the exclusive license to develop and commercialize CM310 for the treatment of moderate-to-severe asthma, COPD and other respiratory diseases in China (excluding Hong Kong, Macau, or Taiwan). As of the date of this report, CSPC has initiated the critical Phase II/III clinical study for the treatment of moderate-to-severe asthma.

# Business Highlights

## CM326 (TSLP antibody)

We initiated a multi-center, randomized, double-blinded, placebo-controlled Phase Ib/IIa clinical trial to evaluate the safety, tolerability, PK/PD, immunogenicity, and preliminary efficacy of CM326 in subjects with moderate-to-severe AD in the first half of 2022, and simultaneously initiated a randomized, double-blinded, placebo-controlled Phase II clinical study to evaluate efficacy and safety of CM326 in adult subjects with moderate-to-severe AD in the second half of 2022.

We initiated a multi-center, randomized, double-blinded, placebo-controlled Phase Ib/IIa clinical trial to evaluate the safety, tolerability, PK/PD, immunogenicity, and preliminary efficacy of CM326 in subjects with CRSwNP in mid-2022, and we completed the patient enrollment of the Phase Ib/IIa clinical trial in February 2023.

JMT-Bio, a wholly-owned subsidiary of CSPC, has the exclusive license to develop and commercialize CM326 for the treatment of moderate-to-severe asthma, COPD and other respiratory diseases in China (excluding Hong Kong, Macau, or Taiwan).

## CMG901 (Claudin 18.2 ADC)

We completed the patient enrollment of the dose-escalation stage of the Phase I clinical trial of CMG901 in subjects with solid tumors in the first half of 2022, and initiated the dose-expansion stage of the Phase I clinical trial of CMG901 in subjects with solid tumors in China in the second quarter of 2022.

In April 2022, CMG901 for the treatment of relapsed/refractory gastric cancer and gastroesophageal junction adenocarcinoma was granted the Fast Track Designation and the Orphan-drug Designation by the FDA.

In September 2022, CDE granted CMG901 a breakthrough therapy designation for the treatment of Claudin 18.2-positive advanced gastric cancer that has failed or cannot be tolerated by first-line or above treatment.

In January 2023, at the 2023 ASCO Gastrointestinal Cancers Symposium, we released the latest data of Phase Ia dose-escalation clinical study of CMG901 for the treatment of advanced solid tumors. The results of the study showed good safety and tolerability for CMG901, and the dose successfully escalated into to 3.4 mg/kg, and the maximum tolerated dose (MTD) had not been reached yet. Only one patient in the 2.2 mg/kg group had dose-limiting toxicity. Among 8 patients with Claudin 18.2-positive gastric cancer or gastroesophageal junction adenocarcinoma treated with CMG901, the objective remission rate was 75%, and the disease control rate was 100%. Among them, the objective remission rate of patients in the 2.6, 3.0 and 3.4 mg/kg cohorts were all 100%. Neither the median progression-free survival (mPFS) nor the median overall survival (mOS) has been reached.

# Business Highlights

In February 2023, KYM, a 70% non-wholly owned subsidiary of the Group, entered into a global exclusive license agreement with AstraZeneca AB to develop and commercialize CMG901. Subject to the terms of the license agreement, AstraZeneca AB will be granted the exclusive worldwide license for the research, development, registration, production and commercialization of CMG901, and is responsible for all costs and activities related to its further development and commercialization under the license agreement. Pursuant to the license agreement and subject to its terms and conditions, KYM will receive an upfront payment of US$63 million and additional potential payments of up to US$1,125 million upon achievement of certain development, regulatory and commercial milestones.

## CM313 (CD38 antibody)

We continued proceeding with the dose-escalation stage of the Phase I clinical trial of CM313 for the treatment of patients with MM in 2022. Meanwhile, we initiated a dose-expansion stage of Phase I clinical trial of CM313 for the treatment of patients with MM at the end of the first quarter of 2022.

In April 2022, CM313 was approved for clinical trials for the treatment of indication of systemic lupus erythematosus (SLE). In October 2022, the first patient was dosed with CM313 for the treatment of SLE, which is currently in the stage of the Phase Ib/IIa clinical study.

## CM338 (MASP-2 antibody)

In November 2022, we completed a multiple-dose, randomized, double-blinded, placebo-controlled, dose-escalation Phase I clinical study to evaluate the safety, tolerability, pharmacokinetics, pharmacodynamics and immunogenicity of CM338 injection in healthy subjects. In March 2023, we initiated a Phase II clinical study to evaluate the efficacy and safety of CM338 injection in subjects with immunoglobulin A nephropathy (IgAN).

## Progress of other pipeline products:

## CM355/ICP-B02 (CD20xCD3 bispecific antibody)

In January 2022, the first patient was dosed with CM355, which is currently in the dose-escalation stage of Phase I clinical study. CM355 was jointly developed by us and InnoCare.

# Business Highlights

CM350 (GPC3xCD3 bispecific antibody)

In May 2022, the first patient was dosed with CM350, which is currently in the dose-escalation stage of the Phase I clinical study.

CM336 (BCMAxCD3 bispecific antibody)

In September 2022, the first patient was dosed with CM336, which is currently in the dose-escalation stage of the Phase I clinical study.

CM369/ICP-B05 (CCR8 antibody)

In August 2022, CM369/ICP-B05 was approved by the NMPA for clinical trials for the treatment of advanced solid tumors. In February 2023, the first patient was dosed with CM369, which is currently in the dose-escalation stage of the Phase I clinical study.

- **Rapid expansion of workforce and production facilities**

  As of December 31, 2022, the Company had 613 full-time employees in total, including over 240 employees engaging in clinical development and operations and over 230 employees engaging in manufacturing and quality control. We will continue to recruit talents to meet the growing needs of research and development, clinical, production, operational and product commercialization.

  The first phase of a new plant in Chengdu has been completed and put into production at the end of 2022, and has an additional production capacity of 16,000 litres in total. The designs of all facilities are in compliance with the requirements of cGMP of the NMPA and FDA.

- **Other matters**

  In March 2022, our Shares have been included as eligible stocks of the Shenzhen-Hong Kong Stock Connect with effect from March 7, 2022.

  In August 2022, our Shares have been included as a constituent of FTSE Global Small Cap ex-US Index with effect from September 16, 2022.

  In November 2022, our Shares have been included as a constituent of MSCI China Small Cap Index with effect from November 30, 2022.

# Management Discussion and Analysis

## OVERVIEW

We are a biotechnology company focused on the in-house discovery and development of innovative biological therapies in the autoimmune and oncology therapeutic areas. We have multiple clinical-stage assets, each of them being a leading contender within its respective competitive landscape.

Based on a solid foundation in biomedical research, we also built in-house drug discovery and development technologies that are complemented by our collaboration with other pharmaceutical and biotechnology companies. These comprise an innovative antibody discovery platform and a proprietary novel T cell engager (nTCE) bispecific antibody platform. As of December 31, 2022, we have nine clinical-stage and IND-enabling drug candidates in our internally-developed pipeline.

To accelerate the efficiency of our research and discovery, we have established a fully-integrated platform encompassing all of the key functions in the biologic drug development. These include target validation, lead molecule discovery and optimization, preclinical evaluation, process development, translational research, clinical development and manufacturing. This integrated platform has enabled us to rapidly and cost-effectively identify, build, expand and advance our diversified pipeline of innovative and differentiated antibody-based therapies, including monoclonal antibodies, antibody drug conjugates (ADCs) and bispecific antibodies.

### Product Pipeline

Our proprietary product pipeline reflects our market insights and employs the most recent scientific findings. To complement our in-house research and development efforts, we also collaborate with third parties on the development and commercialization of our drug candidates through joint venture or out-licensing arrangements.

# Management Discussion and Analysis

The following chart illustrates our pipeline and summarizes the development status of our clinical-stage drug candidates and selected IND-enabling stage candidates as of the date of the report:


*Abbreviations: 1H = first half; 2H = second half; AD = atopic dermatitis; ADC = antibody drug conjugate; AR = allergic rhinitis; CRS = chronic rhinosinusitis; CRSwNP = chronic rhinosinusitis with nasal polyposis; COPD = chronic obstructive pulmonary disease; GEJ = gastroesophageal junction; mAb = monoclonal antibody; MM = multiple myeloma; Ph = Phase; RRMM = relapsed or refractory multiple myeloma*

## BUSINESS REVIEW

- **CM310 (IL-4Rα antibody)**

  CM310, our core product as defined under Chapter 18A of the Listing Rules, is a humanized and highly potent antibody against interleukin-4 receptor α-subunit (IL-4Rα). It is the first domestically-developed IL-4Rα antibody that received IND approval from the NMPA. By targeting IL-4Rα, CM310 can lead to dual-blockade of interleukin-4 (IL-4) and interleukin-13 (IL-13) signaling. IL-4 and IL-13 are two critical cytokines for initiating type II inflammation. CM310 can potentially be effective for treating various type II immunological diseases in adults, adolescents and children, such as moderate-to-severe atopic dermatitis (AD), moderate-to-severe asthma, chronic rhinosinusitis with nasal polyposis (CRSwNP), allergic rhinitis, and potentially chronic obstructive pulmonary disease (COPD). It demonstrated favorable safety and encouraging efficacy in Phase Ia, Phase Ib/IIa and Phase IIb clinical trials.

# Management Discussion and Analysis

We initiated a randomized, double-blinded, placebo-controlled Phase III clinical study to evaluate the efficacy and safety of CM310 in adult subjects with moderate-to-severe AD in the first quarter of 2022. The Phase III clinical study has been approved by the CDE and plans to include 500 subjects. The co-primary endpoints are the percentage of subjects achieving EASI-75 and the percentage of subjects achieving an IGA score of 0 or 1 with a deduction of ≥2 points from the baseline in the 16th week of treatment. The enrollment of subjects for phase III clinical study was completed in November 2022 and the NDA for this indication is expected to be submitted to the NMPA in 2023.

In June 2022, the CDE granted CM310 breakthrough therapy designation for the treatment of moderate-to-severe atopic dermatitis. Drugs that have been granted the breakthrough therapy designation are prioritized by the CDE in communications and exchange, and in receiving guidance to promote the drug development progress.

We completed the Phase II clinical trial of CM310 for patients with CRSwNP by the end of the first quarter of 2022, and the results of primary endpoints of this clinical trial were disclosed in March 2022. 56 subjects were enrolled in this Phase II study, and the co-primary efficacy endpoints were the changes from baseline in bilateral nasal endoscopic polyp score (NPS) and nasal congestion score (NCS) at week 16 during the treatment period. Among others, NPS and NCS at week 16 in CM310 group were reduced by 2.32 and 1.23 from baseline, respectively, which were significantly superior to those in placebo (decreased by 0.19 and 0.30, respectively), with statistically significant differences. Meanwhile, CM310 continued to show a promising safety profile in this study. The incidence of treatment-emergent adverse events (TEAE) in CM310 group was comparable to that of placebo. No Grade 3 and above TEAE occurred and all of TEAEs were transient and the subjects recovered without any medical intervention.

Based on the above data, we initiated a randomized, double-blinded, placebo-controlled Phase III clinical study to evaluate the efficacy and safety of CM310 in patients with CRSwNP in mid-2022. The Phase III clinical study has been approved by CDE and plans to include 180 subjects. The co-primary efficacy endpoints were the changes from baseline in bilateral nasal endoscopic polyp score (NPS) and nasal congestion score (NCS) at week 16 during the treatment period. The NDA for this indication is expected to be submitted to the NMPA by the first quarter of 2024.

In July 2022, the IND for CM310 for the treatment of allergic rhinitis was approved by the NMPA.

In August 2022, the IND for CM310 for the treatment of adults with moderate-to-severe AD was approved by the FDA.

JMT-Bio, a wholly-owned subsidiary of CSPC, has the exclusive license to develop and commercialize CM310 for the treatment of moderate-to-severe asthma, COPD and other respiratory diseases in China (excluding Hong Kong, Macau, or Taiwan). As of the date of this report, CSPC has initiated the critical Phase II/III clinical study for the treatment of moderate-to-severe asthma.

## Management Discussion and Analysis

- **CM326 (TSLP antibody)**

  CM326 is a humanized and highly potent monoclonal antibody targeting thymic stromal lymphopoietin (TSLP). It is the first domestically-developed TSLP-targeting antibody in China to have received IND approval. TSLP plays a critical role as an upstream cytokine mediating multiple inflammatory pathways. Therefore, blocking its mediated inflammatory response by TSLP antibodies may lead to the treatment of various allergic diseases, including moderate-to-severe asthma and CRSwNP, and COPD. CM326 may also have synergistic effects with CM310.

  We initiated a multi-center, randomized, double-blinded, placebo-controlled Phase Ib/IIa clinical trial to evaluate the safety, tolerability, pharmacokinetic/pharmacodynamic (PK/PD), immunogenicity, and preliminary efficacy of CM326 in subjects with moderate-to-severe AD in the first half of 2022, and simultaneously initiated a randomized, double-blinded, placebo-controlled Phase II clinical study to evaluate efficacy and safety of CM326 in adult subjects with moderate-to-severe AD in the second half of 2022.

  We initiated a multi-center, randomized, double-blinded, placebo-controlled Phase Ib/IIa clinical trial to evaluate the safety, tolerability, PK/PD, immunogenicity, and preliminary efficacy of CM326 in subjects with CRSwNP in mid-2022, and we completed the patient enrollment of the Phase Ib/IIa clinical trial in February 2023.

  JMT-Bio, a wholly-owned subsidiary of CSPC, has the exclusive license to develop and commercialize CM326 for the treatment of moderate-to-severe asthma, COPD and other respiratory diseases in China (excluding Hong Kong, Macau, or Taiwan).

- **CMG901 (Claudin 18.2 ADC)**

  CMG901 is a Claudin 18.2-targeting ADC comprising of a Claudin 18.2-specific antibody, a cleavable linker and a toxic payload, monomethyl auristatin E (MMAE). It is the first Claudin 18.2 ADC to have received IND clearance both in China and the U.S.. Claudin 18.2 is selectively and widely expressed in gastric cancer, pancreatic cancer and other solid tumors, which makes it an ideal tumor target for therapeutic development.

  We completed the patient enrollment of CMG901 in the dose-escalation phase of the Phase I clinical trial of subjects with solid tumors in June 2022. Furthermore, we also initiated the dose-expansion stage of Phase I clinical trial of CMG901 in subjects with solid tumors in China in the second quarter of 2022, and disclosed the latest results from the Phase Ia does-escalation trial on January 18, 2023.

  In April 2022, CMG901 was granted the Fast Track Designation by the FDA for the treatment of relapsed/refractory gastric cancer and gastroesophageal junction adenocarcinoma. Previously, CMG901 has been granted the Orphan Drug Designation for the same indication.

  In September 2022, the CDE granted CMG901 breakthrough therapy designation for the treatment of Claudin 18.2-positive advanced gastric cancer that has failed or cannot be tolerated by first-line treatment or above. The CDE will communicate and exchange resources on the priority allocation of drugs granted breakthrough therapy designation, strengthen guidance and promote the process of drug research and development.

# Management Discussion and Analysis

In January 2023, we presented, in a form of wall poster, the latest data from a Phase Ia dose escalation clinical study about CMG901 for the treatment of advanced solid tumors at the 2023 Gastrointestinal Cancers Symposium of the American Society of Clinical Oncology. As of August 4, 2022, a total of 27 patients (13 with gastric cancer or gastroesophageal junction adenocarcinoma and 14 with pancreatic cancer) were enrolled in the CMG901 Phase Ia clinical study. The study results showed that CMG901 had a good safety and tolerability, with 3/27 (11.1%) patients experiencing grade 3 drug-related adverse events and no grade 4 or above drug-related adverse events. The dose was successfully increased to 3.4 mg/kg and the maximum tolerated dose (MTD) was not reached. Only one patient in the 2.2 mg/kg group had dose-limiting toxicity. In terms of efficacy, 8 patients with Claudin 18.2-positive gastric cancer or gastroesophageal junction adenocarcinoma treated with CMG901 had an objective response rate of 75% and a disease control rate of 100%. Objective response rates were 100% for patients in the 2.6, 3.0 and 3.4 mg/kg cohorts. Median progression-free survival (mPFS) and median overall survival (mOS) were not reached.

In February 2023, KYM, a non-wholly-owned subsidiary in which the Group has a 70% interest, and AstraZeneca AB ("**AstraZeneca**", a global pharmaceutical company which, to the best of the Company's knowledge and belief, is an Independent Third Party) have entered into a global exclusive license agreement. AstraZeneca will be granted a worldwide exclusive license to research, develop, register, manufacture and commercialize CMG901 and will be responsible for all costs and activities associated with its further development and commercialization under the license agreement. According to the license agreement and subject to its terms and conditions, KYM will receive an upfront payment of US$63 million and additional potential payments of up to US$1,125 million upon completion of certain development, regulation and commercial milestones. KYM is also entitled to collect tiered royalties from AstraZeneca on net sales. KYM has a responsibility to provide assistance and personnel to facilitate the transfer of technology and expertise. Unless otherwise agreed, AstraZeneca will be responsible for all costs of development and regulatory affairs activities related to the ongoing experiments with respect to CMG901. The license agreement is subject to customary closing conditions, including the completion of antitrust regulatory reviews.

- **CM313 (CD38 antibody)**

CM313 is a humanized monoclonal antibody that targets CD38. CM313 is the first domestically-developed CD38 antibody with IND approval by the NMPA in China. Given the encouraging efficacy in pre-clinical studies, we believe CM313 has the potential to become an innovative treatment option for relapsed or refractory multiple myeloma (RRMM), lymphoma and other hematological malignancies. In the first half of 2022, we continued proceeding with a multi-center, open-label Phase I clinical trial to evaluate the safety, tolerability, pharmacokinetics, immunogenicity, and preliminary efficacy of CM313 monotherapy in hematological malignancies including multiple myeloma and lymphoma. Meanwhile, we initiated a dose-expansion stage of Phase I trial of CM313 for the treatment of multiple myeloma (MM) in China at the end of the first quarter of 2022.

In addition, given the observed outstanding clearance effect of CM313 on plasma cells, we believe CM313 has the potential to become an innovative treatment option for systemic lupus erythematosus (SLE). In January 2022, we submitted IND approval to the NMPA for the indication of CM313 in the treatment of SLE, and the clinical trial was approved to conduct in April 2022. In October 2022, we completed the first patient dosing of CM313 for the treatment of SLE, which is currently in the dose-escalation stage of Phase Ib/IIa clinical study.

## Management Discussion and Analysis

- **CM338 (MASP-2 antibody)**

  CM338 is a humanized, highly potent antagonist antibody against mannose-binding lectin-associated serine protease-2 (MASP-2).

  In November 2022, we completed a multiple-dose, randomized, double-blinded, placebo-controlled, dose-escalation Phase I clinical study to evaluate the safety, tolerability, pharmacokinetics, pharmacodynamics and immunogenicity of CM338 injection in healthy subjects. In March 2023, we initiated a Phase II clinical study to evaluate the efficacy and safety of CM338 injection in subjects with immunoglobulin A nephropathy (IgAN).

- **CM355/ICP-B02 (CD20xCD3 bispecific antibody)**

  CM355 is a CD20xCD3 bispecific antibody for the treatment of relapsed or refractory non-Hodgkin's lymphoma (NHL). In preclinical studies, CM355 demonstrated stronger T-cell directed cellular cytotoxicity (TDCC) activities and less cytokine release as compared to its leading competitors.

  We collaborate with InnoCare for the development of CM355. The Phase I trial first patient for the treatment of lymphoma was dosed in January 2022 and Phase I dose escalation is progressing with the fourth cohort being completed in January 2023. So far, the almost complete B-cell depletion was observed in patients treated with low dose of CM355.

- **CM336 (BCMAxCD3 bispecific antibody)**

  CM336 is a BCMAxCD3 bispecific antibody for the treatment of multiple myeloma. BCMA is an attractive target for multiple myeloma immunotherapy due to its high expression on malignant plasma cells in multiple myeloma patients and normal expression restricted to plasma cells in healthy individuals. CM336 is designed to target BCMA on BCMA-positive tumor cells and the CD3 receptor on the surface of T cells, bridging them together and activating T cells to kill the cancer cells.

  In September 2022, we completed the first patient dosing of CM336 for the treatment of multiple myeloma. The dose-escalation stage of the Phase I clinical study of CM336 is currently ongoing.

- **CM350 (GPC3xCD3 bispecific antibody)**

  CM350 is a GPC3xCD3 bispecific antibody for the treatment of solid tumors, especially for hepatocellular carcinoma (HCC). CM350 is designed to target GPC3 on GPC3-positive tumor cells and the CD3 receptor on the surface of T cells, bridging them together and activating T cells to kill the cancer cells. The dual targeting of GPC3 and CD3 activates and redirects T cells to engage and eliminate target tumor cells.

  In January 2022, we received the IND approval from the NMPA to carry out the clinical trial of solid tumors. In May 2022, we completed the first patient dosing of CM350 for the treatment of hepatocellular carcinoma, which is currently in the dose-escalation stage of Phase I clinical study.

# Management Discussion and Analysis

- **CM369/ICP-B05 (CCR8 antibody)**

  CM369 is an anti-CC chemokine receptor 8 ("**CCR8**") monoclonal antibody, a potential first-in-class drug co-developed by us and InnoCare as a monotherapy or in combination with other therapies for the treatment of various cancers. CCR8 has been shown to be selectively overexpressed on immunosuppressive regulatory T cells ("**Tregs**") in the tumor microenvironment ("**TME**"). CM369 binds to CCR8 on Tregs and eradicates immunosuppressive Tregs through antibody-dependent cell-mediated cytotoxicity (ADCC) to augment the anti-tumor immunity in TME while preserving peripheral homeostasis. CM369 has the potential to deliver optimal tumor targeted Treg depletion and be more specific in anti-tumor activity than other immunotherapies.

  We collaborate with InnoCare for the development of CM369. In August 2022, the CM369 was approved by NMPA for clinical trials for the treatment of advanced solid tumors. In February 2023, we completed the first patient dosing of CM369. The product is currently in the dose-escalation stage of Phase I clinical study.

**Cautionary Statement required by Rule 18A.08(3) of the Listing Rules:** The Company may not be able to ultimately develop and market CM310, CM326, CMG901, CM313, CM338, CM355, CM336, CM350, and CM369 successfully. As at the date of this report, no material adverse changes had occurred with respect to the regulatory approvals we had received in relation to our drug candidates.

### Our R&D and Manufacturing

Leveraging the expertise of our clinical development team, we are able to efficiently design and execute our clinical trials and demonstrate the advantages of our innovative drugs through outstanding clinical results. Our clinical development team achieves this goal through well-designed trial protocols and excellent trial execution. The team coordinates clinical development strategies and trial protocols for our drug candidates, and manages the trial implementation with the assistance of reputable CROs in a cost-effective manner. Our medical and translational research staff identify and validate biomarkers, direct patient selection, and analyze clinical data to guide clinical studies and preclinical evaluations. As our clinical-stage drug candidates are each among the first three domestically-developed for its target or in its class to have obtained IND approval in China and/or the U.S., we have attracted numerous first-tier hospitals and leading principal investigators (PIs) to join our clinical trials. We believe the long-term relationships with these medical collaborators will bring us tremendous benefits.

To ensure production and supply of high-quality and affordable antibody drugs, we have always been committed to enhancing our in-house manufacturing capabilities. We have internally developed high-expressing cell lines to ensure high yield and low costs for our antibody manufacturing. Our first cGMP-compliant manufacturing facility with a capacity of 1,600 litres was built in Chengdu in 2019, which internally manufactured antibody continuously and successfully for preclinical and clinical studies. In addition, the first phase of construction of the new plant in Chengdu was completed and put into production at the end of 2022, with an additional production capacity of 16,000 litres in total. The designs of all facilities are in compliance with the requirements of cGMP of the NMPA and FDA.

# Management Discussion and Analysis

## R&D Platforms

We have built fully-integrated platforms to enable our in-depth R&D in the areas of immunology and oncology. Our platforms are integrated seamlessly to support key drug development functionalities, including antibody screening, functional evaluation, in vivo preclinical studies and biomarker identification. We have the expertise and capability to independently complete the entire drug development process from drug discovery to pre-clinical research to clinical development and to NDA/BLA application. Our core platforms are as follows:

- **Novel T Cell Engager (nTCE) Platform**

  Our nTCE platform enables us to develop bispecific T cell engagers that are potent and highly tumor specific. In recent years, T cell engaging bispecific antibodies have attracted particular interest as a promising class of immunotherapies for the treatment of non-immunogenic tumors. Our technology is designed to maximize T cell-mediated cell killing effects with minimal cytokine release syndrome, and high stability and productivity.

  Leveraging the nTCE platform, we are developing multiple T-cell engaging bispecific antibodies, including CM355, CM336 and CM350 which have obtained IND approvals as of the date of this report. In preclinical studies, these drug candidates have demonstrated encouraging T cell-mediated cell killing effects with low possibility of cytokine release syndrome.

- **Innovative antibody discovery platform**

  Our innovative antibody discovery platform is a versatile platform for the discovery and evaluation of antibody drugs. This platform includes the following main functionalities: antibody screening, engineering and optimization. With these functions and technologies, we are able to develop antibody-based therapies with new modalities and new mechanisms of action, which potentially increase the efficacy and specificity of the therapies. Based on this platform, we have developed multiple drug candidates with different modalities in our pipeline, including bispecific antibodies, ADCs and fragment crystallisable region (Fc) engineered antibodies. This platform is also empowered by enhanced automatic antibody screening and discovery techniques, leading to cost-efficient discovery of drug candidates with high affinity, cross-species activity and improved developability.

- **Bio-evaluation Platform**

  Our bio-evaluation platform is responsible for effective assessment of antibody drug candidates. We have developed multiple cell-based assays using engineered reporter cells, which enable us to quickly screen and select highly potent antibodies with desired biological activities. Building on our experience and expertise, we are also able to establish a variety of immunoassays to facilitate our immunology and oncology pipeline development. To further evaluate the efficacies of antibody drugs in vivo, we have developed a number of animal models in different species in collaboration with CROs to support our target validation and lead molecule selection.

# Management Discussion and Analysis

- **High-Throughput Screening Platform for High Yield Antibody-Expressing Cells**

  Leveraging the experience and know-how of our chemistry, manufacturing and controls (CMC) and manufacturing team, we have developed our high-throughput screening platform to identify high-yielding cell lines that have desirable characteristics for further cost-efficient development. With this platform, we have successfully identified the cell lines to produce drug candidates as fast as three months. This allows us to rapidly advance our assets to the preclinical and clinical evaluation stage and accelerate the drug development process.

## Impact of the COVID-19 Outbreak

The resurgence of COVID-19 since the beginning of 2022 did not have a material adverse impact on our business, financial position and results of operations. Although we experienced minor delays in the patient enrollment process and data entry for certain of our clinical trials in China as a result of COVID-19 pandemic control policies, the situation has improved subsequently. As of December 31, 2022, we had resumed normal patient enrollment and data entry for our clinical trials, and had not encountered any material adverse effects on our collaboration with third-party service providers, including our cooperative CROs, for our clinical development. Furthermore, since the outbreak of the COVID-19 and as of the end of the Reporting Period, we had not experienced any material production suspension and decrease in production volume of our manufacturing facilities. We had not experienced any material difficulties in procuring our major raw materials, and our supply chain had not experienced any material disruption since the outbreak of COVID-19 and as of the date of this report.

## Other Corporate Development

Our Shares have been included as eligible stocks of the Shenzhen-Hong Kong Stock Connect with effect from March 7, 2022. In August 2022, the Company has been included as a constituent of FTSE Global Small Cap ex-US Index with effect from September 16, 2022. In November 2022, the Company has been included as a constituent of MSCI China Small Cap Index with effect from November 30, 2022.

We believe that the inclusion of our Shares as eligible stocks of the Shenzhen-Hong Kong Stock Connect and constituent of the above-mentioned international stock index will allow us to access a broader investor base in global financial markets and further increase the trading liquidity of our Shares, which would result in realization of the value of the investment in the Company.

## Future Development

We will actively prepare for the commercialization of our late-stage pipeline products and will continue to rapidly advance both ongoing and planned clinical programs for our pipeline products in China and globally, including in the U.S. In the meantime, to expedite the commercialization of our drug candidates and maximize the commercial value, we will actively build strategic partnerships such as co-development, collaboration and licensing in China and globally.

In anticipation of increased production demands for our drug candidates, we plan to further expand our cGMP-compliant manufacturing capacity to improve the cost-effectiveness of our production. We are very pleased to see the rapid progress we achieved so far and the detailed development plan ahead of us. In line with our Company's vision, we are committed to developing, manufacturing and commercializing innovative biological therapies for patients worldwide.

# Management Discussion and Analysis

## FINANCIAL REVIEW

| | 2022 *RMB'000* | 2021 *RMB'000* |
|---|---|---|
| Revenue | **100,063** | 110,269 |
| Cost of sales | **(2,585)** | (17,200) |
| **GROSS PROFIT** | **97,478** | 93,069 |
| Other income and gains | **259,002** | 52,667 |
| Research and development expenses | **(507,374)** | (358,156) |
| Administrative expenses | **(133,912)** | (92,454) |
| Listing expenses | **–** | (37,932) |
| Fair value losses on convertible redeemable preferred shares | **–** | (3,480,294) |
| Other expenses | **(683)** | (57,680) |
| Finance costs | **(8,397)** | (11,133) |
| Share of losses of a joint venture | **(9,711)** | (719) |
| **LOSS BEFORE TAX** | **(303,597)** | (3,892,632) |
| Income tax expense | **–** | – |
| **TOTAL LOSS FOR THE YEAR** | **(303,597)** | (3,892,632) |
| Attributable to: | | |
| Owners of the parent | **(308,115)** | (3,887,309) |
| Non-controlling interests | **4,518** | (5,323) |
| | **(303,597)** | (3,892,632) |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | **1** | – |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | **(303,596)** | (3,892,632) |
| Attributable to: | | |
| Owners of the parent | **(308,114)** | (3,887,309) |
| Non-controlling interests | **4,518** | (5,323) |
| | **(303,596)** | (3,892,632) |

### *1. Revenue and Cost of Sales*

During the Reporting Period, the Group's revenue primarily consists of collaboration income from CSPC in respect of granting the relevant license. Cost of sales mainly represented R&D costs incurred under the out-licensing arrangement for the year ended December 31, 2022.

# Management Discussion and Analysis

### 2. Other Income and Gains

During the Reporting Period, the Group's other income and gains primarily consisted of government grants income, interest income and gain on exchange difference. For the year ended December 31, 2022, the other income and gains of the Group increased by RMB206 million to RMB259 million. The increase was primarily attributable to the increase of government grants income, interest income and gain on exchange difference by RMB226 million to RMB257 million.

### 3. Research and Development expenses

During the Reporting Period, the Group's R&D expenses primarily consisted of (i) expenses incurred in connection with pre-clinical and clinical studies, including third-party contracting costs with respect to the engagement of CROs, clinical trial sites and other service providers in connection with our R&D activities; (ii) employee compensation for our R&D employees; (iii) expenses for procuring raw materials and consumables used in the R&D of our drug candidates; and (iv) depreciation and amortization of property, plant and equipment and other intangible assets related to R&D activities. For the year ended December 31, 2022, the R&D expenses of the Group increased by RMB149 million to RMB507 million. The increase was primarily attributable to the increase of clinical trial and pre-clinical study expenses by RMB114 million. Such increase was consistent with the expansion of our R&D team and the ramp up of the scale of our R&D plans during the Reporting Period.

### 4. Administrative expenses

During the Reporting Period, the Group's administrative expenses primarily consisted of (i) employee compensation for our administrative employees; (ii) depreciation and amortization expenses for operating activities; (iii) depreciation and amortization of property, plant and equipment and other intangible assets related to administrative activities; (iv) professional services fees paid to legal counsel, agents, auditor, and other professional service providers, incurred in connection with business operations; and (v) travelling expenses of our administrative employees. For the year ended December 31, 2022, the administrative expenses of the Group increased by RMB41 million to RMB134 million. The increase was primarily attributable to the increase of employee compensation and professional services fees by RMB28 million and RMB3 million, respectively.

### 5. Fair Value Losses on Convertible Redeemable Preferred Shares

For the year ended December 31, 2021, the Group recorded fair value loss on convertible redeemable preferred shares of RMB3,480 million. These preferred shares had been automatically converted to ordinary shares on a 1:1 basis upon the completion of the IPO on July 8, 2021, and the then fair value of financial liabilities had been reclassified to equity accordingly. No fair value changes on the preferred shares had been recorded accordingly during the Reporting Period.

# Management Discussion and Analysis

### 6. Other Expenses

During the Reporting Period, the Group's other expenses primarily consisted of exchange loss on foreign currencies. For the Reporting Period, the other expenses of the Group decreased by RMB57 million to RMB1 million. The decrease was primarily attributable to the decrease of exchange loss.

### 7. Finance Costs

During the Reporting Period, the Group's finance costs primarily consisted of implicit interest on other financial liabilities and interest on lease liabilities and bank borrowings. For the Reporting Period, the finance costs of the Group decreased by RMB3 million to RMB8 million. The decrease was primarily attributable to the decrease of the implicit interest on other financial liabilities by RMB5 million, and partially offset by the increase of the interest on bank borrowings by RMB2 million.

### 8. Share of loss of a joint venture

During the Reporting Period, our shared loss from the 50%-owned joint venture, Beijing Tiannuo Pharma Tech Co., Ltd., amounted to RMB10 million. The increase was primarily attributable to the increase of clinical trial expenses incurred by the joint venture during the Reporting Period.

### 9. Income tax expense

We did not recognize any income tax expense for the Reporting Period.

### 10. Selected Data from Consolidated Statement of Financial Position

| | **As at December 31, 2022** ***RMB'000*** | As at December 31, 2021 *RMB'000* |
|---|---|---|
| Total current assets | **3,309,974** | 3,581,949 |
| Total non-current assets | **622,342** | 352,506 |
| **Total assets** | **3,932,316** | 3,934,455 |
| Total current liabilities | **379,699** | 112,075 |
| Total non-current liabilities | **213,399** | 176,998 |
| **Total liabilities** | **593,098** | 289,073 |
| **Net current assets** | **2,930,275** | 3,469,874 |

# Management Discussion and Analysis

## *11. Liquidity and Capital Resources*

As at December 31, 2022, our cash and bank balances, time deposits and bank wealth management products decreased by RMB349 million to RMB3,175 million from RMB3,524 million as at December 31, 2021. The decrease was primarily attributable to the cash used in our daily business operation during the Reporting Period.

As at December 31, 2022, the current assets of the Group were RMB3,310 million, including cash and bank balances of RMB604 million, time deposits of RMB2,339 million, bank wealth management products of RMB232 million and other current assets of RMB135 million. As at December 31, 2022, the current liabilities of the Group were RMB380 million, including trade payables of RMB15 million, other payables and accruals of RMB146 million, other financial liabilities of RMB146 million, interest-bearing bank borrowings of RMB61 million, lease liabilities of RMB11 million and other current liabilities of RMB1 million.

For the year ended December 31, 2022, our net cash used in operating activities increased by RMB187 million to RMB402 million from RMB215 million for the year ended December 31, 2021. The increase was primarily attributable to our business expansion as well as the progress advancement of our clinical trials.

For the year ended December 31, 2022, our net cash used in investing activities decreased by RMB1,390 million to RMB646 million from RMB2,036 million for the year ended December 31, 2021. The decrease was primarily attributable to the significant increase in the withdrawal of time deposits.

For the year ended December 31, 2022, our net cash flows used in financing activities amounted to RMB8 million while the net cash flows from financing activities amounted to RMB3,638 million for the year ended December 31, 2021. The significant decrease was primarily attributable to proceeds received by the Company from issuance of series C preferred shares and the IPO in 2021 while nil in 2022.

As part of our treasury management, we invest in certain wealth management products to better utilize excess cash when our cash sufficiently covers our ordinary course of business. We have implemented a series of internal control policies and rules setting forth overall principles as well as detailed approval process of our investment activities. Under our investment policy, we generally limit our purchases to low-risk, short-term products from reputable commercial banks which must not interfere with our daily operation and business prospects.

We recorded other investments classified as financial assets at FVTPL of RMB232 million as of December 31, 2022. We manage and evaluate the performance of these investments on a fair value basis in accordance with our risk management and investment strategy. Therefore, these investments in wealth management products were designated as financial assets at FVTPL as of December 31, 2022.

# Management Discussion and Analysis

## 12. Indebtedness

As at December 31, 2022, our interest-bearing bank borrowings amounted to RMB90 million and unutilized credit facilities amounted to RMB570 million. Of the borrowings, RMB50 million are borrowed at fixed interest rate.

As at December 31, 2022, the lease liabilities decreased by RMB7 million to RMB32 million as the result of the increase of lease payments.

As at December 31, 2022, the other financial liabilities increased by RMB5 million to RMB146 million as the result of the recognition of the implicit interest expenses.

The gearing ratio (calculated by total liabilities divided by total assets) of the Group as of December 31, 2022 was 15%, representing an increase of 8% from the gearing ratio of 7% as at December 31, 2021.

## 13. Significant Investment, Material Acquisitions and Disposals

The Group did not have significant investment, material acquisitions or disposals of subsidiaries, associates and joint ventures for the year ended December 31, 2022.

## 14. Contingent Liabilities

As of December 31, 2022, we did not have any contingent liabilities. The Company confirms that as of the date of this report, there had been no material changes or arrangements to our contingent liabilities.

## 15. Capital Commitments

As of December 31, 2022, we had capital commitments contracted, but not yet provided, of RMB1 million, which were related to the purchase of property, plant and equipment for the Group's production plant. We intend to fund the commitments with proceeds from the Company's prior fundraising activities.

## 16. Pledge of Assets

As of December 31, 2022, the Group committed to pledge a total of RMB430 million equipment to secure its bank borrowings within six months upon receiving the loan.

# Management Discussion and Analysis

### *17. Foreign Exchange Exposure*

During the Reporting Period, the Group mainly operated in China and a majority of its transactions were settled in Renminbi, the functional currency of the Company's primary subsidiaries. The Group's borrowing is made in Renminbi, while cash and cash equivalents are primarily held in Renminbi, Hong Kong dollars and US dollars. The Group is exposed to foreign currency risk as a result of certain cash and bank balances, time deposits and financial assets at FVTPL denominated in non-functional currency. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### *Human Resources*

As of December 31, 2022, we had 613 full-time employees in total, including 5 employees who are employed overseas and the remaining in China. In strict compliance with the relevant labor laws, we enter into individual employment contracts with our employees covering matters such as terms, wages, bonuses, employee benefits, workplace safety, confidentiality obligations and grounds for termination.

To remain competitive in the labor market, we provide various incentives and benefits to our employees. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries and the opportunity to participate in share incentive schemes to our employees. We believe our benefits, working environment and development opportunities for our employees have contributed to good employee relations.

Our Company has adopted the 2021 RSU Scheme on April 5, 2021 (further details of which are set forth in our Prospectus and the section "Report of the Directors") and the 2022 RSU Scheme on January 21, 2022 (further details of which are set forth in the Company's announcements dated January 21, 2022 and January 28, 2022 and the section "Report of the Directors"). During the Reporting Period, restricted share units underlying 2,747,021 Shares have been awarded under the 2021 RSU Scheme.

# Directors and Senior Management

## DIRECTORS

### Executive Directors

**Dr. Bo CHEN**, aged 49, has been a Director since April 23, 2018 and was re-designated as an executive Director on April 3, 2021 and currently serves as the chairman of our Board and our chief executive officer. Dr. Chen has been serving as the chief executive officer of Chengdu Keymed since December 2016 and its chairman since December 2018. Dr. Chen is primarily responsible for the overall strategic planning, business direction and operational management of our Group.

Dr. Chen has extensive experience in the pharmaceutical industry. Dr. Chen founded Wuhan Huaxin Kangyuan Biopharma Co., Ltd. (武漢華鑫康源生物醫藥有限公司) in June 2011, a biopharmaceutical company focusing on development of monoclonal antibodies drugs. Subsequently, from January 2013 to March 2015, Dr. Chen served as the general manager and an executive director at Shanghai Junshi Biosciences Co., Ltd., ("**Junshi Bioscience**"), a dual listed company in Hong Kong (stock code: 1877) and Shanghai (stock code: 688180) and subsequently served as the chief scientist until December 2016, Dr. Chen remained as a director of Junshi Bioscience until March 2018.

Dr. Chen obtained his bachelor's degree in cell biology from Wuhan University (武漢大學) in the PRC in July 1996. Dr. Chen proceeded to obtain his PhD. in fertility and molecular biology from the Albert Einstein College of Medicine of Yeshiva University in United States in September 2003.

**Dr. Changyu WANG**, aged 58, has been a Director since March 3, 2021 and was re-designated as an executive Director on April 3, 2021. He is primarily responsible for directing and overseeing overall research and development management. Dr. Wang is the senior vice president of the Company and Chengdu Keymed.

Dr. Wang possesses more than 24 years of experience in research and development of biopharmaceuticals. From April 1998 to March 2001, he was a research scientist at Chiron Corporation. From April 2001 to August 2009, he was a senior scientist at Medarex, Inc., which was formerly listed on NASDAQ until acquisition by Bristol Myers Squibb, a company listed on the New York Stock Exchange (stock code: BMY). From September 2009 to December 2013, he was a senior scientist at Bristol-Myers Squibb. From January 2014 to February 2016, he was a director in cancer immunology at Pfizer Inc., a company listed on the New York Stock Exchange (stock code: PFE). Dr. Wang led the development of the world first PD-1 immune checkpoint inhibitor, Nivolumab, which has been approved for commercialization in 2014.

Dr. Wang obtained his bachelor's degree in microbiology from Wuhan University (武漢大學) in the PRC in July 1983. He obtained his master's degree in virology from the National Vaccine and Serum Institute (北京生物製品研究所) in September 1988. He obtained his PhD. in microbiology and immunology from the University of Colorado Medical Center in the United States in August 1994.

# Directors and Senior Management

**Dr. Gang XU** (徐剛), aged 49, has been a Director since June 21, 2018 and was re-designated as an executive Director on April 3, 2021. Dr. Xu is primarily responsible for directing and overseeing drug discovery and early stage research. Dr. Xu is also the senior vice president of the Company and Chengdu Keymed and the executive director of Chengdu Kangnuo Xing Biosciences Co., Ltd. (成都康諾行生物醫藥科技有限公司) ("**Chengdu Kangnuo Xing**").

Dr. Xu possesses more than 17 years of experience in research and development of biopharmaceuticals. From October 2010 to November 2015, he was a senior scientist at the Roche R&D Center (China) Ltd (羅氏研發(中國)有限公司). He was once the general manager of Suzhou Bojuhua Biomedical Technology Co., Ltd. (蘇州博聚華生物醫藥科技有限公司), where he was responsible for pre-clinical research and operations. Dr. Xu has published research papers on immune system recognition, antibody display and bispecific antibodies in internationally renowned academic journals such as Nature Immunology and the Proceedings of the National Academy of Sciences of the USA.

Dr. Xu obtained his bachelor's degree in genetics from Wuhan University (武漢大學) in the PRC in July 1995. He obtained his PhD. in immunology from the Peking Union Medical College (北京協和醫學院) in the PRC in July 2004. He was a post-doctorate fellow in immunology at the University of Maryland School of Medicine in the USA from January 2005 to October 2010.

**Non-executive Directors**

**Mr. Qi CHEN (陳奇)**, aged 48, has been a Director since June 21, 2018, and was re-designated as a non-executive Director on April 3, 2021. He participates in decision-making in respect of major matters such as corporate and business strategies.

From April 2001 to November 2015, he was a senior software engineer at Motorola Solutions (China) Co., Ltd. Since June 2017, he was an AI architect at Multipoint Life (Chengdu) Technology Co., Ltd. (多點生活(成都)科技有限公司).

Mr. Chen obtained his bachelor's degree in electrical engineering from (浙江大學) in PRC in July 1996.

**Dr. Min Chuan WANG (王閩川)**, aged 44, has been a Director since March 3, 2021, and was re-designated as a non-executive Director on April 3, 2021. He participates in decision-making in respect of major matters such as corporate and business strategies.

Dr. Wang is the founding managing partner of 3H Health Investment (三正健康投資), where he participates in matters related to the establishment and management of the healthcare investment funds and leads its biotech and biopharmaceutical investments.

Dr. Wang also sits on the Hong Kong Stock Exchange's Biotech Advisory Panel (香港聯合交易所生物科技諮詢小組) and the HKSAR Innovation and Technology Fund's Research Project Assessment Panel (香港特別行政區政府創新及科技基金研究項目評估委員會).

Dr. Wang received his bachelor's degree in pharmacy from Peking University in July, 2001. He then obtained his M.Phil. and his Ph.D. from Cambridge University in the United Kingdom in July 2009.

# Directors and Senior Management

**Mr. Yilun LIU** (劉逸倫), aged 37, has been a Director since March 3, 2021, and was re-designated as a non-executive Director on April 3, 2021. He participates in decision-making in respect of major matters such as corporate and business strategies.

Mr. Liu has experience working in the financial industry, including serving as the head of special situation at Anatole Investment Management Limited (晨曦投資管理有限公司). Since April 2018, Mr. Liu has been an executive director at Boyu Capital.

Mr. Liu received his bachelor of science degree in marketing from Fudan University (復旦大學) in the PRC in July 2009. He then obtained his master of business administration degree from Columbia Business School in May 2015.

### Independent Non-executive Directors

**Prof. Xiao-Fan WANG** (王小凡), aged 67, as an independent non-executive Director, is responsible for providing independent advice and judgment to our Board.

Prof. Wang is currently Donald and Elizabeth Cooke Chair Professor of Experimental Oncology and Professor of Pharmacology and Cancer Biology at Duke University Medical Center. In 2017, he was elected as a foreign academician of the Chinese Academy of Sciences (中國科學院). In 2022, he was elected as a foreign member of the Chinese Academy of Medical Sciences (中國醫學科學院).

Prof. Wang has published more than 160 papers and have been cited more than 18,000 times. From 1992 to 1998, he was an assistant professor in the Department of Pharmacology and Cancer Biology of Duke University. He became an associate professor in 1998, and was promoted to full professorship in 2003. He was appointed the Donald and Elizabeth Cooke Distinguished Professor in 2009.

Prof. Wang obtained his bachelor of science degree in biochemistry from Wuhan University (武漢大學) in the PRC in 1982. In 1986, he received his Ph.D. from the University of California, Los Angeles, and then worked as a postdoctoral researcher at the Massachusetts Institute of Technology.

**Prof. Yang KE (柯楊)**, aged 67, as an independent non-executive Director, is responsible for providing independent advice and judgment to our Board.

Prof. Ke is currently the director of Laboratory of Genetics of Peking University Cancer Hospital (北京大學腫瘤醫院) and an international member of the United States National Academy of Medicine. Prof. Ke is also President of the Peking University Health Science Center Alumni Association (北京大學醫學部校友會), Vice-President of China Medical Women's Association and Vice-President of Cancer Foundation of China.

# Directors and Senior Management

Prof. Ke's research focus is on the upper gastrointestinal tumors, including the cloning of gastric cancer related genes and the functional study of such genes. Together with her team, she has also established the population cohort in esophageal cancer high incidence regions in China, studied the etiology of esophageal cancer, and evaluated the effects and economic efficacy of early screening of the disease. She has published more than 100 papers and had registered patents and been granted awards at national and provincial levels for technological and educational achievements.

Prof. Ke was a member of the 11th and 12th National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議), an executive Vice-president of Peking University (北京大學) and of the Peking University Health Science Center (北京大學醫學部), a member of the Committee of Academic Degrees of the State Council (國務院學位委員會) and the Chairperson of the Working Committee for Medical and Pharmaceutical of the Chinese Society of Academic Degrees and Graduate Education (中國學位與研究生教育學會醫藥科工作委員會). Since August 2019, Prof. Ke has been an independent non-executive director of Tencent Holdings Limited, a company listed on the Stock Exchange (stock code: 700). Since March 2022, Prof. Ke has been an independent director of PICC Health Insurance Company Limited.

Prof. Ke graduated from Beijing Medical College (北京醫學院) (subsequently known as Beijing Medical University (北京醫科大學) and currently known as Peking University Health Science Center (北京大學醫學部)) in 1982. From 1985 to 1988, Prof. Ke worked at the National Cancer Institute of the National Institutes of Health of the United States as a postdoctoral fellow.

**Mr. Cheuk Kin Stephen LAW (羅卓堅)**, aged 60, as an independent non-executive Director, is responsible for providing independent advice and judgment to our Board.

Mr. Law worked at Wheelock and Company Limited (會德豐有限公司), a company formerly listed on the Stock Exchange (stock code: 0020) and The Wharf (Holdings) Limited (九龍倉集團有限公司), a company listed on the Stock Exchange (stock code: 0004) from 1995 to 2000; Morningside Group (晨興創投集團) from 2000 to 2006; and TPG Growth Capital (Asia) Limited from July 2006 to September 2012, where he last served as a managing director. Mr. Law served as (i) the chief financial officer of Guoco Group Limited (國浩集團有限公司), a company listed on the Stock Exchange (stock code: 0053) from October 2012 to June 2013; (ii) the executive director of MTR Corporation Ltd., a company listed on the Stock Exchange (stock code: 0066) from July 2013 to July 2016; (iii) an adjunct professor of the Hong Kong Polytechnic University from 2015 to 2017; (iv) the independent non-executive director of AAG Energy Holdings Limited (亞美能源控股有限公司), a company listed on the Stock Exchange (stock code: 2686) from July 2016 to September 2018 and (v) an independent non-executive director of Stealth BioTherapeutics Inc., a company listed on NASDAQ (ticker symbol: MITO) from June 2018 to July 2019. He has been the managing director of ANS Capital Limited since 2017. From November 2018 to August 2022, he was an independent non-executive director of Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司) (stock code: 6199). Mr. Law has been an independent non-executive director of the following companies which are listed on the Stock Exchange: (i) China Everbright Limited (中國光大控股有限公司) (stock code: 0165) since May 2018; (ii) Somerley Capital Holdings Limited (新百利融資控股有限公司) (stock code: 8439) since February 2019; (iii) China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司) (stock code: 6881) since June 2020; and (iv) CSPC Pharmaceutical Group Limited (石藥集團有限公司) (stock code: 1093) since March 2021.

Notwithstanding Mr. Law's engagement as independent non-executive director on five listed companies, Mr. Law confirmed that he would devote sufficient time to act as our independent non-executive Director based on the following:

(i) none of his current commitment as an independent non-executive director of those listed companies would require his full time involvement and he has not participated in the day-today operations of those listed companies;

(ii) with his background and experience, he is fully aware of the responsibilities and expected time involvements for an independent non-executive director. He has not found difficulties in devoting his time to multiple companies and he is confident that with his experience in taking on multiple corporate roles, he will be able to discharge his duties to our Company;

(iii) he has attended most of the board meetings of the listed companies where he is an independent non-executive director and none of the listed companies that he has directorship with has questioned or complained about his time devoted to such listed companies; and

(iv) his role in our Group is non-executive in nature and he will not be involved in the daily management of our Group's business. Thus his engagement as an independent non-executive Director will not require his full-time participation.

Based on the foregoing, our Directors do not have reasons to believe that the various positions currently held by Mr. Law will result in Mr. Law not having sufficient time to act as our independent non-executive Director or not properly discharging his fiduciary duties as a director of our Company. Nevertheless, pursuant to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, our Board will (i) regularly review the contribution required from our Directors to perform their respective responsibilities to us, and whether each Director is spending sufficient time in performing their responsibilities; (ii) at the time when it proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, set out the reasons in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why our Board believes such individual should be elected, the reasons why such individual is considered to be independent by our Board and, if required under the Corporate Governance Code, explain why such individual would still be able to devote sufficient time to our Board.

Mr. Law obtained his bachelor's degree majoring in science (civil engineering) from University of Birmingham in the United Kingdom in July 1984 and his MBA degree from University of Hull in the United Kingdom in July 1996. Mr. Law was a council member of the Hong Kong Institute of Certified Public Accountants (HKICPA) from January 2010 to December 2017. Mr. Law is now a member of the HKICPA and the Institute of Chartered Accountants in England and Wales, a council member of Hong Kong Business Accountants Association Ltd. (HKBAA) and an expert accounting consultant appointed by the Ministry of Finance in the PRC. Mr. Law is also a council member of The Hong Kong Independent Non-Executive Director Association Limited (HKiNEDA). Mr. Law has accounting qualifications in Hong Kong and the United Kingdom.

# Directors and Senior Management

**Prof. Linqing LIU (劉林青)**, aged 48, as an independent non-executive Director, is responsible for providing independent advice and judgment to our Board.

Prof. Liu has taught at the Economics and Management School of Wuhan University (武漢大學經濟與管理學院) since July 2002 and now serves as a professor and doctoral supervisor. He is also the director of the Department of Business Administration of Wuhan University (武漢大學工商管理系). His research areas focus on corporate strategic management, business administration and management education. From 2009 to 2015, Prof.Liu was an independent non-executive director of Aotecar New Energy Technology Co., Ltd (奧特佳新能源科技股份有限公司) (stock code: 002239), a listed company on the Shenzhen Stock Exchange). From 2009 to 2022, Prof. Liu was an independent non-executive director of each of Wuhan P&S Information Co., Ltd. (武漢力源信息技術股份有限公司)(stock code: 300184), a listed company on the Shenzhen Stock Exchange and Mabpharm Limited (stock code: 2181), a listed company on the Stock Exchange. He is currently an independent director of Wuhan Humanwell Hi-tech Ind. Co., Ltd. (人福醫藥集團股份有限公司) (stock code: 600079), a listed company on the Shanghai Stock Exchange and J.S. Corrugating Machinery Co., Ltd. (湖北京山輕工機械股份有限公司) (stock code: 000821), a listed company on the Shenzhen Stock Exchange. In March 2023, he retired as an independent director of HuBei SanFeng Intelligent Convey Co., Ltd. (湖北三豐智能輸送裝備股份有限公司) (stock code: 300276), a listed company on the Shenzhen Stock Exchange.

Prof. Liu graduated from Wuhan University (武漢大學), with a double bachelor degree in science and management and a master degree in management in 1995 and 1999, respectively. Prof. Liu obtained a doctorate degree in management from Wuhan University (武漢大學) in 2002. Prof. Liu was accredited as a certified public accountant by the Hubei Institute of Certified Public Accountants (湖北註冊會計師協會) in December 2009.

## SENIOR MANAGEMENT

For details of senior management who are also our Directors, please refer to "– Directors – Executive Directors" in this section.

**Dr. Qian JIA** (**賈茜**), aged 58, has been a senior vice president of the Company since March 2018. She has been the senior vice president of Chengdu Keymed and is responsible for development and evaluation of drug candidates, pharmaceutical research and registration matters she is also the general manager of Chengdu Kangnuo Xing, where she is responsible for pilot-scale experiments, the design of production base, and production management.

Dr. Jia had over 33 years of experience in pharmaceutical research. From July 1987 to July 2011, she worked at North China Pharmaceutical Group New Drug Research and Development Co., Ltd. (華北製藥集團新藥研究開發有限責任公司) ("**North China Pharmaceutical Group**"). She last served as its senior vice president, chief scientist, and director of the state key laboratory for antibody drug development. Under her leadership, North China Pharmaceutical Group received the title of "National Laboratory for Antibody Development" from the Ministry of Science and Technology of the PRC. From June 2011 to June 2015, she was the vice general manager of Shanghai Biomax Pharmaceutical Co., Ltd. (上海百邁博製藥有限公司), where she was primarily responsible for quality control. From June 2015 to March 2018, she was the deputy general manager at Shanghai Xiesheng Pharmaceutical Technology Co., Ltd. (上海諧生醫藥科技有限公司). She had been an adjunct professor at Wuhan University (武漢大學) in the PRC.

Dr. Jia obtained her bachelor's degree in virology and molecular biology from Wuhan University in July 1987. She then obtained her master's degree in pharmaceutical analysis from Hebei Medical University (河北醫科大學藥學院) in June 2002. In July 2006, she obtained her PhD. in pathogen molecular biology from the Chinese Center for Disease Control and Prevention (中國疾病控制中心). Dr. Jia was also recognized as a senior engineer (正高級工程師) in pharmaceutical engineering by the Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組) in December 2004.

**Mr. Yanrong ZHANG (張延榮)**, aged 36, has been the chief financial officer of the Company since September 2020, and is responsible for overall management of financial, fundraising and business development. He is also a vice president of Chengdu Keymed.

From July 2012 to September 2020, he worked at the investment banking department of China International Capital Corporation (中金公司), with his last position as vice president.

Mr. Zhang graduated with a bachelor's degree in business administration from Shandong University (山東大學) in the PRC in July 2009. He then obtained his master's degree from the University of Sheffield in the United Kingdom in January 2011.

**Dr. Jinchun YAN**, aged 44, has been the Chief Medical Officer of the Company since January 2022, and is responsible for global new drug R&D and global clinical development strategy and execution of the Company. Dr. Yan has over 20 years of experience in the clinical practice and pharmaceutical industries. From October 2014 to September 2016, she served as the clinical director at Bayer (拜耳製藥公司) in the United States, primarily responsible for the clinical development of Radium-223 and the bispecific antibody drugs. From September 2016 to April 2017, she served as the senior clinical research director at Johnson & Johnson (強生製藥公司) in the United States, primarily responsible for the clinical development of Daratumumab and anti-IL3R. From April 2017 to October 2020, she was the senior global clinical lead at Bristol-Myers Squibb in the United States. She led the team to successfully obtain Bristol-Myers Squibb's first FDA Pilot Program (RTOR, Project Orbis, AAid) for Nivolumab and Ipilimumab with rapid, concurrent global multi-country pilot rapid concurrent approval. From October 2020 to January 2022, she served as the chief medical officer at Ambrx Biopharma, Inc. in the United States, where she led and quickly advanced multiple global ADC programs and helped the Company's listing on the New York Stock Exchange in the United States. She has been a member of the scientific steering committee at Ambrx Biopharma, Inc. in the United States since January 2022. She has been an independent director of Checkmate Pharmaceuticals, Inc. in the United States since December 2021 and an independent director of Moleculin Biotech, Inc. in the United States since March 2022.

Dr. Yan graduated from the seven-year clinical medicine program of China Medical University (she obtained a bachelor's degree in clinical medicine from China Medical University in July 2001 and a master's degree in cell biology from China Medical University in July 2003). She obtained a Ph.D. degree in biochemistry and molecular biology from Johns Hopkins University in the United States in May 2009. Dr. Yan also served as a resident physician and specialist clinical physician at the University of Washington Medical Center in the United States from September 2009 to September 2014.

## JOINT COMPANY SECRETARIES

**Mr. Yanrong ZHANG (張延榮)** was appointed as a joint company secretary of our Company on April 3, 2021. Mr. Zhang is also the chief financial officer of the Company. For further details, please refer to "— Senior Management" in this section.

**Ms. Vivien Pak Yu TAM** serves as a manager of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司), a professional services provider specializing in corporate services, and has over seven years of experience in corporate secretarial field. Ms. TAM has been admitted as an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute of the United Kingdom in 2018. Ms. TAM obtained a bachelor's degree in China Studies from Hong Kong Baptist University in 2014 and a master's degree in Professional Accounting and Corporate Governance from City University of Hong Kong in 2017.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Company has adopted the code provisions stated in the Corporate Governance Code contained in Appendix 14 of the Listing Rules. The Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Except for the deviation from code provision C.2.1 of Part 2 of the CG Code, the Group's corporate governance practices are in compliance with the CG Code. Code provision C.2.1 of Part 2 of the CG Code stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. Chen is the chairman of the Board and the chief executive officer. With extensive experience in the pharmaceutical industry and having served in our Company since its establishment, Dr. Chen is in charge of overall strategic planning, business direction and operational management of our Group. The Board considers that vesting the roles of the chairman of the Board and the chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the Board and our senior management, which comprises experienced and diverse individuals. The Board currently comprises three executive Directors (including Dr. Chen), three non-executive Directors and four independent non-executive Directors, and therefore has a strong independence element in its composition.

Code provision F.2.2 of Part 2 of the CG Code provides that the chairman of the Board should attend the annual general meeting and that the chairmen of the audit, remuneration, nomination and any other committees should be invited to attend the annual general meeting. In their absence, the chairman of the board should invite other members of the committee or other duly appointed delegate to attend. Dr. Chen (being the chairman of the Board and the chairperson of the nomination committee), Mr. Qi CHEN (being a member of the audit committee) and Dr. Changyu WANG (being a member of the remuneration committee) attended the Company's annual general meeting on June 28, 2022.

The Group is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders as a whole. Save as disclosed above, the Company had complied with the provisions of the CG Code for the year ended December 31, 2022.

## THE BOARD OF DIRECTORS

### Board composition

As at December 31, 2022, the Board consists of three executive Directors, namely Dr. Bo CHEN, Dr. Changyu WANG and Dr. Gang XU, three non-executive Directors, namely Mr. Qi CHEN, Dr. Min Chuan WANG and Mr. Yilun LIU, and four independent non-executive Directors, namely Prof. Xiao-Fan WANG, Prof. Yang KE, Mr. Cheuk Kin Stephen LAW and Prof. Linqing LIU. Dr. Dong LYU resigned as a non-executive Director on March 29, 2022. An updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and of the Company, respectively. The overall management and supervision of the Company's operation and the function of formulating overall business strategies were vested in the Board. There are no financial, business, family or other material relationships among members of the Board.

During the year ended December 31, 2022, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The four independent non-executive Directors represent more than one-third of the Board, complying with the requirement under Rule 3.10A of the Listing Rules whereby independent non-executive directors of a listed issuer must represent at least one-third of the board. The Board believes there is sufficient independence element in the Board to safeguard the interest of Shareholders.

# Corporate Governance Report

## Directors' responsibilities

The Board takes the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. As at December 31, 2022, the Board comprised ten Directors, including three executive Directors, three non-executive Directors and four independent non-executive Directors. Their names and biographical details are set out in the "Directors and Senior Management" section of this annual report.

Liability insurance for Directors and senior management of the Company is maintained by the Company with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

## Delegation by the Board

The management, consisting of executive Directors along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day management and operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

## Directors' responsibilities for financial statements

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

## Independent non-executive Directors

The independent non-executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. The functions of independent non-executive Directors include bringing an impartial view and judgement on issues of the Company's strategies, performance and control; and scrutinizing the Company's performance and monitoring performance reporting.

All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have made positive contributions to the development of the Company through providing their professional advice to the Board.

All independent non-executive Directors are appointed for a term of three years.

# Corporate Governance Report

### *Confirmation of independence*

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

### Board diversity policy

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out our objectives and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background and other qualities. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge, skills, perspectives and experience, including overall management and strategic development, business, science, investment, accounting and consulting. They obtained professional and academic qualifications including Ph.D. in pharmaceutical and other areas, as well as accounting qualifications. Furthermore, the Board possesses members spanning a wide range of ages. In term of gender diversity, the Board currently has 1 female Director, representing 10% of Board members. The Company considers that the gender diversity is achieved in respect of the Board and plans to maintain the female director ratio at current level after taking into account of various factors in its context. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy during the year, and our Board and the nomination committee of our Company will assess the Board composition on an annual basis.

Our nomination committee is responsible for reviewing the diversity of our Board. After Listing, our nomination committee has continued to monitor and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy, including any measureable objectives set for implementing the board diversity policy and the progress on achieving these objectives on an annual basis.

The Company reaches approximately 33% women in the current senior leadership roles. The Group is committed to upholding and embracing employees with different backgrounds, culture and gender where approximately 58% of our staff were female. We will also continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. For details on the diversity in workforce, please refer to the “Environmental, Social and Governance Report” of this report.

# Corporate Governance Report

## Appointment, re-election and removal of Directors

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date. Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years commencing from the Listing Date or until the third annual general meeting of the Company since its Listing (whichever is sooner). The above appointments are subject to retirement by rotation and re-election at an annual general meeting of the Company in accordance with the Articles of Association. The Articles of Association provide that the Board may appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first annual general meeting after his appointment and shall then be eligible for re-election at such meeting.

In accordance with the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The members of the Company may, at any general meetings convened and held in accordance with the Articles of Association, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything to the contrary in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement).

## Compensation of Directors and Senior Management

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of Directors and the top five highest paid individuals are set out in notes 10 and 11 to the consolidated financial statements. During the Reporting Period, no emoluments were paid by the Group to any Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. For the year ended December 31, 2022, none of the Directors has waived or agreed to waive any emoluments.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2022, by the Group to or on behalf of any of the Directors.

# Corporate Governance Report

## Directors' training and professional development

Every newly appointed Director has been given a comprehensive, formal and tailored induction on appointment. Subsequently, the Directors will receive updates on the Listing Rules, legal and other regulatory requirements and the latest development of the Group's business and are encouraged to participate in continuous professional development to develop their knowledge and skills.

During the year ended December 31, 2022, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expense.

The training records of each Director for the year ended 31 December 2022 are summarized as follows:

| Directors | Reading training materials relevant to corporate governance and regulations | Attending briefings relevant to the industry, business, directors' duties or other relevant topics |
|---|---|---|
| *Executive Directors:* | | |
| Dr. Bo CHEN *(President and Chairman)* | ✓ | ✓ |
| Dr. Changyu WANG | ✓ | ✓ |
| Dr. Gang XU | ✓ | ✓ |
| *Non-executive Directors:* | | |
| Mr. Qi CHEN | ✓ | ✓ |
| Dr. Min Chuan WANG | ✓ | ✓ |
| Mr. Yilun LIU | ✓ | ✓ |
| Dr. Dong LYU[(1)] | ✓ | ✓ |
| *Independent Non-executive Directors:* | | |
| Prof. Xiao-Fan WANG | ✓ | ✓ |
| Prof. Yang KE | ✓ | ✓ |
| Mr. Cheuk Kin Stephen LAW | ✓ | ✓ |
| Prof. Linqing LIU | ✓ | ✓ |

*Note*

(1) Dr. Dong LYU resigned on March 29, 2022.

## Board meetings

Code provision C.5.1 of Part 2 of the CG Code stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications. Apart from regular Board meetings, the Chairman should at least annually hold meeting with the independent non-executive Directors without the presence of other Directors under the code provision C.2.7 of Part 2 of the CG Code.

During the year ended December 31, 2022, four Board meetings were held at which the Board considered and approved the annual results, annual report, interim results announcement, interim report, effectiveness of the risk management and internal control systems, the ESG Report and other business affairs of the Group. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of Part 2 of the CG Code.

# Corporate Governance Report

A summary of the attendance record of the Directors at Board meetings, general meeting and committee meetings is set out in the following table below:

| | Number of meeting(s) attended/number of meeting(s) held for the year ended December 31, 2022 | | | | |
|---|---|---|---|---|---|
| **Name of Director** | **Board** | **AGM** | **Audit Committee** | **Remuneration Committee** | **Nomination Committee** |
| *Executive Directors:* | | | | | |
| Dr. Bo CHEN | 4/4 | 1/1 | / | / | 1/1 |
| Dr. Changyu WANG | 4/4 | 1/1 | / | 1/1 | / |
| Dr. Gang XU | 4/4 | 1/1 | / | / | / |
| *Non-executive Directors:* | | | | | |
| Mr. Qi CHEN | 4/4 | 1/1 | 2/2 | / | / |
| Dr. Min Chuan WANG | 4/4 | 0/1 | / | / | / |
| Mr. Yilun LIU | 4/4 | 0/1 | / | / | / |
| Dr. Dong LYU[(1)] | 1/1 | / | / | / | / |
| *Independent Non-executive Directors:* | | | | | |
| Prof. Xiao-Fan WANG | 4/4 | 0/1 | / | 1/1 | 1/1 |
| Prof. Yang KE | 4/4 | 0/1 | / | 1/1 | / |
| Mr. Cheuk Kin Stephen LAW | 4/4 | 0/1 | 2/2 | / | / |
| Prof. Linqing LIU | 4/4 | 0/1 | 2/2 | / | 1/1 |

*Note*

(1) Dr. Dong LYU resigned on March 29, 2022.

The Board intends to meet at least four times per year in the future, and the Chairman intends to hold at least one meeting per year with the independent non-executive Directors without the presence of other Directors.

A tentative schedule for regular Board meetings for 2023 will be provided to the Directors at the beginning of the year. At least 14 days' notice for all regular Board meetings will be given to all Directors and all Directors will be given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will be given. Relevant agenda and accompanying Board papers will be sent to all Directors at least three days in advance of every regular Board meeting.

## Board Independence

There are established mechanisms that independent views and inputs are available to the Board. The Board currently comprises four independent non-executive Directors and being one-third of the Board, which meets with the independent requirements under the Listing Rules. In assessing suitability of the potential candidates of independent nonexecutive Directors, the nomination committee will review their qualification, skills, knowledge, independent views and having regard to the nomination policy and the board diversity policy of the Company. Nomination committee also assessed the time commitment devoted by and independence of independent non-executive Directors annually. External independent professional advice is also available to all Directors (including independent non-executive Directors) whenever deemed necessary. During the year ended December 31, 2022, the Board reviewed and considered the implementation of above mechanisms were effective.

# Corporate Governance Report

## BOARD COMMITTEES

The Board has established three committees with specific written terms of reference to oversee particular aspects of the Group's affairs.

### Audit Committee

The Company established the audit committee in compliance with Rules 3.21 to 3.23 of the Listing Rules with written terms of reference in compliance with the CG Code. The primary functions of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process, and performing other duties and responsibilities as assigned by our Board.

The audit committee consists of one non-executive Director, Mr. Qi CHEN, and two independent non-executive Directors, Mr. Cheuk Kin Stephen LAW and Prof. Linqing LIU, with Mr. Cheuk Kin Stephen LAW as the chairman. Mr. Cheuk Kin Stephen LAW is appropriately qualified under Rules 3.10(2) and 3.21 of the Listing Rules.

For the year ended December 31, 2022, the audit committee convened two meetings. The attendance record of the Directors at meetings of the audit committee is set out in the table on page 43.

During the meetings, the audit committee:

- reviewed annual results of the Group ended December 31, 2021 and interim results of the Group for the six-months ended June 30, 2022;
- reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and risk management and internal control systems and processes);
- met with the external auditors twice; and
- met with the external and internal auditors once without executive directors present.

### Remuneration Committee

The Company established the remuneration committee in compliance with Rule 3.25 of the Listing Rules with terms of reference in compliance with the CG Code. The primary functions of the remuneration committee include, but are not limited to, the following: (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time and (iv) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules. The Remuneration Committee has adopted the first model described in code provision E.1.2(c) of Part 2 of the CG Code.

The remuneration committee consists of one executive Director, Dr. Changyu WANG, and two independent non-executive Directors, Prof. Xiao-Fan WANG and Prof. Yang KE, with Prof. Xiao-Fan WANG as the chairman.

For the year ended December 31, 2022, the remuneration committee convened one meeting to determine the remuneration packages of executive Directors and senior management of the Company and make recommendations to the Board on the remuneration of non-executive Directors. The attendance record of the Directors at meetings of the remuneration committee is set out in the table on page 43.

# Corporate Governance Report

### Nomination Committee

The Company established the nomination committee in compliance with Rule 3.27A of the Listing Rules with written terms of reference in compliance with the CG Code. The primary functions of the nomination committee include, without limitation, reviewing the structure, size, composition and diversity of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors. In identifying and selecting suitable candidates for directorships, the nomination committee would consider the candidate's gender, skills, age, professional experience, knowledge, cultural, education background and other qualities. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. The Company has adopted a nomination policy, which is incorporated in the terms of reference of the nomination committee and sets out the selection criteria and nomination procedures for identifying and recommending candidates for appointment or re-appointment of Director.

The nomination committee consists of one executive Director, Dr. Bo CHEN, and two independent non-executive Directors, Prof. Xiao-Fan WANG and Prof. Linqing LIU, with Dr. Bo CHEN as the chairman.

For the year ended December 31, 2022, the nomination committee convened one meeting to review the existing structure, size, composition and diversity of the Board, independence of the independent non-executive Directors, and re-election of the Directors. The attendance record of the Directors at meetings of the nomination committee is set out in the table on page 43.

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

The Company has adopted the Model Code as the code of conduct for the Directors and senior management's dealings in the securities of the Company and, upon specific enquiries of all the Directors, each of them has confirmed that he complied with all applicable code provisions under the Model Code during the year ended December 31, 2022.

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

## REMUNERATION PAYABLE TO MEMBERS OF SENIOR MANAGEMENT

Pursuant to code provision E.1.5 of Part 2 of the CG Code, the annual remuneration of members of the senior management (other than Directors) by band for the year ended December 31, 2022 is set out below:

| Remuneration band | Number of members of senior management |
|---|---|
| HK$2,000,000 to HK$3,000,000 | 1 |
| HK$7,000,000 to HK$8,000,000 | 1 |
| HK$22,000,000 to HK$23,000,000 | 1 |

# Corporate Governance Report

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties including:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

The Board had performed the above duties during the year ended December 31, 2022.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness in order to achieve the Company's objectives. The Company adopted a series of internal control policies, measures, and procedures designed to provide reasonable assurance, which including effective standards, efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives. Below is a summary of the internal control policies, measures, and procedures we have implemented:

- The Company conducted, through an annual audit of the internal controls of each business department, a review on the effectiveness of the risk management and internal control systems for the year ended December 31, 2022 and considered them effective and adequate. The audit included reviewing the management of financial statements, sales and receivables, purchasing and payment, fixed assets and intangible assets, human resource, research and development, nature and extent of significant risks, including environmental, social and governance risks, (and the Company's ability to respond to such risks and changes). The audit procedures could be summarized as below, including not limited to:
    - o Interview with responsible personnel;
    - o Obtain and review the required documents;
    - o Test the design and operating effectiveness of the internal control system
- The Company published the risk management and internal control policies, measures and procedures to ensure that the Company maintained reasonable and effective internal controls and compliance with applicable laws and regulations. Besides, the Company insisted on monitoring the implementation of internal control policies, measures, and procedures, making sure that they were the most updated version based on the current business model.

# Corporate Governance Report

- The Company implemented the relevant internal control policies, measures and procedures on the site and making quarterly and annual regular inspections about the on-site implementation of such policies, measures, and procedures for each stage of the Company's drug discovery and development process.

- The Company adopted various measures and procedures regarding each aspect of the Company's business operation, such as project management, quality assurance, environmental protection, and occupational health and safety. The Company provided the periodic training for the employees, which was one part of Employee Training Program. The Company also required the staff to carry out business activities in accordance with relevant laws, regulations and Company policies by regularly communicating updates and reminders through emails, staff meetings.

- The Company has developed internal policies that provide general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to prevent unauthorized access and use of inside information.

- The Company has also developed a risk management process to identify, evaluate and manage significant risks and to resolve material internal control defects. Senior management of the Group is responsible for the risk reporting process. Risks identified are documented and mitigation plans are deviced. The risk assessment is reviewed by certain members of the senior management and presented to the audit committee and the Board for their review.

- The Company has adopted an anti-corruption policy which outlines the Company's culture, expectations and requirements relating to the prevention, detection, reporting and investigation of any suspected or actual fraud, corruption and other irregularities. The Group has also adopted a whistleblowing policy for reporting suspected fraud, corruption and irregularities via specified channels for employees and the relevant third parties. All reported matters will be investigated independently and, in the meantime, all information received from a whistleblower and its identity will be kept confidential.

- The audit committee had the responsibility for monitoring the effectiveness of the risk management and internal control systems. It is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective internal control systems.

- The Company engaged Somerley Capital Limited as the compliance adviser to provide professional advice to Directors and management team for the year ended December 31, 2022.

## AUDITOR'S REMUNERATION

A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 99 to 103.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Ernst & Young for the year ended December 31, 2022 are set out in the table below:

| **Services rendered for the Company** | **Fees paid and payable** *RMB'000* |
|---|---|
| Audit service | 2,830 |
| Non-audit service | 475 |

# Corporate Governance Report

## JOINT COMPANY SECRETARIES

Directors have access to the services of the joint company secretary to ensure that the board procedures are followed. The current joint company secretaries of the Company are Mr. Yanrong ZHANG and Ms. Vivien Pak Yu TAM. Ms. Tam is manager of SWCS Corporate Services Group (Hong Kong) Limited and the main contact person of Ms. Tam in the Company is Mr. Zhang.

In compliance with Rule 3.29 of the Listing Rules, Mr. Zhang and Ms. Tam have undertaken no less than 15 hours of relevant professional training during the year of 2022. The biographies of Mr. Zhang and Ms. Tam are set out in the "Directors and Senior Management" section on page 37 of this annual report.

## SHAREHOLDERS' RIGHTS

### Convening an extraordinary general meeting

Pursuant to Article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the written requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

### Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the joint company secretary of the Company at the Company's principal place of business in Hong Kong at Room 1701 Lippo Centre Tower 2, Queensway, Hong Kong. The Company will not normally deal with verbal or anonymous enquiries.

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

# Corporate Governance Report

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To promote effective communication, the Company maintains a website at www.keymedbio.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

The procedures for shareholders to convene and put forward proposals at an AGM or EGM (including election of a person other than a Director of the Company as a director) are available on the Company's website or on request to Mr. Yanrong ZHANG.

The Board has reviewed the implementation of the shareholders' communication policy of the Company. Taking into account the variety of existing channels for communication and participation, the Company is of the view that its shareholders' communication policy was effective during the year ended December 31, 2022.

## CHANGES IN CONSTITUTIONAL DOCUMENTS

The amendments to the fourth amended and restated Memorandum and Articles of Association of the Company ("**Amended and Restated M&A**") and the adoption of the fifth Amended and Restated M&A was approved by the Shareholders in special resolution at the annual general meeting of the Company held on June 28, 2022 and the fifth Amended and Restated M&A took effective on the same day. For details of the amendments, please refer to the announcement and circular of the Company dated April 27, 2022 and May 4, 2022 respectively. The fifth Amended and Restated M&A are available on the websites of the Company and the Stock Exchange.

# Environmental, Social and Governance Report

## ABOUT THE REPORT

Keymed Biosciences Inc. ("**the Company**", "**Company**", "**we**" or "**Keymed**") is pleased to release the 2022 Environmental, Social and Governance (known as "**ESG**") Report ("**ESG Report**" or "**this Report**"), which is designed to reveal the Company's performance of ESG responsibilities in 2022, and to respond to stakeholders regarding their concerns of the ESG issues.

### Scope of the Report

This Report covers all operations of Keymed. The time frame of this Report is from January 1, 2022 to December 31, 2022 (the "**Reporting Period**").

### Preparation Basis and Criteria

This Report is prepared according to the Environmental, Social and Governance Reporting Guide ("**ESG Guide**") in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") issued by The Stock Exchange of Hong Kong Limited ("**SEHK**") and has complied with the four reporting principles of materiality, quantitative, balance and consistency, as well as the "mandatory disclosure" and "comply or explain" provisions in the ESG Guide.

**Materiality:** The Company confirms the impact of ESG-related issues on internal and external stakeholders through the materiality issue evaluation process, so as to primarily respond to and disclose issues that have important impacts.

**Quantitative:** The Company establishes a data statistics mechanism for the measurable key performance indicators specified in the ESG Guide and discloses the calculation results in this Report, and specifies calculation basis and statistical specifications.

**Balance:** This Report reflects objective facts, disclosing both positive and negative indicators.

**Consistency:** The Company will follow consistent methodologies with previous ESG report, to allow for meaningful comparisons between the data during the Reporting Period and the data of future.

### Data Sources and Reliability Statement

All information disclosed in this Report is obtained from the Company's internal documents. This Report contains no false records, misleading statements or material omissions. The directors of the Company are willing to bear responsibility for the authenticity, accuracy and completeness of its contents.

### Access and Response to this Report

This Report is available for viewing and downloading on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (https://www.keymedbio.com). If you have any opinions regarding this Report or related, please contact us through the following channel:

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Tel.: +86(0)28 8861 0620
Website: www.keymedbio.com
E-mail: pr@keymedbio.com

# Environmental, Social and Governance Report

## ESG GOVERNANCE

### Board Statement

With a strong emphasis on environmental, social and governance issues, the Board of Keymed actively seeks to fulfill expectations of the capital markets and rating agencies for enhanced ESG management and construction. We have established a solid ESG governance system to clarify the responsibilities of each level of the Company for ESG-related matters, incorporated the ESG-related work into the scope of the Audit Committee, and directly supervised by the Board. The Board is responsible for formulating ESG strategies and targets that are highly relevant to the Company's business development, and regularly reviewing the progress of the implementation of the ESG-related strategies and targets; reviewing the results of assessments of materiality issues, and identifying ESG-related risks and continuously supervising the implementation of ESG management as well as the matters that may cause significant impacts and risks to the Company, aiming to integrate the concepts of social responsibility and sustainable development into all aspects of the Company's business operation and development, comprehensively enhance the Company's ESG performance.

### Stakeholder Communication

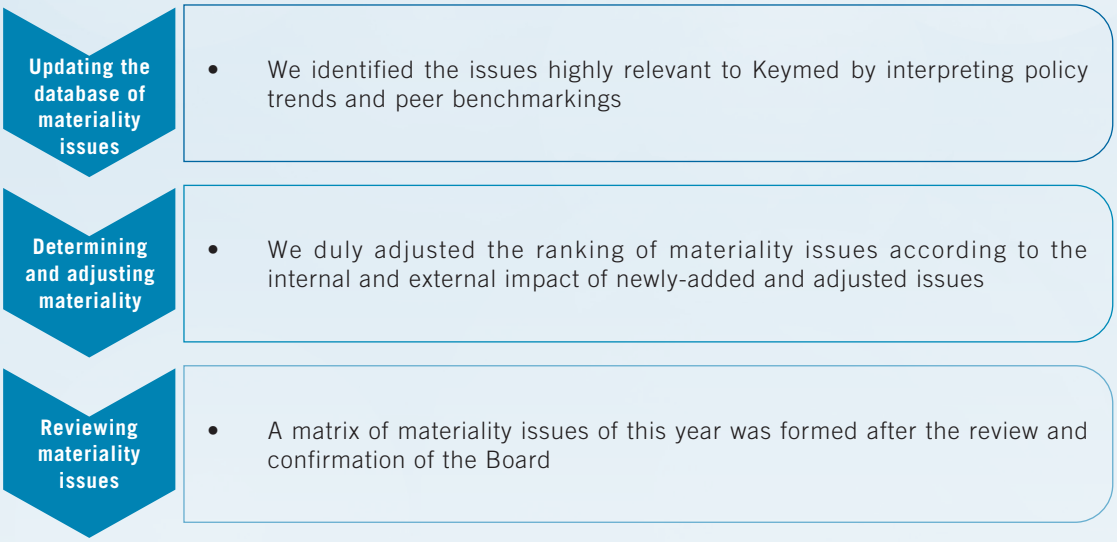
Keymed maintains regular communication with its stakeholders, pays full attention to their expectations on the Company's performance of responsibilities, and works together with them to create sustainable value. Major stakeholders of the Company include shareholders and investors, employees, suppliers and other partners, society and the public. We have adopted efficient and transparent communication and response methods to meet various demands:

| Stakeholders | Concerns and Expectations | Communication Channels |
|---|---|---|
| **Shareholders and investors** | Information security management | General meeting |
| | Sustainable growth of profits | Investor conferences and roadshows |
| | Timely and compliant information disclosure | Information disclosure on the official website |
| **Employees** | Occupational health and safety | Labor unions and team building activities |
| | Equal employment and rights & interests of employees | Periodical communications |
| | Employee training and development | Internal Meeting |
| **Suppliers and other partners** | Product quality and safety | Working meetings |
| | Supply chain management | Audit inspection |
| | Business ethics and anti-corruption | Periodical communications |
| **Society and the public** | Intellectual property protection | News releases and announcements |
| | Impact on and management of the environment and natural resources | Industry associations and forums |
| | Equal employment and rights & interests of employees | Charity/public benefit activities |

# Environmental, Social and Governance Report

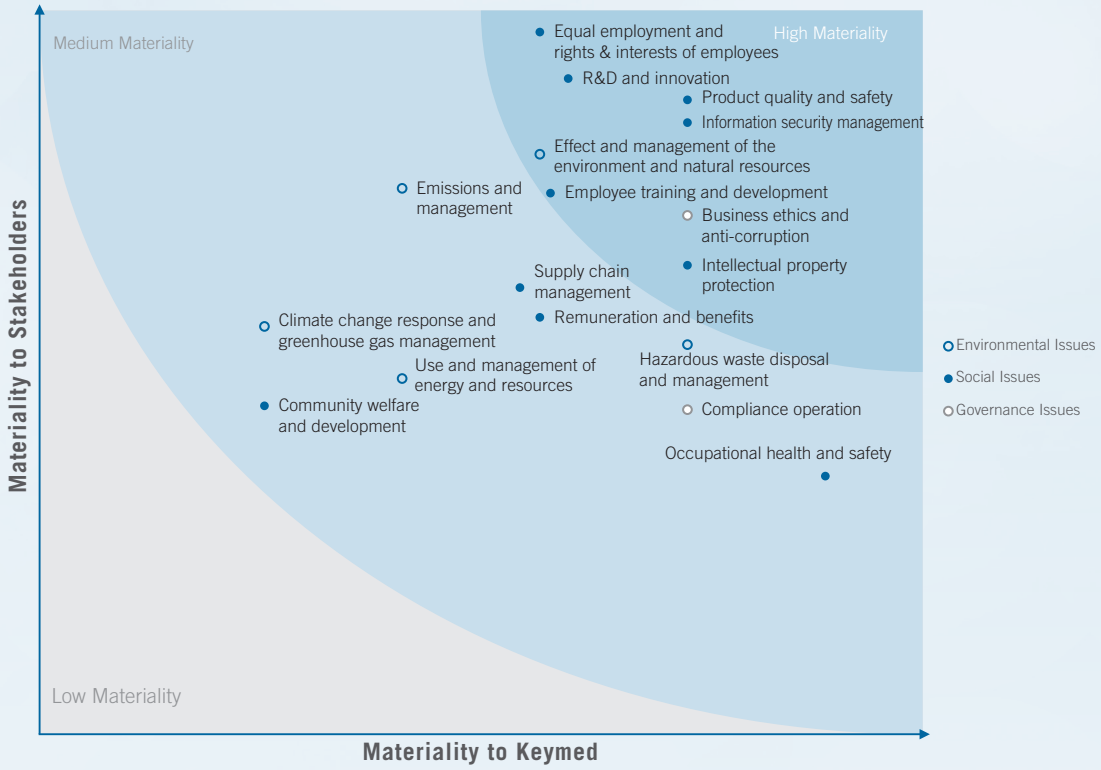
## MATERIALITY ANALYSIS ON ESG ISSUES

We regularly review the key areas of focus for ESG management and develop targeted strategies and long-term goals to clarify Keymed's ESG practices and information disclosure priorities. During the Reporting Period, under the premise of no significant changes in the Company's business environment, we updated the materiality issues of Keymed in light of trending internal and external policies such as the "*14th Five-Year Plan" for the Development of the Bio-economy* and the *"14th Five-Year Plan" for the Development of the Pharmaceutical Industry* and industry hotspots.




**Flowchart of Materiality Issue Evaluation**

# Environmental, Social and Governance Report




**Matrix Diagram of Materiality Issues**

| Aspect | High Materiality Issues | Chapters |
|---|---|---|
| **Environmental** | Effect and management of the environment and natural resources | Performing Environmental Responsibilities |
| **Social** | Equal employment and rights & interests of employees<br>R&D and innovation<br>Product quality and safety<br>Information security management<br>Employee training and development<br>Intellectual property protection | Practicing Social Responsibilities |
| **Governance** | Business ethics and anti-corruption | Enhancing Governance Responsibilities |

# Environmental, Social and Governance Report

## 1. ENHANCING GOVERNANCE RESPONSIBILITIES

Keymed promotes its sound development through compliance management and risk control and integrity consolidation, performs delicacy management in aspects of information security, intellectual property protection, R&D and innovation, product quality and safety, and supply chain management, and continuously establishes and improves relevant management systems, contributing to the enhancement of its overall governance capacity.

### 1.1 Operation with Compliance

Taking compliance operation as the foundation of its responsibilities, the Company continuously improves its compliance management system and strictly complies with various laws and regulations, such as *the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Law of the People's Republic of China Against Unfair Competition,* and *the Anti-Money Laundering Law of the People's Republic of China*. To better manage the Company and supervise its operations in compliance with laws, we have established and improved the legal risk prevention system and internal audit system of the Company to address various risks that may arise in the Company's daily operations. To further develop the compliance culture and reinforce the employee' discipline by raising their legal risk prevention awareness, our Legal Department has taken multiple measures to help consolidate the compliance and legal risk prevention awareness of all employees, directors, and certain business departments.

### 1.2 Business Ethics

The Company sticks to the highest standards of business ethics, strictly abides by laws and regulations of the state and the place where it operates, and maintains zero tolerance for bribery, extortion, fraud, money-laundering, etc. Therefore, we have developed regulations such as *Keymed's Anti-Bribery and Anti-Corruption Principles, Fault Liability Regulations,* and *Marketing Compliance Manual*, and have also established a punishment mechanism in line with various provisions to supervise and manage the conduct and work ethics of employees in an effort to prevent corruption and other irregularities, promoting systematic management of anti-corruption in an effective way. To further spread the culture of integrity and enhance all employees' anti-corruption awareness, the Company has conducted anti-corruption training and work integrity education training for both directors and employees. Moreover, all employees are required to sign the Anti-Embezzlement and Anti-Bribery Commitment Letter. During the Reporting Period, neither the Company nor its employees acted in violation of the business ethics.

Keymed has established a secure and smooth channel for reporting corruptions. Relevant management documents such as *the Anti-fraud Management Measures* have been formulated to regulate the scope, channels, and processing procedures of complaints. Internal personnel and relevant external parties are encouraged to jointly supervise relevant practices, and any form of fraud and violations of company policies, regulations, and code of ethics for compliance are within the scope. On this basis, we implement measures to protect whistleblowers to keep their identity and other personal information in strict confidence, highlighting our commitment to protecting the personal safety and rights of whistleblowers in all aspects.

# Environmental, Social and Governance Report

## 1.3 Information Security and Privacy Protection

Information security and privacy protection is a key concern in the daily operations of the Company. In strict compliance with relevant national and regional regulations on information security and privacy protection, we have worked out a series of strict rules and norms on data management and information backup to ensure the safe and stable operation of the Company's networks. This year, the Company established the Data Protection and Privacy Office to coordinate its privacy compliance efforts.

Privacy protection system of Keymed:

| | |
|---|---|
| **Privacy information collection** | • We collect privacy information only for limited, clear and lawful purposes and always process personal information in accordance with applicable laws |
| **Information disclosure** | • Internal information disclosure: Authorization is granted only to employees, agents or contractors who need access to personal information to complete assigned tasks<br>• External information disclosure: Disclosure is made only as permitted or required by legal procedures, when an agreement or business need arises, or with the consent of individuals |
| **Personal information protection** | • We took security measures appropriate to the sensitivity of information, including reasonable technical and physical measures, to protect the confidentiality and security of personal information and prevent anticipated threats and unauthorized access to personal information |

# Environmental, Social and Governance Report

To strengthen information security, we have adopted an electronic data collection system to deliver desensitization feedback, and stipulated the scope, permissions, and procedures for use of information at different security levels that are clarified for confidential information. In addition, we have specified the scope of confidential information and the protection methods to protect the security of various business secrets and other confidential information. To prevent information and privacy leakage, the Company has signed non-disclosure agreements with employees and partners to strictly control and manage the use of data in each process and ensure no sharing of data with external third parties. During the Reporting Period, the Company was not involved in non-compliance with relevant PRC laws and regulations on data privacy and protection.

**Information security measures**

- Developing security awareness: We regularly conduct information security training for employees and set up information security modules in new employee orientation training.
- Performing dual security checks: We carry out security checks in the forms of internal self-checks by departments and periodic sampling checks by IT department.
- Clarifying operating procedures: We specify the relevant operating procedures in the standard operating procedures (SOPs) concerning information security.
- Implementing inspection measures: We incorporate inspection measures into IT system configurations to ensure information security.

**Privacy protection measures**

- Prior consent: The Company undertakes to protect the privacy of patients who participate in clinical trials. Before the patients are enrolled in a clinical trial, the relevant personnel will inform the patients of the Company's data privacy and protection policies and measures. We will collect relevant clinical data only with the consent of the enrolled patients.
- De-identification: The Company strictly conducts de-identification protection on the patient information by deleting the personal identifiers of the enrolled patients, including name, telephone number, address, ID number and other information that can be used to identify the patients when generating clinical trial data.
- Data storage and access: The Company commits not to disclose patient information to unrelated parties. The personal information of the enrolled patients is kept at the medical institutions which have signed internal control protocols to restrict and monitor access to the data. Confidential patient data is only available to authorized employees.

# Environmental, Social and Governance Report

## 1.4 Intellectual Property Protection

The Company strictly abides by *the Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China, Copyright Law of the People's Republic of China* and other laws and regulations, and has developed internal system-related documents for intellectual property protection based on the policies, such as *the System for Infringement Prevention of Keymed, System for R&D Achievement Protection of Keymed,* and *System for Management of Scientific and Technological Achievements of Keymed R&D Center*, to precisely regulate the operation of intellectual property investigations, patent applications and other related work. We strive to continuously improve its systems and management measures and establish an enhanced management system for intellectual property protection. In addition, during the Reporting Period, we supplemented and revised *the System for New Patent Application Management of Keymed* and optimized our intellectual property work in detail:

| Engaging professionals | Trademark application | Professional training | Risk assessment |
|---|---|---|---|
| • We employed fulltime personnel engaged in intellectual property-related work, mainly responsible for the intellectual property management of the Company and provision of professional and technical support for related work | • We applied for trademarks for the patented core products, in order to further improve our intellectual property protection system | • We organized basic training on intellectual property for the relevant personnel, to effectively improve the R&D personnel's awareness of intellectual property protection | • We conducted a systematic assessment of the infringement risks for existing key projects to ensure the smooth development of products in the future |

During the Reporting Period, there were no negative events involving the violation of laws and regulations related to intellectual property.

# Environmental, Social and Governance Report

## 1.5 R&D and Innovation

As an innovation-driven biopharmaceutical company, Keymed always adheres to scientific and technological innovation to drive rapid and high-quality development of the Company, and continuously improves its technological innovation capabilities and promotes clinical research on multiple innovative products. By continuously establishing and improving our R&D system and R&D management model, we have built a series of core proprietary platforms such as the Novel T Cell Engager (nTCE) Platform, Innovative Antibody Discovery Platform, High-Throughput Screening and Bioactivity Evaluation Platform, and High-Yield Antibody Production Platform, and have been equipped with an industry-leading drug discovery engine, thereby accelerating the original innovation of antibody drug R&D. Based on its leading strength in innovation and R&D and rapidly growing capacity in commercial production, Keymed has quickly grown into a biopharmaceutical company with business that covers the entire industry chain, continuously providing reliable and affordable innovative biopharmaceuticals for patients.

Keymed attaches a great importance to digitalization and intelligent construction and has completed the construction of more than ten intelligent systems, including the clinical cloud system for clinical data and project management and the quantitative pharmacological analysis platform for improving pharmacology R&D efficiency. This year, we successfully completed the demand collection, product research, and system use for the Warehouse Management System (WMS), Laboratory Information Management System (LIMS), and Quality Management System (QMS). We are now steadily advancing the launch of these systems online.

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## 1.6 Product Quality and Safety

To ensure product quality and safety throughout the entire process, the Company strictly complies with laws and regulations such as *the Drug Administration Law of the People's Republic of China*, *Measures for the Administration of Drug Registration*, *Good Manufacturing Practice*, and *Measures for the Supervision and Administration of Pharmaceutical Production*, and has established an internal product quality and safety management system based on its own situation. During the Reporting Period, we actively carried out various tasks to continuously improve our product quality management capabilities, improved and revised our internal norms such as *the Quality Manual* and *Standard Operating Procedures*; completed the document updates for our production quality management systems to better align with the commercial production requirements; completed the process verification for relevant varieties in accordance with the requirements for listing registration, and actively carried out related research on product stability and others required for pre-registration; collaborated with National Institutes for Food and Drug Control ("**NIFDC**") to accelerate the implementation of the preparation and determination of standard products, as well as the optimization of quality standards and inspection methods.

In strict compliance with the requirements of *the Good Manufacturing Practice* (GMP) (2010 version) and *the Quality Risk Management* guidelines (ICHQ9) of the World Health Organization (WHO) and the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use, we have established and effectively operated a three-level quality management system of "Quality Manual – Management Procedures – Operational Documents", in order to specify the quality management processes and standards throughout the Company, strictly control the quality in each segments, and implement targeted corrective and preventive actions (CAPA) for deviations, changes, and other situations during production, thereby achieving full life cycle coverage of products R&D, registration, testing and production. In addition, to better promote daily management of product quality, we have delegated responsibilities to relevant personnel at all levels to further ensure the effectiveness of the quality management system; regularly conducted self-inspection and evaluation for each section to continuously improve our quality and safety management capabilities. The Company has not yet entered the commercialization stage, so product advertising and labelling are not involved. During the Reporting Period, the Company did not violate any laws related to product safety.

**Case: Keymed actively conducted timeliness analysis and research, and made timely inspection to ensure smooth production**

During the Reporting Period, we conducted a rigorous gap analysis for *the Drugs for Clinical Trials (Trial)* and developed corresponding management procedures in accordance with regulations to ensure the satisfactory quality of drugs for clinical trials. For the newly built production site for commercial purposes, we organized the verification of public works, production process equipment, and inspection instruments, including the air conditioning system in factory, water system for pharmaceutical use and clean air system, which effectively ensured the smooth trial operation of the new site. In addition, we successfully completed the inspection and release of raw and auxiliary materials for production, packaging materials, intermediate products, and finished products.

Keymed has established a standardized complaint management system for product safety and specified the complaint handling process and management mechanism. Regarding potential complaint issues, the Company arranges employees at all levels to study and analyze the reasons for the complaints through internal discussion and propose reasonable solutions to continuously improve the level of product services.

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## 1.7 Supply Chain Management

Keymed has a well-established supplier management system and is committed to creating a transparent procurement environment. To this end, we have formulated internal regulations such as *Procurement Management Regulations* and *Supplier Management Regulations*, to strictly control the process of supplier access, evaluation, audit and approval while improving the capability of supply chain management; we have actively communicated with our partners regarding the sustainable supply chain management and social responsibility on an irregular basis, and effectively identified and managed environmental and social risks of suppliers, continue to reducing potential supply chain risks. In 2022, we have made routine revisions to our supplier system documents and SOP, added a procurement audit system, and strengthened various supervisory measures. In addition, in response to the potential increase in audit demands following the operation of new plants, we will regularly engage third-party organizations to conduct quality and production simulation audits.


We always adhere to the principles of fairness and justice, actively promote the communication and cooperation with suppliers, implement the standardized operation mode of unified inquiry and procurement, and contribute to the building of a standardized business cooperation process. Regarding the management of suppliers' business ethics, Keymed has signed contracts with major suppliers that incorporate integrity agreements, which stipulate the business ethics guidelines and relevant supervision measures for the procurement process.

The Company actively practices the concept of green procurement and takes green products into consideration in the procurement process, advocates the use of green and sustainable products in the entire supply chain process that covers cold chain transportation and packaging materials. Moreover, we are also committed to continuously improving the substitution rate of domestic consumables, increasing the utilization rate of domestic equipment and raw materials by strengthening the cooperation with domestic companies and technology optimization, constantly enhancing the stability and resilience of the supply chain, and reducing the risk of supply chain interruption or cost increase caused by trade frictions. During the Reporting Period, the overall domestic conversion rate of the Company has increased by about 5%-10%.

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The procurement category of the Company mainly includes the third-party contracting services related to preclinical evaluation and clinical trials of candidate drugs, raw materials, consumable materials, machinery and equipment. As of the end of the Reporting Period, the Company had a total of 853 suppliers, all of which complied with the Company's supplier engagement and management regulations. The number of suppliers by region is as follows:

***Supplier Data in 2022***

| Indicator | | 2022 | 2021 | Unit |
|---|---|---|---|---|
| **Number of suppliers by region** | Eastern China | 352 | 330 | Company |
| | Southwestern China | 276 | 285 | Company |
| | Northern China | 137 | 129 | Company |
| | Southern China | 56 | 51 | Company |
| | Central China | 12 | 10 | Company |
| | Northwestern China | 4 | 4 | Company |
| | Northeastern China | 1 | 1 | Company |
| | Overseas | 15 | 15 | Company |
| | Total | 853 | 825 | Company |

## 2. PRACTICING SOCIAL RESPONSIBILITIES

Adhering to the concept of "caring for people", Keymed protects the employees' legitimate rights and interests, cares about their physical and mental health, values the diversified development of talents, and strives to provide a broader platform for employees to realize their values, seeking to create an equal, diverse, open, transparent and inclusive working environment and promote the common development of employees and the enterprise. At the same time, we devote to social welfare to strengthen our social responsibility, empowering communities with our practical actions for long-term development.

### 2.1 Employment Protection

Keymed sticks to the principles of equal employment and equal pay for equal work, strictly complies with employment-related laws and regulations such as *the Labor Law of the People's Republic of China*, *the Labor Contract Law of the People's Republic of China*, *the Social Insurance Law of the People's Republic of China*, and *the Provisions on the Prohibition of Using Child Labor*, and has also established internal documents such as the *Keymed Recruitment Management System* and *Employee Handbook* to continuously improve and optimize the employment system and criteria, further standardize the human resources system, and protect employees' rights and interests from multiple perspectives such as equal employment, performance management, and career promotion. We uphold equal treatment for all employees and make sure that no employee is discriminated for factors such as race, religion, gender, etc. All types of employees engaged by the Company take their jobs voluntarily, and we handle the onboarding procedures in accordance with internal procedures and verify the employee information by law. We resolutely prohibit the use of child labor and any form of forced labor. In case of any violation, the Company will immediately terminate the contract, make rectification and compensate accordingly. During the Reporting Period, the Company did not involve in any violations of laws and regulations related to forced labor or prevention of child labor.

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Keymed provides competitive salaries and a multi-level welfare system for its employees, in order to continuously stimulate their initiative for work and strive to improve the quality of their life. Our employees' rights and interests include statutory benefits, various subsidies, holiday gifts and performance bonuses. In addition, all employees of the Company are entitled to paid holidays, statutory holidays, marriage leave, bereavement leave, maternity leave and other leave rights. In 2022, Keymed offered supplementary commercial medical insurance for its employees, covering all its employees located in Mainland China. During the Reporting Period, the Company did not violate any laws and regulations related to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, and anti-discrimination. As at the end of the Reporting Period, the Company had a total of 640 employees, with an employee turnover rate of 21.41%.

### *Employment Data in 2022*

| Indicators | | 2022 | 2021 | Unit |
|---|---|---|---|---|
| **Total workforce** | | 640 | 325 | Person |
| **Employees by gender** | Male | 266 | 148 | Person |
| | Female | 374 | 177 | Person |
| **Employees by age group** | 30 and below | 413 | 173 | Person |
| | 31-40 | 182 | 116 | Person |
| | 41-50 | 36 | 28 | Person |
| | Over 51 (inclusive) | 9 | 8 | Person |
| **Employees by management structure** | Senior management | 46 | 36 | Person |
| | Intermediate management | 75 | 42 | Person |
| | General staff | 519 | 247 | Person |
| **Employees by region** | Mainland China | 635 | 324 | Person |
| | Overseas | 5 | 1 | Person |
| **Employees by employment type** | Full-time | 613 | 316 | Person |
| | Part-time | 27 | 9 | Person |

# Environmental, Social and Governance Report

| Indicators | | 2022 | 2021 | Unit |
|---|---|---|---|---|
| **Total employee turnover rate**[1] | | 21.41 | 10.71 | % |
| **Employees turnover by gender** | Male | 10.63 | 5.49 | % |
| | Female | 10.78 | 5.22 | % |
| **Employees turnover by age** | 30 and below | 11.25 | 6.32 | % |
| | 31-40 | 7.34 | 3.85 | % |
| | 41-50 | 2.50 | 0.55 | % |
| | Over 51 (inclusive) | 0.31 | 0 | % |
| **Employees turnover by region** | Mainland China | 21.41 | 10.71 | % |
| | Overseas | 0 | 0 | % |

## 2.2 Employee Care

Keymed cares for the growth and life of all employees, and conducts various employee activities to help them balance their work and life, so that they can feel a sense of happiness and belonging at work. We encourage all employees to actively participate in various clubs and provide support to holding various cultural and sports activities. In addition, we carry out celebration activities on holidays such as Christmas, Women's Day and employees' birthdays to enrich their spare time and relieve work pressure. We have provided diverse and warm care to employees with different demands, set up maternity and infant rooms for lactating women, build the social platform for single young employees, and provide employment opportunities for the disables. We listen to the voice of employees to better understand their needs in work and life in a timely manner. Through setting up a well-established two-way communication channels, we widely obtain the opinions and suggestions from employees to enhance our humanistic care and psychological counseling for employees, aiming to create a warm working environment and improve team cohesion.

## 2.3 Occupational Health and Safety

We attach great importance to occupational health and safety of employees, and actively shoulder our responsibilities for their occupational health. Keymed has strictly abided by *the Law of the People's Republic of China on Work Safety, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, the Provisions on the Supervision and Administration of Occupational Health at Work Sites*, and other laws and regulations. We also formulated an occupational disease prevention and management system, and a common hazards emergency response plan, clarified the safety responsibilities of staff and departments at all levels and raising the safety awareness throughout the business operations to minimize various risks that may endanger the health of employees at work, and jointly safeguards the safe operation of business.

Keymed has developed comprehensive protection measures for the employees in positions with high risks of occupational diseases to effectively prevent risks. During the Reporting Period, we have conducted risk source identification for each segment of our business operations and each operational position, and formulated targeted countermeasures. Through training, we have enhanced the safety awareness of relevant employees to properly avoid risks and hazards.

[1] The percentage was obtained by multiplying the number of employees leaving office/total number of employees by 100 according to the suggestions on data calculation methods in "Appendix 3: Reporting Guidance on Social KPIs" of How to Prepare an ESG Report of Hong Kong Stock Exchange.

# Environmental, Social and Governance Report

**Occupational Health and Safety Measures**

- Carrying out regular inspections of potential safety hazards, thorough investigation of potential risk points and formulation of rectification plans.
- Enhancing the warning on production site and the awareness of occupational hazards.
- Improving the facilities and providing employees with sufficient labor protection equipment.
- Setting up fume cupboards, universal gas-collecting hoods and eyewash equipment in experimental sites and workplaces as part of safety measures.
- Arranging regular occupational disease physical examinations for employees before, during and after their work on the posts.

We have been continuously advancing production safety and occupational health education and training, and incorporated the occupational health and safety into the training program for new employees, achieving a 100% safety training coverage rate. In addition, we have passed the occupational health evaluation and safety evaluation of the regulatory authorities, and no illegal events related to work safety or work-related injuries have occurred. In the past three years including the Reporting Period, the number and rate of work-related fatalities in the Company were zero. During the Reporting Period, there was no loss of working days due to work-related injuries.

## 2.4 Promoting Employee Development

Attaching great importance to the full-cycle career development of employees and the construction of skilled workforce, Keymed has provided a wide range of training and learning opportunities for employees in an effort to enhance their professional ability and comprehensive quality for self-actualization. In addition to the continuous optimization of salary management and promotion system, Keymed has actively been engaged in helping employees apply for special preferential policies for local talent incentives, and provided free apartments for high-end talents of the Company, so as to continuously recruit outstanding talents, and attract and retain employees in the long run, and thus empowering the Company for a sustainable development. In 2022, Keymed served as a vice president company of Chengdu Hi-tech Talents Development Promotion Association to provide long-term support for talent introduction and talent services in Chengdu.

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To standardize talent management, Keymed has internally established *the Training Management Measures* and a training framework, regulating the training content, training form, application principles, division of labor in training organization, training effect evaluation and feedback as well as training management assessment. We built a training framework according to the Company's development vision and training needs survey, to ensure equitable re-education opportunities for all Keymed's employees. On this basis, we have set multi-dimensional professional talent training programs for different trainees, including new employee orientation training, professional skills training, leadership training, internal and external communication training, and marketing management training to empower talents and create learning-oriented innovative teams, injecting momentum to both the growth of employees and the development of the Company.


**Professional Personnel Training Programs**

# Environmental, Social and Governance Report

### *Training Performance in 2022*

| Indicator | | 2022 | 2021 | Unit |
|---|---|---|---|---|
| **Total number of trainees** | | 640 | 325 | Person |
| **Percentage of employees trained by gender[2]** | Male | 41.56 | 45.54 | % |
| | Female | 58.44 | 54.46 | % |
| **Percentage of employees trained by management structure[3]** | Senior management | 7.19 | 11.08 | % |
| | Intermediate management | 11.72 | 12.92 | % |
| | General staff | 81.09 | 76.00 | % |
| **Average training hours by gender[4]** | Male | 18 | 17.75 | Hour |
| | Female | 18 | 18.14 | Hour |
| **Average training hours by management structure[5]** | Senior management | 18 | 3.44 | Hour |
| | Intermediate management | 18 | 6.43 | Hour |
| | General staff | 18 | 22.04 | Hour |

## 2.5 Community Contributions

Bearing in mind its corporate social responsibility, Keymed actively organized employees to participate in health and public welfare activities. As its corporate culture includes a commitment to public welfare, Keymed has focused on meeting the needs of the local community and taken the initiative to seek all opportunities to help the local community at any cost, giving back to society with its endeavors in many aspects such as health service and poverty alleviation by education. In 2022, facing the persistent COVID-19 epidemic, Keymed actively mobilized all employees to take the initiative to join the fight against the virus. And more than 20 employees volunteered to go to local communities to carry out nucleic acid sampling, order maintaining and other volunteer work. In addition, leaders of Keymed have come to the frontline to show their care and respect for medical workers, and donated more than 5,000 pieces of epidemic prevention materials, including medicines, vegetable packs and other supplies to front-line workers, making its own contribution to the development of the community.

2 The percentage was obtained by the number of employees trained in the category/total number of employees trained according to the suggestions on data calculation methods in "Appendix 3: Reporting Guidance on Social KPIs" of How to Prepare an ESG Report of Hong Kong Stock Exchange.

3 The percentage was obtained by the number of employees trained in the category/total number of employees trained according to the suggestions on data calculation methods in "Appendix 3: Reporting Guidance on Social KPIs" of How to Prepare an ESG Report of Hong Kong Stock Exchange.

4 The figure was obtained by the total training hours in the category/total number of employees trained in the category according to the suggestions on data calculation methods in "Appendix 3: Reporting Guidance on Social KPIs" of How to Prepare an ESG Report of Hong Kong Stock Exchange.

5 The figure was obtained by the total training hours in the category/total number of employees trained in the category according to the suggestions on data calculation methods in "Appendix 3: Reporting Guidance on Social KPIs" of How to Prepare an ESG Report of Hong Kong Stock Exchange.

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## 3. PERFORMING ENVIRONMENTAL RESPONSIBILITIES

Keymed has been actively delivering on its environmental responsibilities under the guidance of green development and continues to improve environmental protection management in its operations through a well-established environmental protection management system by strictly control the pollutant emissions and optimize the usage efficiency of energy and resources. By proactively taking these steps in response to climate change, the Company is committed to achieving a "win-win" solution for the harmonious development of the Company and the nature.

### 3.1 Environmental Management

Attaching great importance to environmental protection, Keymed has strictly complied with *the Environmental Protection Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Environment Pollution by Solid Waste* and other relevant laws and regulations of the country and places where it operates. Besides, the Company has formulated the *Environmental Management Procedure* to ensure compliant implementation of environmental protection works by all departments , to raise all employees' awareness of environmental protection, and to minimize the impact of its operation on the environment and natural resources.

We have strictly implemented environment, health and safety (EHS) management in operation, and have established a sound EHS management system to increase the level of environmental governance in our operation. During the Reporting Period, we refined the EHS management system and developed a three-level management structure that goes from the Company, departments and to individuals, ensuring a detailed division of responsibilities and work tasks for employees at all levels. As the first person responsible for EHS management, the general manager of the Company shall formulate emergency plans for environmental and safety accidents and supervise the implementation of EHS measures; as the second line of defense for EHS management, EHS department is responsible for daily management and operation, regularly training employees, carrying out risk investigation and evaluation, and generating evaluation reports and emergency response plans. All employees within the Company shall fully implement the EHS management system and meet relevant requirements to prevent pollution and safety incidents from all aspects in operation and promote comprehensive and efficient environmental management. Keymed has taken measures from pollution prevention and control, energy conservation and emission reduction, and ecological protection and set feasible environmental goals accordingly, Keymed has further promoted the effective implementation of green operation practices and reduced resource consumption and environmental pollution to the largest extent, thus minimizing the negative impact of the Company's operations on the environment. During the Reporting Period, no negative events occurred during the Company's operations that had a significant impact on the environment and natural resources.

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## 3.2 Emission Management

Emissions from Keymed mainly include wastewater, waste gases and other wastes. In terms of waste emission, Keymed has strictly abided by *the Law of the People's Republic of China on Prevention and Control of Environment Pollution by Solid Waste, Law of the People's Republic of China on Prevention and Control of Water Pollution* and other relevant laws and regulations. Besides, we have formulated *the Management Regulations of Hazardous Wastes* and other documents to identify wastes, clarified the type of wastes and improve the recycle of wastewater and non-hazardous waste, and has set long-term goals for the continuous reduction of waste and wastewater discharge.

We have strictly controlled and regularly supervised the discharge of wastewater to ensure compliance with relevant wastewater discharge standards. In 2022, Keymed applied a bioactive wastewater inactivation system containing a wastewater collection tank and an inactivation tank, which works through multiple treatment and sedimentation processes to inactivate the wastewater with high temperature, high pressure, and industrial steam processes, greatly reducing the harmful substances from the wastewater residues. All wastewater generated from production will be treated by the sewage system, then uniformly treated by the sewage treatment station in the office park until it meets the standard for discharge. During the Reporting Period, the waste gas emissions by the Company are mainly originated from mobile sources and diesel generator emissions due to certain power cut events. The exhaust gas emissions and concentrations in the production process were below the limits outlined in the relevant air pollution emission standards in where can be neglected. In product development, the Company tried not to use organic reagents, acids and alkalis as much as possible, in a bid to minimize the emission of pollutants and possible impact on the environment from the origin.

Wastes generated from the operation of the Company are mainly divided into non-hazardous wastes and hazardous wastes. In this regard, adhering to the principles of minimization, recycling and harmless treatment of wastes, we have refined different types of waste and have taken effective treatment measures to continuously promote the harmless treatment and recycling of wastes. Regarding non-hazardous wastes, we classified them in strict compliance with the relevant rules and regulations of the place where we operate; then the recyclables were handed over to qualified companies for unified recycling, and the kitchen wastes and other wastes were sent to the park or the local environmental sanitation department for collection and treatment. There are no statistics on non-hazardous wastes in this Report as non-hazardous wastes are managed by the park property.

For hazardous wastes, we collect and store them by category according to *the Directory of National Hazardous Wastes*, and clarify the potential safety hazards and operation procedure of production facilities in the safety guideline and procedures. By installing a video monitor in production facilities, we monitor and gather statistics about the discharge of hazardous wastes in production to ensure the entire process is controlled for safe discharge of waste. In 2022, the Company further standardized the storage of hazardous wastes by setting up a dedicated warehouse for hazardous wastes in the newly built plant. The warehouse has a cofferdam to block leaks and a device for collecting leaking liquids, complying with the criterion of "protection from wind, rain, seepage and sunlight". And a corresponding record has been established to effectively strengthen the management of hazardous wastes.

# Environmental, Social and Governance Report

## 3.3 Resources and Energy Management

Keymed attaches great importance to resource conservation and energy management. We have strictly abided by *the Law of the People's Republic of China on Energy Conservation* and other relevant laws and regulations in the country and the place where we operate, established a sound energy and resource management system, and set relevant goals and action plans to improve the efficiency of the use of energy and resources. We monitor energy consumption and resource use on a regular basis, adopting more energy-saving equipment and technologies.

As for the use of water resources, we have implemented continuous updates and improvements in the measures for water resources management, set targets for reducing water consumption, and actively taken relevant actions and measures to lower water consumption, thus improving the utilization of water resources. In 2022, we have developed a water resource use plan that includes regular statistical tracking of water consumption in real-time, that enables timely adjustments to our water consumption practices based on the actual situation to meet our water efficiency target. Our production and operations mainly reply on municipal water supply, and therefore we do not encounter any issues in sourcing water.

Following the basic principle of "saving energy, reducing consumption and being environment-friendly", we have strengthened the energy control through an extensive introduction and upgrade of green technologies and equipment to continuously improve energy efficiency and reduce the consumption of non-renewable energy sources such as electricity and gases. We have actively implemented various energy saving and consumption reduction measures, conducting regular statistics and monitoring of energy use efficiency; made timely adjustments accordingly and rectified the outstanding findings, to minimize energy consumption and reduce energy waste to a great extent. For new plants and workshops, we have carried out scientific analysis on the energy consumption to achieve energy saving and consumption reduction in a scientific approach. During the Reporting Period, we have applied magnetic levitation chiller in our plants and workshops, which can automatically adjust energy load in the range of 2%-100% according to the set discharge temperature of chilled water, achieving maximum energy savings. In addition, we have installed an air-cooled heat pump system to achieve efficient use of energy.

| Energy saving in equipment | Energy saving in electrical system | Energy saving in buildings |
|---|---|---|
| • We adopted mature bioreactors, online cleaning system, centralized liquid dispensing system, computer control system and other advanced systems, effectively improving the production efficiency and reducing equipment energy consumption and labor intensity | • We selected appropriate supply voltage levels based on the capacity and distance of power supply, and locate power distribution rooms near the center of electric load to further reduce power consumption in the process of transmission | • In the graphic design of buildings, we fully considered natural conditions such as daylighting, climatic factors and wind direction to ensure good orientation and ventilation. Through reasonable control of window opening areas, we aimed to achieve natural ventilation and energy saving |

**Air-cooled heat pump system**

# Environmental, Social and Governance Report

In our daily operation, we are committed to implementing a green operation mode that vigorously promotes the concept of green environmental protection and encourage our employees to work in an eco-friendly manner. We strengthen the dissemination of environmental awareness among our staff and encourage more people to participate in protecting the ecological environment through diversified means. We have been actively engaged in practices such as water conservation publicity, education on water conservation for employees, as well as posting water and electricity conservation reminders throughout the office to guide our staff to save water and electricity on their own initiative. Additionally, we have implemented a cloud-based office mode and centralized production method to further realize energy consumption. We encourage employees to make full use of natural light for the purpose of reducing the use of lighting equipment, and promote double-sided printing as well as paperless office practices, so that every Keymed employee is empowered to contribute to sustainable development.

## 3.4 Addressing Climate Change

The intensifying effects of global climate change have resulted in extreme weather conditions, such as cold waves, heat waves and floods. These events may cause energy shortages and pose physical risks to the Company's business operations. Keymed attaches great importance to addressing climate risks, and has internally formulated corresponding production emergency plan, flood prevention and disaster prevention response measures, and other documents. We have also set up an emergency response team and specified the responsibilities of departments at all levels to ensure the adoption of appropriate measures in time in the event of any risk and the orderly implementation of corresponding emergency plans to avoid the impact of extreme weather on Keymed's production and operation and the life and health of our employees. We have persistently monitored extreme weather conditions and acquired weather information in time through our established communication channels with relevant government departments. We intensified periodic inspections of our water drainage systems, electrical instruments, and reinforced outdoor facilities to ensure the smooth operation of our daily activities and to identify potential hazards caused by upstream and downstream impacts. To address risks stemming from our supply chain, we focus on both long-term and short-term strategies to ensure the safety of the entire chain. In 2022, we responded actively to power rationing in Sichuan caused by extremely high temperature, and promptly organized our emergency response team to address the challenge. By proactively identifying the core tasks in production and R&D, we worked out an emergency plan for power generation and adopted emergency measures, such as renting power-generating vehicles to minimize the impact of power rationing on our production.

In addition, to cope with the increasingly stringent policy on climate change controls, the Company will continue to identify and study national plans and relevant policy guidelines for the goal of achieving "Dual Carbon Goal" to enhance its resilience to climate change transition risks and policy risks. To further reduce carbon emissions and contribute to the goal of carbon peak and carbon neutrality, Keymed proactively responded to the government's call to apply for the purchase of green electricity from the trading service varieties provided by the local electricity trading market. During the Reporting Period, the Company applied for the purchase of green electricity generated by hydroelectric power for use in commercial production plants, in an effort to seek approaches to effectively reduce carbon emissions.

# Environmental, Social and Governance Report

## 3.5 Environmental Performance[6]

| Emissions Indicators | 2022 | 2021 | Unit |
|---|---|---|---|
| **Atmospheric pollutants[7]** | | | |
| Nitrogen oxides | 1,638.50 | 71.09 | Kg |
| Sulphur oxides | 0.25 | 0.30 | Kg |
| Carbon monoxide | 585.88 | 105.30 | Kg |
| Particles ($PM_{2.5}$, $PM_{10}$) | 185.68 | 2.88 | Kg |
| **Wastewater** | | | |
| **Wastewater discharge** | 32,165.08[8] | 11,679.00 | Tons |
| **Greenhouse gas[9]** | | | |
| Scope 1 (Vehicles) | 174.23 | 46.93 | Tons of carbon dioxide equivalent[10] |
| Scope 2 (Purchased electricity and heat) | 4,754.33 | 3,613.17 | Tons of carbon dioxide |
| **Total greenhouse gas emissions** | 4,928.56 | 3,660.10 | Tons of carbon dioxide equivalent |
| **Greenhouse gas emission intensity** | 0.493 | 0.332 | Tons of carbon dioxide equivalent/RMB10,000 (Revenue) |
| **Discharge of hazardous wastes** | | | |
| Laboratory waste liquid | 3.48 | 2.45 | Tons |
| Waste culture dish | 19.17 | 14.94 | Tons |
| Waste engine oil | 0.10 | 0.03 | Tons |
| **Total discharge of hazardous wastes** | 22.75 | 17.42 | Tons |
| **Discharge intensity of hazardous wastes** | 0.002 | 0.002 | Tons/RMB10,000 (Revenue) |

6 In the environmental performance, only the paper consumption includes the statistics of Keymed's Chengdu headquarters and other offices. No statistics can be made on the remaining indicators as local offices are non-owned properties, so only the statistics of Chengdu headquarters is included.

7 The calculation method and emission coefficient of atmospheric pollutants, referred from the Technical Guide for Compiling the Emission List of Road Mobile Pollution Sources (Trial). In 2022, the exhaust gas produced by the Company mainly came from the emission of mobile sources and diesel generators due to some power rationing events. The emission and concentration of the exhaust gas during the production process were lower than the thresholds specified in the relevant air pollution emission standards, and might be neglected.

8 During the Reporting Period, the expansion of the production base resulted in a significant increase in wastewater discharge as compared to 2021.

9 For the calculation method and emission coefficient under Scope 1 of greenhouse gas, please refer to the Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emission from Land Transport Enterprises (Trial) issued by the National Development and Reform Commission; for the heat emission coefficient under Scope 2, please refer to the Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emission from Industrial and Other Industrial Enterprises; for the electricity emission coefficient, please refer to the Notice on Doing a Good Job in 2023-2025 Reporting and Management of Greenhouse Gas Emissions of Power Generation Enterprises issued by the Ministry of Ecology and Environment.

10 Scope 1 of greenhouse gas covers the statistics of carbon dioxide, methane and nitrous oxide emissions.

# Environmental, Social and Governance Report

| Energy and resource consumption<br>Indicators | | 2022 | 2021 | Unit |
|---|---|---|---|---|
| **Energy consumption** | | | | |
| **Direct energy consumption** | Gasoline | 10,366 | 17,822 | Liter |
| | Diesel[11] | 57,678 | 2,278.5 | Liter |
| | Total direct energy consumption | 679.17 | 188.8 | 1,000 kWh |
| | Direct energy consumption intensity | 0.068 | 0.017 | 1,000 kWh/RMB10,000 (Revenue) |
| **Indirect energy consumption** | Purchased electricity | 5,019,261 | 3,855,268 | kWh |
| | Purchased steam | 17,198.62 | 12,484.15 | GJ |
| | Total indirect energy consumption | 9,796.66 | 7,323.09 | 1,000 kWh |
| | Indirect energy consumption intensity | 0.979 | 0.664 | 1,000 kWh/RMB10,000 (Revenue) |
| **Total energy consumption** | | 10,475.83 | 7,511.89 | 1,000 kWh |
| **Energy consumption intensity** | | 1.047 | 0.681 | 1,000 kWh/RMB10,000 (Revenue) |
| **Water resources** | | | | |
| Total water consumption | | 40,206.35 | 14,599 | Tons |
| Total water consumption intensity | | 4.018 | 1.324 | Tons/RMB10,000 (Revenue) |
| **Papers** | | | | |
| Paper (A3, A4) consumption | | 7.39 | 3.77 | Tons |
| **Packaging materials** | | | | |
| Plastic | | 1.17 | 0.19 | Tons |
| Metal | | 0.09 | 0.01 | Tons |
| **Total packaging materials** | | 1.26 | 0.2 | Tons |
| Packaging material intensity | | 0.126 | 0.018 | Kg/RMB10,000 (Revenue) |

[11] During the Reporting Period, the diesel consumption (from the use of diesel generators) increased as compared to 2021, due to power rationing events caused by extreme weather.

# Environmental, Social and Governance Report

## APPENDIX: HKEX ESG INDEX

| A. Environmental | | | |
|---|---|---|---|
| **Subject Areas, Aspects, General Disclosures and KPIs** | | | **Chapter** |
| **Aspect A1: Emissions** | | | |
| **General Disclosure** | | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Performing Environmental Responsibilities: Emissions Management |
| **KPIs** | A1.1 | The types of emissions and respective emissions data. | Performing Environmental Responsibilities: Environmental Performance |
| | A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | |
| | A1.3 | Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | |
| | A1.4 | Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | |
| | A1.5 | Description of emissions target(s) set and steps taken to achieve them. | Performing Environmental Responsibilities: Emissions Management |
| | A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | |

# Environmental, Social and Governance Report

| A. Environmental | | | |
|---|---|---|---|
| **Aspect A2: Use of Resources** | | | |
| **General Disclosure** | | Policies on the efficient use of resources, including energy, water and other raw materials. | Performing Environmental Responsibilities: Resources and Energy Management |
| **KPIs** | A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | Performing Environmental Responsibilities: Environmental Performance |
| | A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | |
| | A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | Performing Environmental Responsibilities: Resources and Energy Management |
| | A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | Performing Environmental Responsibilities: Resources and Energy Management |
| | A2.5 | Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced. | Performing Environmental Responsibilities: Environmental Performance |
| **Aspect A3: The Environment and Natural Resources** | | | |
| **General Disclosure** | | Policies on minimizing the issuer's significant impacts on the environment and natural resources. | Performing Environmental Responsibilities: Environmental Management |
| **KPIs** | A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | |
| **Aspect A4: Climate Change** | | | |
| **General Disclosure** | | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | Performing Environmental Responsibilities: Addressing Climate Change |
| **KPIs** | A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | |

# Environmental, Social and Governance Report

| B. Social | | | |
|---|---|---|---|
| **Subject Areas, Aspects, General Disclosures and KPIs** | | | **Chapter** |
| **Aspect B1: Employment** | | | |
| **General Disclosure** | | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Practicing Social Responsibilities: Employment Protection |
| **KPIs** | B1.1 | Total workforce by gender, employment type, age group and geographical region. | |
| | B1.2 | Employee turnover rate by gender, age group and geographical region. | |
| **Aspect B2: Health and Safety** | | | |
| **General Disclosure** | | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Practicing Social Responsibilities: Occupational Health and Safety |
| **KPIs** | B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | |
| | B2.2 | Lost days due to work injury. | |
| | B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored. | |
| **Aspect B3: Development and Training** | | | |
| **General Disclosure** | | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Practicing Social Responsibilities: Promoting Employee Development |
| **KPIs** | B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management and so on). | |
| | B3.2 | The average training hours completed per employee by gender and employee category. | |

# Environmental, Social and Governance Report

| B. Social | | | |
|---|---|---|---|
| **Aspect B4: Labor Standards** | | | |
| **General Disclosure** | | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor. | Practicing Social Responsibilities: Employment Protection |
| **KPIs** | B4.1 | Description of measures to review employment practices to avoid child and forced labor. | |
| | B4.2 | Description of steps taken to eliminate such practices when discovered. | |
| **Aspect B5: Supply Chain Management** | | | |
| **General Disclosure** | | Policies on managing environmental and social risks of the supply chain. | Enhancing Governance Responsibilities: Supply Chain Management |
| **KPIs** | B5.1 | Number of suppliers by geographical region. | |
| | B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how the practices are implemented and monitored. | |
| | B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | |
| | B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | |

# Environmental, Social and Governance Report

| B. Social | | | |
|---|---|---|---|
| **Aspect B6: Product Responsibility** | | | |
| **General Disclosure** | | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Enhancing Governance Responsibilities: Information Security and Privacy Protection, Product Quality and Safety |
| **KPIs** | B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | This indicator is not applicable to the Company, as it has not yet entered the commercialization stage |
| | B6.2 | Number of products and service related complaints received and how they are dealt with. | This indicator is not applicable to the Company, as it has not yet entered the commercialization stage |
| | B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Enhancing Governance Responsibilities: Intellectual Property Protection |
| | B6.4 | Description of quality assurance process and recall procedures. | Enhancing Governance Responsibilities: Product Quality and Safety |
| | B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored. | This indicator is not applicable to the Company, as it has not yet entered the commercialization stage |

# Environmental, Social and Governance Report

| B. Social | | | |
|---|---|---|---|
| **Aspect B7: Anti-corruption** | | | |
| **General Disclosure** | | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | Enhancing Governance Responsibilities: Business Ethics |
| **KPIs** | B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | |
| | B7.2 | Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored. | |
| | B7.3 | Description of anti-corruption training provided to directors and staff. | |
| **Aspect B8: Community Investment** | | | |
| **General Disclosure** | | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Practicing Social Responsibilities: Community Contributions |
| **KPIs** | B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport). | |
| | B8.2 | Resources contributed (e.g. money or time) to the focus area. | |

# Report of Directors

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the Reporting Period.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the in-house discovery and development of innovative biological therapies in the autoimmune and oncology therapeutic areas. An analysis of the Group's revenue and operating results for the year ended December 31, 2022 by its principal activities is set out in note 5 to the consolidated financial statements of the Group.

## BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. These discussions form part of this annual report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Significant Events After the Reporting Period" in this annual report. An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company is set out in the "Environmental, Social and Governance Report".

## PRINCIPAL RISKS AND UNCERTAINTIES

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

- its financial position;
- its ability to obtain additional financing to fund its operations;
- its ability to develop and commercialise its drug candidates, all of which are in pre-clinical or clinical development;
- its ability to identify additional drug candidates;
- its success in demonstrating safety and efficacy of its drug candidates to the satisfaction of regulatory authorities or produce positive results in its clinical trials;
- material aspects of the research, development and commercialisation of pharmaceutical products being heavily regulated;
- lengthy, time-consuming and inherently unpredictable regulatory approval processes of the regulatory authorities for its drug candidates;
- competition in the pharmaceutical industry where the Group serves; and
- its ability to obtain and maintain patent protection for its drug candidate.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

# Report of Directors

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company is set out in the "Environmental, Social and Governance Report".

## COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2022, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

## FINANCIAL RESULTS

The results of the Group for the year ended December 31, 2022 are set out in the consolidated statement of profit or loss and other comprehensive income of this annual report.

A summary of the Group's results, assets and liabilities for the last four financial years is set out in the section headed "Four-Year Financial Summary" of this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

## FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended December 31, 2022.

## DIVIDEND POLICY

The Company currently expect to retain all future earnings for use in the operation and expansion of the business and do not anticipate paying cash dividends in the foreseeable future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Act. The declaration and payment of any dividends in the future will be determined by the Board, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board.

## ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on June 27, 2023. The notice of the AGM will be despatched to the Shareholders in due course.

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from June 21, 2023 to June 27, 2023, both days inclusive, during which period no transfer of shares will be registered. Shareholders whose names appear on the register of shares of the Company on June 27, 2023 will be entitled to attend and vote at the AGM. All transfer documents of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on June 20, 2023.

# Report of Directors

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2022, the Group's five largest suppliers accounted for 32.8%, as compared to 24.3% of the Group's total purchases for the year ended December 31, 2021. The Group's single largest supplier accounted for 13.2% of the Group's total purchase for the year ended December 31, 2022, as compared to 8.2% for the year ended December 31, 2021.

During the year ended December 31, 2022, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of total issued Shares of the Company) had any interest in the Group's five largest suppliers.

During the year ended December 31, 2022, revenue from the five largest customers accounted for 100% (2021: 100%) of the Group's total revenue and the Group's largest customer, JMT-Bio, for the year ended December 31, 2022 accounted for approximately 99.9% (2021: 63.6%) of the Group's total revenue amount for the same year.

Mr. Cheuk Kin Stephen LAW, an independent non-executive Director of the Company, also serves as an independent non-executive Director of CSPC, the parent company of JMT-Bio. Save as disclosed, none of the Directors, their respective close associates, or any Shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued Shares, has any interest in the Group's customers.

## PROPERTY, PLANT AND EQUIPMENT

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

## SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 29 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity.

## DISTRIBUTABLE RESERVES

As at December 31, 2022, the Company did not retain any profits under IFRSs as reserves available for distribution to our equity shareholders.

## DEBENTURES

The Group did not issue any debentures during the Reporting Period.

# Report of Directors

## DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report are:

**Executive Directors**

Dr. Bo CHEN
Dr. Changyu WANG
Dr. Gang XU

**Non-executive Directors**

Mr. Qi CHEN
Dr. Min Chuan WANG
Mr. Yilun LIU
Dr. Dong LYU *(resigned on March 29, 2022)*

**Independent non-executive Directors**

Prof. Xiao-Fan WANG
Prof. Yang KE
Mr. Cheuk Kin Stephen LAW
Prof. Linqing LIU

Dr. Dong Lyu resigned as a non-executive Director on March 29, 2022 in order to devote more time to pursue his other business engagements and has confirmed that he has no claim against the Company in respect of his resignation and has no disagreement with the Board. He has further confirmed that there is no matter relating to his resignation that needs to be brought to the attention of the Shareholders and the Stock Exchange in connection with his resignation.

In accordance with Article 16.18 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. Accordingly, Dr. Changyu WANG, Dr. Gang XU, Mr. Qi CHEN and Prof. Linqing LIU will retire by rotation at the AGM. As Prof. Linqing LIU needs to devote more time to pursue his other business engagements and will not offer himself for re-election at the AGM while the other three retiring Directors, being eligible have offered themselves for re-election.

# Report of Directors

## DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date. Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years commencing from the Listing Date or until the third annual general meeting of the Company since its Listing (whichever is sooner). The above appointments are always subject to the provisions of retirement and rotation of directors under the Articles of Association.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the Reporting Period.

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

No Director of the Company or an entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

## CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance was entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries, whether for the provision of services or otherwise, during the year ended December 31, 2022.

# Report of Directors

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2022, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

*Long positions in the Shares or underlying Shares of the Company*

| Name of Director/ Chief executive | Capacity/Nature of Interest | Number of Shares[1] | Approximate Percentage of Shareholding in the Company |
|---|---|---|---|
| | | | (%) |
| Dr. Bo CHEN | Interest in controlled corporation[2] | 77,924,482(L) | 27.86 |

*Notes:*

(1) The letter "L" denotes the person's long position in the Shares.

(2) Dr. Bo CHEN is interested in approximately 65.36% of the shareholdings of Moonshot Holdings Limited ("**Moonshot**"). Ms. Cristela TOSCANO, Dr. Gang XU and Dr. Qian JIA, through their respective family trust, are interested in 13.31%, 13.31% and 8.02% of the equity interest in Moonshot, respectively.

Save as disclosed above, as at December 31, 2022, to the best knowledge of the Directors or chief executive of the Company, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

# Report of Directors

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors of the Company or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

As at December 31, 2022, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of Shareholder | Capacity/Nature of Interest | Number of Shares[1] | Approximate Percentage of Shareholding |
|---|---|---|---|
| | | | (%) |
| Moonshot[2] | Beneficial interest | 77,924,482(L) | 27.86 |
| Eagle Hero Management Limited[3] | Beneficial interest | 16,359,069(L) | 5.85 |
| Trident Trust Company (HK) Limited[3] | Trustee | 16,359,069(L) | 5.85 |
| HH KNY Holdings Limited[4] | Beneficial interest | 25,914,892(L) | 9.26 |
| Hillhouse Investment Management, Ltd.[4] | Interest in controlled corporation | 25,914,892(L) | 9.26 |
| Boyu Capital Group Holdings Ltd.[5] | Interest in controlled corporation | 15,080,479(L) | 5.39 |
| XYXY Holdings Ltd.[5] | Interest in controlled corporation | 15,080,479(L) | 5.39 |
| Xiaomeng TONG[5] | Interest in controlled corporation | 15,080,479(L) | 5.39 |

*Notes:*

(1) The letter "L" denotes the person's long position in the Shares.

(2) Dr. Bo CHEN is interested in approximately 65.36% of the shareholdings of Moonshot. Ms. Cristela TOSCANO, Dr. Gang XU and Dr. Qian JIA, through their respective family trust, are interested in 13.31%, 13.31% and 8.02% of the equity interest in Moonshot, respectively.

(3) Keymed Talent Success Trust, a trust established for the purpose of facilitating the administration of the 2021 RSU Scheme, is the sole shareholder of Eagle Hero Management Limited, which holds the Shares underlying the 2021 RSU Scheme. Trident Trust Company (HK) Limited is the trustee for the 2021 RSU Scheme.

(4) Hillhouse Investment Management, Ltd. is deemed to be interested in the Shares held by HH KNY Holdings Limited by virtue of being its sole management company.

(5) Boyu Capital Group Holdings Ltd., XYXY Holdings Ltd. and Xiaomeng TONG, by virtue of their interest in controlled corporations, are interested in the 13,623,979 Shares held by Spring Aquila Limited and 1,456,500 Shares held by Boyu Capital Opportunities Master Fund.

# Report of Directors

Save as disclosed above, as at December 31, 2022, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## RESTRICTED SHARE UNIT SCHEMES

### 2021 RSU Scheme

The Company has adopted the 2021 RSU Scheme by a board resolution on April 5, 2021. The following is a summary of the principal terms of the 2021 RSU Scheme.

#### *(a) Purpose of the 2021 RSU Scheme*

The purposes of this 2021 RSU Scheme is to incentivize eligible participants in the 2021 RSU Scheme (the RSU Participants as defined below) for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

#### *(b) Participants*

Subject to the requirements under Chapter 17 of the Listing Rules, persons eligible to receive RSUs under the 2021 RSU Scheme are employees or officers of the Group, including executive, non-executive and independent non-executive directors, any person or entity that provides research, development, consultancy and other technical or operational or administrative support to the Group; and any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Company and/or any of its Subsidiaries (the "**RSU Participant(s)**", for the purpose of this sub-section only).

#### *(c) Awards*

An award pursuant to the 2021 RSU Scheme (an "**Award(s)**", for the purpose of this sub-section only) gives a RSU Participant a conditional right when the relevant restricted share unit (an "**RSU(s)**", for the purpose of this sub-section only) vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the RSU, less any tax, stamp duty and other charges applicable, as determined by our Board in its absolute discretion. Each RSU represents one underlying Share.

#### *(d) Term*

Subject to the termination provision of the 2021 RSU Scheme, it shall remain valid and effective until July 7, 2031. Upon the expiry of the 2021 RSU Scheme, no further Awards will be granted, but the provisions of the 2021 RSU Scheme shall in all other respects remain in full force and effect and Awards that are granted during the term of the 2021 RSU Scheme may continue to be exercisable in accordance with their terms of issue.

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the 2021 RSU Scheme and in such event no further Awards will be granted but in all other respects the provisions of the RSU Scheme shall remain in full force and effect in respect of RSU which are granted during the life of the 2021 RSU Scheme and which remain unvested immediately prior to the termination of the operation of the scheme.

### *(e) Grant and Acceptance of Awards*

On and subject to the terms of the 2021 RSU Scheme and the terms and conditions that the Board imposes pursuant thereto, the Board shall be entitled at any time during the life of the 2021 RSU Scheme to make a grant to any RSU Participant, as the Board may in its absolute discretion determine.

Awards may be granted on such terms and conditions (e.g. by linking the vesting of their RSU to the attainment or performance of milestones by any member of the Group, the grantee or any group of RSU Participants) as the Board may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the 2021 RSU Scheme.

A grant shall be made to a RSU Participant in such form as the Board may from time to time determine (the "**Notice of Grant**", for the purpose of this sub-section only) and such grant shall be subject to the terms as specified in the 2021 RSU Scheme. The RSU Participant shall undertake to hold the Award on the terms on which it is granted and be bound by the provisions of the 2021 RSU Scheme. Such Award shall remain open for acceptance by the RSU Participant to whom a grant is made for a period to be determined by the Board, provided that no such grant shall be open for acceptance after July 7, 2031 or after the RSU Scheme has been terminated in accordance with the provisions hereof. To the extent that the Award is not accepted within the period determined by the Board, it will be deemed to have been irrevocably declined and shall immediately lapse.

If the RSU Participant accepts the offer of grant of RSU(s) by signing the Notice of Grant, he is required to sign an acceptance notice and return it to the Company within the period specified and in a manner prescribed in the Notice of Grant. Upon the receipt from the RSU Participant of a duly executed acceptance notice, the RSU(s) is deemed granted to such RSU Participant from the date of the Notice of Grant, and the RSU Participant becomes a grantee (the "**Grantee**", for the purpose of this sub-section only) in the 2021 RSU Scheme. The Notice of Grant sets out that the RSU Participants should undertake that they will not, inter alia, offer, sell or otherwise transfer or dispose of any vested Shares for a period ending on a date which is 365 days after the vesting of any Shares under the 2021 RSU Scheme.

### *(f) Vesting*

The Board has the sole discretion to determine the vesting criteria, conditions and the time for any grant of Award(s) to any Grantee (including, if applicable, a purpose price of shares awarded), which may also be adjusted and re-determined by the Board from time to time. If the vesting conditions are not satisfied or waived by the Board, the RSU shall be cancelled automatically on the date on which such conditions are not satisfied, as determined by the Board in its absolute discretion.

# Report of Directors

### *(g) Restriction on Grant of Awards*

The Board may not grant any Awards where (a) the requisite approvals for that grant from any applicable regulatory authorities have not been obtained; (b) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the Awards or in respect the 2021 RSU Scheme, unless the Board determines otherwise; (c) where granting the Award would result in a breach by the Company, its subsidiaries or any of the directors of any applicable securities laws, rules or regulations; or (d) where such grant of Award would result in a breach of the limits of the 2021 RSU Scheme. Any Awards granted under the 2021 RSU Scheme and any other share scheme (as defined under the Listing Rules) to a specific participant (excluding any options and awards lapsed in accordance with the terms of such scheme) in a 12-month period up to and including the date of an Award shall not exceed 1% of the total issued Shares of the Company unless such Award is approved by the shareholders of the Company (with the Participant and his/her close associates (or associates if the participant is a connected person) abstaining from voting).

Further, no grant shall be made to, nor shall any grant be capable of acceptance by, any RSU Participant at a time when the RSU Participant would or might be prohibited from dealing in the Shares by any applicable rules, regulations or laws. In particular, where any Award is proposed to be granted to a director of any members of the Group, it shall not be granted on any day on which the financial results of the Company are published and during the period of:

(a) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(b) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

Any grant of an Award to any connected person (as defined in the Listing Rules), or any of their respective associates (as defined in the Listing Rules), shall be subject to the prior approval of the independent non-executive directors (excluding the independent non-executive director who is the proposed Grantee of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. Notwithstanding the foregoing, any grant of an Award to a director pursuant to Rule 14A.73(6) of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the Award forms part of the relevant director's remuneration under his/her service contract.

### *(h) General and Maximum Limit*

The maximum number of Shares which may be granted under the RSU Scheme is 17,976,153, representing approximately 6.43% of the number of issued Shares of the Company as of December 31, 2022. As of January 1, 2022 and December 31, 2022, the total number of Shares available to be awarded under the 2021 RSU Scheme is 12,856,169 Shares and 10,602,305 Shares (representing approximately 3.79% of the issued Shares as at the date of the annual report), respectively. All of the Shares were held by Keymed Talent Success Trust, a trust established for the administration of the 2021 RSU Scheme, through Eagle Hero Management Limited. No new Shares may be allotted pursuant to the 2021 RSU Scheme.

# Report of Directors

The below sets for particulars of the Awards granted pursuant to the 2021 RSU Scheme:

| | | | Number of awards | | | | | |
|---|---|---|---|---|---|---|---|---|
| Participant | Grant Time | Year of grant | Unvested as of January 1, 2022 | Granted during the Reporting Period | Vested during the Reporting Period | Lapsed during the Reporting Period | Cancelled during the Reporting Period | Unvested as of December 31, 2022 |
| **Employees (excluding Directors)**[1] | Apr 5, 2021 – Dec 24, 2021[2] | 2021 | 5,119,984 | – | 1,221,321 | 493,157 | – | 3,405,506 |
| | Jan 4, 2022 – Dec 23, 2022[2][3] | 2022 | | 2,747,021 | – | – | – | 2,747,021 |
| | | Total | 5,119,984 | 2,747,021 | 1,221,321 | 493,157 | – | 6,152,527 |
| Including: top five highest paid employees | Apr 5, 2021 – Oct 26, 2021[2] | 2021 | 1,065,789 | – | 230,118 | 145,320 | – | 690,351 |
| | Jan 4, 2022 – Apr 14, 2022[2] | 2022 | – | 1,041,091 | – | – | – | 1,041,091 |
| | | Total | 1,065,789 | 1,041,091 | 230,118 | 145,320 | – | 1,731,442 |

*Notes:*

(1) None of the grantees were Directors, chief executive or substantial shareholders of the Company, or their respective associates.

(2) The RSUs have vesting terms of 4 years from the grant date. The RSUs shall be vested according to the vesting schedule: 25% of the total number of RSUs shall be vested on the first anniversary of the grant date and the remaining 75% of the total number of RSUs shall be vested in three substantially equal annual instalments, with the first instalment vested on the second anniversary of the grant date, and then on up to the fourth anniversary of the grant date. The RSUs are granted with the purchase price of zero. The weighted average closing price of the awards exercised during the Reporting Period was HK$27.6.

(3) During the Reporting Period, the details of the closing price of Shares and fair value of awards at the date of grant per Share are as follows:

| Date of Grant | Closing price of Shares immediately before date of grant (HKD) | Fair value of awards at the date of grant per Share (HKD) |
|---|---|---|
| 2022/1/4 | 31.4 | 32.7 |
| 2022/2/7 | 26.3 | 28.0 |
| 2022/2/16 | 29.9 | 26.9 |
| 2022/2/21 | 28.0 | 26.6 |
| 2022/4/8 | 25.3 | 25.3 |
| 2022/4/14 | 25.3 | 21.5 |
| 2022/4/15 | 25.3 | 21.5 |
| 2022/4/19 | 24.1 | 22.0 |
| 2022/5/26 | 21.4 | 22.1 |
| 2022/8/3 | 29.7 | 31.9 |
| 2022/8/15 | 31.4 | 31.3 |
| 2022/8/15 | 31.4 | 31.4 |
| 2022/8/19 | 31.6 | 31.2 |
| 2022/9/19 | 37.7 | 37.7 |
| 2022/10/10 | 34.1 | 36.5 |
| 2022/11/7 | 49.9 | 49.9 |
| 2022/12/12 | 51.0 | 51.0 |
| 2022/12/23 | 51.3 | 51.3 |

# Report of Directors

The accounting standard and policy adopted to estimate the fair value of the awards at the date of grant per Share is set out in note 2.4 of the Notes to Financial Statements.

### 2022 RSU Scheme

The Company has adopted the 2022 RSU Scheme by a board resolution on January 21, 2022. The following is a summary of the principal terms of the 2022 RSU Scheme.

#### *(a) Purpose of the 2022 RSU Scheme*

The purposes of the 2022 RSU Scheme are to recognize and motivate the contributions by Participants (as defined below) of the 2022 RSU Scheme and give incentives thereto in order to retain them, as well as to attract suitable personnel for further development of the Group.

#### *(b) Participants*

Participants of the 2022 RSU Scheme includes employees or officers (including directors) of the Group, including any prospective employees (who receives the Grant as an inducement to join the Group) (collectively, the "**Participant(s)**", for the purpose of this sub-section only)

#### *(c) Awards*

The 2022 RSU Scheme is subject to the administration of the 2022 ESOP scheme management committee (the "**Committee**") as appointed by the Board. The Committee may at any time during the term of the 2022 RSU Scheme make an award (the "**Award(s)**", for the purpose of this sub-section only) of conditional rights to either Shares or equivalent value of cash (the "**RSU(s)**", for the purpose of this sub-section only) to any selected Participant at its absolute discretion. An Award shall be made to a Participant by a notice of grant setting out, among other things, the terms and conditions of such Award. Any Award to the Directors or senior management of the Group must first be approved by the Remuneration Committee of the Board. If a Participant accepts the Award, he/she is required to sign the acceptance notice and return it to the Company within the period specified and in a manner prescribed in the notice of grant. Each Participant shall pay RMB1.00 as the award price to accept the Awards granted to such Participant.

#### *(d) Term*

The 2022 RSU Scheme shall remain valid and effective until the termination date, which shall be on the earlier of (i) January 20, 2032; or (ii) such date of early termination as determined by the Board or the Committee provided that no further RSUs will be offered after such termination but in all other respects the provisions of the 2022 RSU Scheme shall remain in full force and effect in respect of RSUs which are granted during the life of the 2022 RSU Scheme and which remain unvested immediately prior to the termination of the operation of the 2022 RSU Scheme.

#### *(e) Vesting*

The Committee may, from time to time while the RSUs are in force and subject to all applicable laws, determine in its sole discretion such vesting criteria and conditions or periods for the Award to be vested. All of such vesting conditions (including payment of any exercise price) and periods (including the vesting date) shall be set out in the relevant notice of grant issued to each Grantee. The Committee may determine at its sole discretion, the exercise price as may be applicable to each RSU.

For the purposes of vesting of the RSU(s), the Committee may direct and procure the trustee (the "**Trustee**", for the purpose of this sub-section only) of the 2022 RSU Scheme to release from the underlying trust (the "**Trust**", for the purpose of this sub-section only) of the 2022 RSU Scheme the RSU(s) to the Grantee by transferring the number of the RSUs to the Grantee in such manner as determined by it from time to time. The Committee will send a vesting notice to the relevant Grantee and upon receiving such notice, the Grantee must execute certain documents set out in such notice for the purposes of vesting of the RSU(s). The Committee shall thereafter inform the Trustee of the number of the RSU(s) or the amount of cash equivalent being transferred, paid and/or released to the Grantee in the manner as determined by the Committee.

An unvested RSU shall lapse and be cancelled automatically upon certain events, including the termination of the Grantee's employment or service with the Company. The Committee may in its absolute discretion decide that any RSU shall not be cancelled or determined subject to such conditions or limitations as the Committee may decide. In certain circumstances such as when the Grantee's employment or services with the Group is terminated for cause, the Company shall have a right to instruct the Trustee to repurchase the Shares from the Grantee at the higher of (1) the par value of the Shares on the date the RSUs were granted; and (2) the exercise price (if any) paid by the Grantee for vesting of the relevant RSUs.

### *(f) Restriction on Grant of Awards*

A Grant must not be made after inside information has come to the Company's knowledge until such inside information has been announced in accordance with the requirements of the Listing Rules, this include the period of:

(a) sixty (60) days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(b) thirty (30) days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

In the course of administering the 2022 RSU Scheme, the Company and the Committee will also comply with the applicable provisions of the Model Code and applicable rules on insider dealing. No instructions will therefore be given to the Trustee to acquire Shares under the 2022 RSU Scheme at a time when any Director is in possession of unpublished inside information or where dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time ("**Relevant Time**"). As the Trustee will be acquiring the Shares on the instruction of the Committee, the Trustee will also not acquire any Shares during the Relevant Time. The Company and the Committee will administer the scheme such that the (i) Grant of Awards under the 2022 RSU Scheme, (ii) purchase of Shares by the Trustee; and (iii) the Committee giving instruction to the Trustee to purchase Shares for the administration of the 2022 RSU Scheme will be conducted in accordance with the applicable provisions of the Model Code.

# Report of Directors

### *(g) General and Maximum Limit*

The Shares in the share pool under the Scheme will be purchased from the secondary market. The aggregated amount of existing Shares to be purchased by the Trustee under the Scheme shall be no more than 5,594,711 Shares, representing approximately 2.0% of the number of total issued Shares of the Company as of December 31, 2022. The Shares acquired for the share pool will be funded out of the Company's internal resources, excluding the proceeds from Global Offering. The maximum number of Shares which may be subject to an Award or Awards to a selected Participant shall not in aggregate exceed 1% of the total issued Shares of the Company as of January 21, 2022 (being 279,735,566 Shares), and shall also be subject to any shareholders approval requirement as required under the Listing Rules. As of December 31, 2022, the total number of Shares available to be awarded under the 2022 RSU Scheme is 5,594,711 Shares (representing approximately 2.0% of the issued Shares as at the date of the annual report). 2,349,500 Shares had been purchased from the market and held by the Trustee as of December 31, 2022. No new Shares may be allotted pursuant to the 2022 RSU Scheme.

At no time shall the Trustee be holding more than 10% of the total number of Shares in issue. The Shares held by the Trustee will be regarded as public float unless the Trustee becomes a core connected person of the Company or would otherwise cease to be regarded as member of the public under the Listing Rules. The Trustee shall not exercise the voting rights in respect of any Shares held under the Trust.

As of December 31, 2022, no award was granted pursuant to the 2022 RSU Scheme.

## SHARE OPTION SCHEME

During the Reporting Period and up to the date of this annual report, the Company did not have any share option scheme which was required to be disclosed.

# Report of Directors

## DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

## NON-COMPETITION UNDERTAKING

Our Controlling Shareholders provided a deed of non-competition (the "**Non-Competition Undertaking**") in favour of the Company, pursuant to which Our Controlling Shareholders has irrevocably given certain non-competition undertakings to the Company. Details of the Non-Competition Undertaking are set out in the section headed "Relationship with our Controlling Shareholders – Non-competition Undertakings" in the Prospectus. During the Reporting Period where each of Moonshot Holdings Limited, Dr. Bo Chen, Ms. Cristela Toscano, Dr. Gang Xu and Dr. Qian Jia was a Controlling Shareholder (the "**Relevant Period**"), no written notice of any New Business Opportunity (as defined in the Non-Competition Undertaking) had been received by the Company. Our Controlling Shareholders confirmed that they have complied with the Non-Competition Undertaking for the Reporting Period (the "**Confirmation**"). Upon receiving the Confirmation, the independent non-executive Directors of the Company have reviewed the same as part of the annual review process. In view of the above, the independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the Controlling Shareholders of the non-competition undertakings in the Non-Competition Undertaking given by them.

## CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

## CHANGES IN DIRECTORS' INFORMATION

Save as disclosed in this annual report, the Company is not aware of any changes in Directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## CONNECTED TRANSACTIONS

Details on related party transactions for the year ended December 31, 2022 are set out in note 34 to the consolidated financial statements. There was no connected transaction nor continuing connected transaction of the Group which has to be disclosed in accordance with Chapter 14A of the Listing Rules during the Reporting Period.

## PRE-EMPTIVE RIGHTS

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

## TAX RELIEF AND EXEMPTION

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

# Report of Directors

## SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the Reporting Period and as of the date of this annual report.

## SUBSIDIARIES

Particulars of the Company's subsidiaries as at December 31, 2022 are set out in note 1 to the consolidated financial statements.

## PERMITTED INDEMNITY PROVISION

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

## EQUITY-LINKED AGREEMENTS

Other than the 2021 RSU Scheme and the 2022 RSU Scheme, no equity-linked agreements that will or may result in the Company issuing shares, or that require the Company to enter into any agreements that will or may result in the Company issuing shares, were entered into by the Company during the year or subsisted at the end of the Reporting Period.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year ended December 31, 2022.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## SIGNIFICANT LEGAL PROCEEDINGS

During the Reporting Period, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

# Report of Directors

## RETIREMENT BENEFITS SCHEME

The Group has one employee who is required to participate in the Mandatory Provident Fund Scheme (the "**MPF Scheme**") in Hong Kong in compliance with the Hong Kong Mandatory Provident Fund Schemes Ordinance (Cap. 485). The MPF Scheme is a defined contribution plan administered by an independent corporate trustee. Under the MPF Scheme, each of the Group and the employee are required to make contributions to the MPF Scheme at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$30,000.

The Group's contributions under the above-mentioned defined contribution retirement plan are expensed as incurred and no contributions have been forfeited as all contributions to the MPF Scheme vest immediately.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. There are no provisions under the scheme whereby forfeited contributions may be used to reduce future contributions. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of the pension obligations of the Company are set out in note 2.4 to the consolidated financial statements in this report.

## USE OF NET PROCEEDS FROM LISTING

In connection with the Global Offering, 67,004,000 Shares were issued at a price of HK$53.3 per share for a total cash consideration, after deduction of the underwriting fees and expenses, of approximately RMB2,841 million. Dealings in the shares of the Company on the Stock Exchange commenced on July 8, 2021. The Group will apply such proceeds in a manner consistent with the intended use of proceeds as set out in the Prospectus.

# Report of Directors

The table below sets forth the utilisation of the net proceeds from the Global Offering and the unused amount as at December 31, 2022:

| Business objective as stated in the Prospectus | Planned applications *RMB million* | Balance as at December 31, 2021 *RMB million* | Actual utilisation during the Reporting period *RMB million* | Balance as at December 31, 2022 *RMB million* | Expected timeline for unutilized amount |
|---|---|---|---|---|---|
| R&D and commercialization of the Company's core product and key drug candidates | 1,705 | 1,621 | 345 | 1,276 | By the end of 2025 |
| Preclinical evaluation and clinical development of the Company's other pipeline products | 426 | 378 | 136 | 242 | By the end of 2024 |
| Payment of lease for the Company's new manufacturing and R&D facilities and procurement of machinery and equipment | 426 | 264 | 240 | 24 | By the end of 2023 |
| General corporate and working capital purposes | 284 | 227 | 80 | 147 | By the end of 2024 |
| Total | 2,841 | 2,490 | 801 | 1,689 | |

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In January 2023, Chengdu Kangnuoxing Biopharma, Inc.* (成都康諾行生物醫藥科技有限公司), a non-wholly owned subsidiary of the Company, entered into an asset transfer agreement with Chengdu Bio-Town Construction Co., Ltd.* (成都生物城建設有限公司) for the sale and purchase of a parcel of land located in Songbai Community No. 1 in Chengdu, consisting of three near-completed buildings situated on the parcel of land, which the Company proposes to use as its new headquarters and a manufacturing plant for its pipeline drug products. Please refer to the announcement of the Company dated January 18, 2023 for further information.

In February 2023, KYM entered into a global exclusive out-license agreement with AstraZeneca AB to develop and commercialize CMG901. Please refer to the section "Management Discussion and Analysis – Business Review – CMG901 (Claudin 18.2 ADC)" and the announcement of the Company dated February 23, 2023 for further information.

Save as disclosed in this annual report, no important events affecting the Company occurred since the Reporting Period and up to the date of this annual report.

# Report of Directors

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, we do not have other plans for material investments and capital assets.

## EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2022, we had 613 full-time employees in total, including 5 employees who are employed overseas and the remaining in China. In strict compliance with the relevant labor laws, we enter into individual employment contracts with our employees covering matters such as terms, wages, bonuses, employee benefits, workplace safety, confidentiality obligations and grounds for termination.

To remain competitive in the labor market, we provide various incentives and benefits to our employees. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries and the opportunity to participate in share incentive schemes to our employees. We believe our benefits, working environment and development opportunities for our employees have contributed to good employee relations.

Our Company has adopted the 2021 RSU Scheme on April 5, 2021 and the 2022 RSU Scheme on January 21, 2022. Please refer to "Restricted Share Unit Schemes" in this annual report for further information.

## COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and Senior Management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the emoluments of the Directors, and five highest paid individuals during the Reporting Period are set out in notes 10 and 11 to the consolidated financial statements. No Directors have waived or agreed to waive any emoluments during the Reporting Period.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2022, by the Group to or on behalf of any of the Directors.

# Report of Directors

## AUDIT COMMITTEE

The Board has established the Audit Committee which comprises two independent non-executive Directors and one non-executive Director, namely Mr. Cheuk Kin Stephen LAW, Prof. Linqing LIU and Mr. Qi CHEN. Mr. Cheuk Kin Stephen LAW serves as the chairperson of the Audit Committee, who has the professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee, together with the management and external auditor of the Company, has reviewed the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the audited consolidated financial statements of the Group for the year ended December 31, 2022) of the Group, and is of the view that the annual results of the Group is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

## AUDITOR

Ernst & Young was appointed as the auditor of the Company during the Reporting Period. The Company did not change its auditors since the Listing Date.

Ernst & Young shall retire at the AGM and, being eligible, will offer itself for re-appointment as auditor of the Company. A resolution for the re-appointment of Ernst & Young as auditor of the Company will be proposed at the AGM.

On behalf of the Board
**Dr. Bo CHEN**
*Chairman*

Hong Kong, March 17, 2023

# Independent Auditor's Report

*31 December 2022*

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

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**To the shareholders of KEYMED BIOSCIENCES INC.**

(Incorporated in Cayman Islands with limited liability)

## OPINION

We have audited the consolidated financial statements of KEYMED BIOSCIENCES INC. (the "Company") and its subsidiaries (together, the "Group") set out on pages 104 to 175, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

# Independent Auditor's Report

*31 December 2022*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Risk of misstatement of research and development expenses* | |
| The Group incurred significant research and development ("R&D") expenses of RMB507.4 million as disclosed in the consolidated statement of profit or loss for the year ended 31 December 2022, mainly consist of service fees paid to contract research organisations and clinical site management organisations (collectively referred as "Outsourced Service Providers").<br><br>R&D activities with these Outsourced Service Providers are documented in agreements and are typically performed over an extended period. These expenses are charged to profit or loss based on the progress of the R&D projects estimated by management. We identified the measurement of R&D expenses as a key audit matter due to their significant amount and the allocation of these expenses to the appropriate reporting period.<br><br>The accounting policy and the disclosure for significant accounting judgement and estimate related to R&D expenses have been disclosed in notes 2.4 and 3 to financial statements, respectively. | Our procedures in relation to research and development expenses included:<br><br>We obtained an understanding of and evaluated the key controls over the R&D process;<br><br>We inquired management about the reasons for periodical fluctuations in R&D expenses and assessed the reasonableness of those fluctuations;<br><br>We, on a sampling basis, selected R&D transactions to i) review the key terms set out in related agreements with Outsourced Service Providers; ii) inquire the R&D personnel and inspect related supporting documents to verify the progress of the R&D projects; and iii) recalculate the allocation of R&D expenses with the reference to the progress of the R&D projects. |

# Independent Auditor's Report

*31 December 2022*

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Company's Annual Report is expected to be made available to us after the date of this auditor's report.

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

# Independent Auditor's Report

*31 December 2022*

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

# Independent Auditor's Report

*31 December 2022*

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ricky Shun.

Ernst & Young
Certified Public Accountants
Hong Kong
17 March 2023

# Consolidated Statement of Profit or Loss

*Year ended 31 December 2022*

| | Notes | **2022** ***RMB'000*** | 2021 *RMB'000* |
|---|---|---|---|
| Revenue | *5* | **100,063** | 110,269 |
| Cost of sales | | **(2,585)** | (17,200) |
| **GROSS PROFIT** | | **97,478** | 93,069 |
| Other income and gains | *6* | **259,002** | 52,667 |
| Research and development expenses | | **(507,374)** | (358,156) |
| Administrative expenses | | **(133,912)** | (92,454) |
| Listing expenses | | **–** | (37,932) |
| Fair value losses on convertible redeemable preferred shares | | **–** | (3,480,294) |
| Other expenses | *7* | **(683)** | (57,680) |
| Finance costs | *8* | **(8,397)** | (11,133) |
| Share of losses of a joint venture | *18* | **(9,711)** | (719) |
| **LOSS BEFORE TAX** | *9* | **(303,597)** | (3,892,632) |
| Income tax expense | *12* | **–** | – |
| **TOTAL LOSS FOR THE YEAR** | | **(303,597)** | (3,892,632) |
| Attributable to: | | | |
| Owners of the parent | | **(308,115)** | (3,887,309) |
| Non-controlling interests | | **4,518** | (5,323) |
| | | **(303,597)** | (3,892,632) |
| **LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | **–** | – |
| Basic and diluted | *14* | **(RMB1.18)** | (RMB24.17) |

# Consolidated Statement of Comprehensive Income

*Year ended 31 December 2022*

| | Notes | **2022** ***RMB'000*** | 2021 *RMB'000* |
|---|---|---|---|
| **LOSS FOR THE YEAR** | | **(303,597)** | (3,892,632) |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | | |
| Equity investments designated at fair value through other comprehensive income: | | | |
| Changes in fair value | | **1** | – |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | | **1** | – |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | **(303,596)** | (3,892,632) |
| Attributable to: | | | |
| Owners of the parent | | **(308,114)** | (3,887,309) |
| Non-controlling interests | | **4,518** | (5,323) |
| | | **(303,596)** | (3,892,632) |

# Consolidated Statement of Financial Position

*31 December 2022*

| | Notes | **2022** ***RMB'000*** | 2021 *RMB'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *15* | **553,556** | 139,419 |
| Right-of-use assets | *16* | **30,878** | 38,111 |
| Other intangible assets | *17* | **1,496** | 1,104 |
| Prepayments, other receivables and other assets | *20* | **15,841** | 153,591 |
| Equity investments designated at fair value through other comprehensive income ("FVTOCI") | *21* | **10,001** | – |
| Investment in a joint venture | *18* | **10,570** | 20,281 |
| **Total non-current assets** | | **622,342** | 352,506 |
| **CURRENT ASSETS** | | | |
| Inventories | *19* | **44,495** | 16,393 |
| Contract assets | | **–** | 3,980 |
| Prepayments, other receivables and other assets | *20* | **90,153** | 36,997 |
| Financial assets at fair value through profit or loss ("FVTPL") | *22* | **232,188** | 53,401 |
| Time deposits | *23* | **2,339,068** | 1,950,559 |
| Cash and cash equivalents | *23* | **604,070** | 1,520,619 |
| **Total current assets** | | **3,309,974** | 3,581,949 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *24* | **14,913** | 2,784 |
| Other payables and accruals | *25* | **146,208** | 95,402 |
| Amounts due to related parties | *34* | **225** | 553 |
| Deferred income | *26* | **–** | 1,612 |
| Other financial liabilities | *28* | **146,112** | – |
| Interest-bearing bank borrowings | *35* | **61,163** | – |
| Lease liabilities, current | *16* | **11,078** | 11,724 |
| **Total current liabilities** | | **379,699** | 112,075 |
| **NET CURRENT ASSETS** | | **2,930,275** | 3,469,874 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **3,552,617** | 3,822,380 |

# Consolidated Statement of Financial Position

*31 December 2022*

| | Notes | 2022 *RMB'000* | 2021 *RMB'000* |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Deferred income, non-current | *26* | **163,671** | 8,719 |
| Lease liabilities | *16* | **20,928** | 26,985 |
| Interest-bearing bank borrowings | *35* | **28,800** | – |
| Other financial liabilities | *28* | **–** | 141,294 |
| Total non-current liabilities | | **213,399** | 176,998 |
| **NET ASSETS** | | **3,339,218** | 3,645,382 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| **Ordinary share capital** | *29* | **170** | 171 |
| Treasury shares | *29* | **1** | – |
| Reserves | *31* | **3,340,117** | 3,650,799 |
| | | **3,340,288** | 3,650,970 |
| **Non-controlling interests** | | **(1,070)** | (5,588) |
| **TOTAL EQUITY** | | **3,339,218** | 3,645,382 |

**Bo Chen**
*Director*

**Changyu Wang**
*Director*

# Consolidated Statement of Changes in Equity

*Year ended 31 December 2022*

| | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital *RMB'000* (note 29) | Treasury shares *RMB'000* (note 29) | Share premium* *RMB'000* (note 31) | Share-based payments reserve* *RMB'000* (note 30) | Other reserve* *RMB'000* | Accumulated losses* *RMB'000* | Subtotal *RMB'000* | Non-controlling interests *RMB'000* | Total *RMB'000* |
| **At 1 January 2022** | **171** | **–** | **8,515,868** | **116,823** | **–** | **(4,981,892)** | **3,650,970** | **(5,588)** | **3,645,382** |
| Loss for the year | – | – | – | – | – | (308,115) | (308,115) | 4,518 | (303,597) |
| Other comprehensive income for the year: | | | | | | | | | |
| Changes in fair value of financial assets at fair value through other comprehensive income, net of tax (note 21) | – | – | – | – | 1 | – | 1 | – | 1 |
| Total comprehensive loss for the year | – | – | – | – | 1 | (308,115) | (308,114) | 4,518 | (303,596) |
| Share-based payments (note 30) | – | – | – | 48,567 | – | – | 48,567 | – | 48,567 |
| Shares repurchased (note 29) | (1) | 1 | (51,135) | – | – | – | (51,135) | – | (51,135) |
| Exercise of restricted share units | – | – | 20,420 | (20,420) | – | – | – | – | – |
| At 31 December 2022 | **170** | **1** | **8,485,153** | **144,970** | **1** | **(5,290,007)** | **3,340,288** | **(1,070)** | **3,339,218** |

**Year ended 31 December 2021**

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital *RMB'000* (note 29) | Share premium* *RMB'000* (note 31) | Share-based payments reserve* *RMB'000* (note 30) | Accumulated losses* *RMB'000* | Subtotal *RMB'000* | Non-controlling interests *RMB'000* | Total *RMB'000* |
| At 1 January 2021 | 45 | – | – | (1,094,583) | (1,094,538) | (265) | (1,094,803) |
| Total comprehensive loss for the year | – | – | – | (3,887,309) | (3,887,309) | (5,323) | (3,892,632) |
| Share-based payments | – | – | 116,823 | – | 116,823 | – | 116,823 |
| Conversion of redeemable convertible preferred shares into ordinary shares upon initial public offering ("IPO") | 83 | 5,667,280 | – | – | 5,667,363 | – | 5,667,363 |
| Issue of ordinary shares from IPO and exercise of an over-allotment option | 43 | 2,973,875 | – | – | 2,973,918 | – | 2,973,918 |
| Share issue expenses | – | (125,287) | – | – | (125,287) | – | (125,287) |
| At 31 December 2021 | 171 | 8,515,868 | 116,823 | (4,981,892) | 3,650,970 | (5,588) | 3,645,382 |

* These reserve accounts compromise the consolidated reserves of RMB3,340,117,000 (31 December 2021: RMB3,650,799,000) in consolidated statements of financial position.

# Consolidated Statement of Cash Flows

*Year ended 31 December 2022*

| | Notes | **2022** ***RMB'000*** | 2021 *RMB'000* |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before tax | | **(303,597)** | (3,892,632) |
| Adjustments for: | | | |
| Finance costs | *8* | **8,397** | 11,133 |
| Interest income | *6* | **(52,039)** | (5,964) |
| Interest income on financial assets at FVTPL | *6* | **(2,277)** | (1,049) |
| Foreign exchange losses/(gains), net | *6/7* | **(139,030)** | 54,721 |
| Depreciation of property, plant and equipment | *15* | **22,274** | 12,804 |
| Amortisation of other intangible assets | *17* | **336** | 77 |
| Depreciation of right-of-use assets | *16* | **13,513** | 8,138 |
| Disposal of property, plant and equipment | *15* | **392** | 705 |
| Government grants | *26* | **(2,511)** | (3,234) |
| Equity-settled share-based payments | *30* | **48,567** | 116,823 |
| Share of losses of a joint venture | *18* | **9,711** | 719 |
| Fair value losses on convertible redeemable preferred shares | | **–** | 3,480,294 |
| | | **(396,264)** | (217,465) |
| Increase in prepayments, other receivables and other assets | | **(33,756)** | (13,808) |
| Increase in inventories | | **(28,102)** | (9,547) |
| Decrease/(increase) in contract assets | | **3,980** | (3,980) |
| Decrease in deferred income | | **–** | 1,000 |
| Increase/(decrease) in trade payables | | **12,129** | (634) |
| Increase in other payables and accruals | | **40,079** | 37,797 |
| Decrease in contract liabilities | | **–** | (8,000) |
| Net cash flows used in operating activities | | **(401,934)** | (214,637) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | **52,039** | 5,964 |
| Purchases of property, plant and equipment | | **(278,821)** | (171,786) |
| Receipts of government grants for property, plant and equipment | | **155,851** | 2,906 |
| Purchases of intangible assets | | **(728)** | (1,072) |
| Purchase of an unlisted equity investment | | **(10,000)** | – |
| Purchases of wealth management products | | **(626,782)** | (182,523) |
| Proceeds from disposal of wealth management products | | **450,272** | 140,565 |
| Placement of time deposits with maturity dates over three months | | **(5,014,387)** | (2,570,559) |
| Withdrawal of time deposits with maturity dates over three months | | **4,625,878** | 763,548 |
| Decrease/(increase) in advances to employees | | **1,092** | (1,922) |
| Capital contributions to a joint venture | | **–** | (21,000) |
| Net cash used in investing activities | | **(645,586)** | (2,035,879) |

# Consolidated Statement of Cash Flows

*Year ended 31 December 2022*

| | Notes | **2022** ***RMB'000*** | 2021 *RMB'000* |
|---|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Lease payments | *16* | **(14,518)** | (9,684) |
| Repayments to related parties | | **(328)** | (41,820) |
| Proceeds from issue of preferred shares | | **–** | 872,111 |
| Redemption of convertible redeemable preferred shares | | **–** | (58,154) |
| Net proceeds from issue of ordinary shares for IPO and exercise of an over-allotment option | | **–** | 2,887,641 |
| Listing expenses | | **(30,513)** | (8,497) |
| Rental deposits refund/(paid) | | **338** | (3,221) |
| Repurchase of shares | | **(51,135)** | – |
| New bank loans | | **89,950** | – |
| Interest paid | | **(1,853)** | – |
| Net cash flows (used in)/from financing activities | | **(8,059)** | 3,638,376 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | **(1,055,579)** | 1,387,860 |
| Cash and cash equivalents at beginning of year | | **1,520,619** | 199,409 |
| Effect of foreign exchange rate changes, net | | **139,030** | (66,650) |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | *23* | **604,070** | 1,520,619 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | **588,050** | 981,080 |
| Time deposits with maturity dates within three months | | **16,020** | 539,539 |
| Cash and cash equivalents as stated in the consolidated statement of financial position | *23* | **604,070** | 1,520,619 |

# Notes to Financial Statements

*31 December 2022*

## 1. CORPORATE INFORMATION

Keymed Biosciences Inc. (the "Company") was incorporated in the Cayman Islands ("Cayman") on 23 April 2018 as a limited liability company. The registered office of the Company is located at the offices of 4th Floor, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 8 July 2021.

During the year ended 31 December 2022, the Group was involved in the research and development of pharmaceutical products.

### Information about subsidiaries

As at the date of this report, particulars of the Company's principal subsidiaries are as follows:

| Name | Place and date of incorporation/ registration and place of operations | Issued ordinary shares/registered capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| iBridge Holdings Limited | British Virgin Islands ("BVI") 15 April 2016 | USD10,000 | 100% | – | Investment holding |
| iBridge HK Holdings Limited一橋香港控股有限公司 | Hong Kong 20 April 2016 | HKD1 | – | 100% | Investment holding |
| Wealth Venture Enterprises Limited | BVI 30 March 2016 | USD10,000 | 100% | – | Investment holding |
| Wealth Venture Enterprises (Hong Kong) Limited | Hong Kong 15 April 2016 | HKD1 | – | 100% | Investment holding |
| KYM Biosciences Inc. | United States of America ("USA") 2 December 2019 | USD0.1 | – | 70% | Research and development |
| Keymed Biosciences (US) Inc. | USA 2 December 2021 | USD0.5 | – | 100% | Research and development |
| Keymed Biosciences (Chengdu) Co., Ltd.* 康諾亞生物醫藥科技(成都)有限公司 | People's Republic of China("PRC")/ Mainland China 1 September 2016 | USD106,662,362 | – | 100% | Research and development |

# Notes to Financial Statements

*31 December 2022*

## 1. CORPORATE INFORMATION (Continued)

**Information about subsidiaries** (Continued)

As at the date of this report, particulars of the Company's principal subsidiaries are as follows:

| Name | Place and date of incorporation/ registration and place of operations | Issued ordinary shares/registered capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Kangnuo Boyu Biomedical Technology (Chengdu) Co., Ltd.*康諾博譽生物醫藥科技(成都)有限公司 | PRC/Mainland China 29 December 2020 | USD15,200,000 | – | 100% | Research and development |
| Beijing Lingyue Biomedical Technology Co., Ltd.*北京岑樾生物醫藥科技有限公司 | PRC/Mainland China 4 December 2019 | RMB10,000,000 | – | 100% | Research and development |
| Shanghai Lingyue Biomedical Technology Co., Ltd.*上海岑樾生物醫藥科技有限公司 | PRC/Mainland China 3 December 2018 | RMB1,000,000 | – | 100% | Research and development |
| Chengdu Kangnuo Xing Biosciences Co., Ltd.* 成都康諾行生物醫藥科技有限公司("Chengdu Kangnuo Xing") | PRC/Mainland China 9 November 2017 | RMB12,300,000 | – | 81.30% | Development and manufacturing |

* These entities are limited liability enterprises established under the PRC law. The English names of these companies represent the best effort made by the directors of the Company (the "Directors"), as none of them have been registered with official English names.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the financial statements throughout the year ended 31 December 2022.

These financial statements have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value at the end of the reporting period. They are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.1 BASIS OF PREPARATION (Continued)

***Basis of consolidation** (Continued)*

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| Amendments to IFRS 3 | *Reference to the Conceptual Framework* |
| Amendment to IFRS 16 | *Covid-19-Related Rent Concessions beyond 30 June 2021* |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use* |
| Amendments to IAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract* |
| Annual Improvements to IFRSs 2018-2020 | *Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41* |

The new or amended IFRSs that are effective from 1 January 2022 did not have any significant impact on the Group's accounting policies.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| IFRS 17 | *Insurance Contracts*[1] |
| Amendments to IFRS 17 | *Insurance Contracts*[1] |
| Amendments to IFRS 17 | *Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[1] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current*[2] |
| Amendments to IAS 1 | *Non-current Liabilities with Covenants*[2] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies*[1] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| Amendments to IAS 8 | *Definition of Accounting Estimates*[1] |
| Amendments to IFRS 16 | *Lease Liability in a Sale and Leaseback*[2] |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1] |

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Investment in a joint venture*

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in a joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and a joint venture are eliminated to the extent of the Group's investments in a joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the joint venture is included as part of the Group's investment in a joint venture.

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

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

#### *Fair value measurement*

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

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Fair value measurement** (Continued)*

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

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

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

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

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

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

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

***Impairment of non-financial assets***

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Impairment of non-financial assets** (Continued)*

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

***Related parties***

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

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

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

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

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

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

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

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

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Property, plant and equipment and depreciation***

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

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

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

| | |
|---|---|
| Machinery | 10% to 20% |
| Office equipment and others | 10% to 20% |
| Motor vehicles | 10% |
| Leasehold improvements | The shorter of remaining lease terms and estimated useful lives |

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

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of the reporting period.

The estimated useful life of other intangible assets is determined by considering the period of the economic benefits to the Group or the periods of validity of intangible assets protected by the relevant laws, as well as by referring to the industry practice.

| | |
|---|---|
| Computer software | 20% |

#### *Research and development expenses*

All research expenses are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

#### *Leases*

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*The Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Leases** (Continued)*

*The Group as a lessee (Continued)*

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

| | |
|---|---|
| Office and laboratory | 2 to 9 years |

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Leases** (Continued)*

*The Group as a lessee (Continued)*

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

***Investments and other financial assets***

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Investments and other financial assets** (Continued)*

*Initial recognition and measurement (Continued)*

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

*Financial assets designated at fair value through other comprehensive income (equity investments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

*Financial assets at FVTPL*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Debt instruments that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Investments and other financial assets** (Continued)*

*Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liabilities are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Impairment of financial assets*

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Investments and other financial assets** (Continued)*

*Impairment of financial assets (Continued)*

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Investments and other financial assets** (Continued)*

*Impairment of financial assets (Continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

***Financial liabilities***

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, amounts due to related parties, convertible redeemable preferred shares, and other financial liabilities.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, trade payables, financial liabilities included in other payables and accruals, other financial liabilities and amounts due to related parties are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Financial liabilities (Continued)*

*Subsequent measurement (Continued)*

Put options over non-controlling interests

The Group decides that IAS 32 take precedence when a non-controlling interest in any of the subsidiaries of the Group with a put option is granted to the non-controlling shareholders, meaning that the Company and the subsidiaries comprising the Group have the obligation to repurchase the equity interest held by the non-controlling shareholders. Hence, the equity interest in such circumstance is recognised as financial liabilities with no non-controlling interest being recognised. The amount of the financial liability is the present value of the exercise price to be paid to the non-controlling shareholders under the put option. Changes in the carrying amount of the financial liability are recognised in profit or loss.

If the option is exercised, the financial liability is extinguished by the payment of the exercise price.

If the option is not exercised, then the Company and the subsidiaries comprising the Group have effectively disposed of a partial interest in its subsidiary, without loss of control, in return for the amount recognised as the financial liability at the date of expiry. The consideration received is the amount of the financial liability extinguished and any difference between this and the carrying amount of the non-controlling interest is recognised within equity.

#### *Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liabilities is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

#### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Treasury shares*

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

#### *Inventories*

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing raw materials to its present location and condition are accounted for as purchase cost on a first-in/first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less any estimated costs to be incurred to completion and disposal.

#### *Cash and cash equivalents*

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and bank balances, and time deposits with maturity dates within three months, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash and bank balances, time deposits with maturity dates within three months and assets similar in nature to cash, which are not restricted as to use.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Provisions*

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

#### *Income tax*

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liabilities method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liabilities arises from the initial recognition of goodwill or an asset or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Income tax** (Continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

***Government grants***

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. When the grant relates to expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future costs and obligations, it is recognised in profit or loss in the period in which it becomes receivable.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Government grants** (Continued)*

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

***Revenue recognition***

*Revenue from contracts with customers*

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

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

*Collaboration revenue*

At contract inception, the Group analyses the collaboration arrangements to assess whether they are within the scope of IFRS 11 Joint Arrangements to determine whether such arrangements involve joint operating activities performed by parties that are both active participants in the activities and exposed to significant risks and rewards dependent on the commercial success of such activities. For collaboration arrangements within the scope of IFRS 11 that contain multiple elements, the Group first determine which elements of the collaboration are deemed to be within the scope of IFRS 11 and those that are more reflective of a vendor-customer relationship and therefore within the scope of IFRS 15 – Revenue from Contracts with Customers. For elements of collaboration arrangements that are accounted for pursuant to IFRS 11, an appropriate recognition method is determined and applied consistently.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Revenue recognition** (Continued)*

*Collaboration revenue (Continued)*

In determining the appropriate amount of revenue to be recognized as the Group fulfils its obligations under each of the collaboration agreements, the management of the Company perform the five-step model under IFRS 15. The collaboration arrangements may contain more than one unit of account, or performance obligation, including grants of licenses to intellectual property rights (the "Licenses"), agreements to provide research and development services and other deliverables. The collaborative arrangements typically do not include a right of return for any deliverable. In general, the consideration allocated to each performance obligation is recognized when the respective obligation is satisfied either by delivering a good or rendering a service, limited to the consideration that is not constrained. Non-refundable payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as contract liabilities.

*Licenses of Intellectual Property ("IP")*

Upfront non-refundable payments for Licenses are evaluated to determine if they are distinct from the other performance obligations identified in the arrangements. For Licenses determined to be distinct, the Group recognises revenues from non-refundable up-front fees allocated to the Licenses at a point in time, when the Licenses are transferred to the licensee and the licensee is able to use and benefit from the Licenses.

Research and Development Services

The portion of the transaction price allocated to research and development services performance obligations is deferred and recognized as collaboration revenue at the point in time when research and development services are rendered to customers.

Milestone Payments

At the inception of each arrangement that includes development milestone payments, the management of the Company evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestones related to development-based activities may include initiation of various phases of clinical trials. Due to the uncertainty involved in meeting these development-based targets, they are generally fully constrained at contract inception. The management of the Company will assess whether the variable consideration is fully constrained each reporting period based on the facts and circumstances surrounding the clinical trials. Upon changes to constraint associated with the developmental milestones, variable consideration will be included in the transaction price when a significant reversal of revenue recognized is not expected to occur and allocated to the separate performance obligations. Regulatory milestones are fully constrained until the period in which those regulatory approvals are achieved due to the inherent uncertainty with the approval process. Regulatory milestones are included in the transaction price in the period regulatory approval is obtained.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Revenue recognition (Continued)*

*Collaboration revenue (Continued)*

Royalties

For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the Licenses are deemed to be the predominant item to which the royalties relate, the Group recognises 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).

#### *Other income*

*Interest income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

*Contract development and manufacturing services income*

The Group renders contract development and manufacturing services ("CDM services"), which are typically comprised of several performance obligations which are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling price of the services. Customers do not receive and consume the benefits of the Group's performance until the services or solutions are delivered to the customers. Customers do not obtain control as the asset (work in process) is created or enhanced. The primary performance obligation of CDM services creates assets without an alternative use and the Group does not have an enforceable right to payment for performance completed to date. Therefore, the revenue of CDM services is recognized at a point in time.

Otherwise, revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation.

#### *Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

#### *Contract liabilities*

Contract liabilities are recognised when a payment is received from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group completes its performance obligations under the contract (i.e., transfers control of the related goods or services to the customer).

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Contract costs*

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

#### *Share-based payments*

The Company operates a restricted share unit scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined based on the fair values of ordinary shares of the Company, further details of which are given in note 30 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

For share awards exercised, forfeited or lapsed that had previously vested, the attributable share-based payments reserve would be transferred to the share premium account after considering any requirements under the local statutory law.

***Other employee benefits***

*Pension scheme*

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

# Notes to Financial Statements

*31 December 2022*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

***Foreign currencies***

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are RMB. As at the end of the reporting period, the assets and liabilities of these entities recorded in currencies other than RMB are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

# Notes to Financial Statements

*31 December 2022*

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### *Research and development expenses*

All research expenses are charged to profit or loss as incurred. Expenses incurred on each pipeline to develop new products are capitalised and deferred in accordance with the accounting policy for research and development expenses in note 2.4 to financial statements. Determining the amounts to be capitalised requires management to make judgements on the technical feasibility of existing pipelines to be successfully commercialised and bring economic benefits to the Group.

### Estimation uncertainty

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

#### *Recognition of income taxes and deferred tax assets*

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

#### *Allocation of research and development expenses related to Outsourced Service Providers to the appropriate reporting period*

Research and development expenses include costs related to services provided by Outsourced Service Providers. The allocation of such services fees to the appropriate reporting period involves estimations, because billing and payment terms under agreements with Outsourced Service Providers are usually not consistent with the actual progress of the services contained in the agreements. Hence, management is required to make estimations regarding to the progress of each service in the agreements. These estimations are made based on a number of factors, mainly include management's knowledge of the status of each research and development pipeline, nature of services contained in the agreements, as well as billings and payments to date of each agreement.

# Notes to Financial Statements

*31 December 2022*

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

**Estimation uncertainty** (Continued)

***Useful lives of property, plant and equipment***

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

## 4. OPERATING SEGMENT INFORMATION

### Operating segment information

The Group is engaged in biopharmaceutical research and development, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no further operating segment analysis thereof is presented.

### Geographical information

During the year ended 31 December 2022, the Group generated all revenue from Mainland China.

Majority of the Group's non-current assets were located in Mainland China as at 31 December 2022, geographical segment information in accordance with IFRS 8 Operation Segments is presented.

| | **2022** ***RMB'000*** | 2021 *RMB'000* |
|---|---|---|
| Hong Kong | **141** | 703 |
| Mainland China | **622,201** | 351,803 |
| | **622,342** | 352,506 |

### Information about major customers

Revenue of approximately RMB100,000,000 (2021: RMB110,000,000) was derived from collaborations with a pharmaceutical companies. Further details are set out in note 5.

## 5. REVENUE

An analysis of revenue is as follows:

**Revenue from contracts with customers**

### *(a) Disaggregated revenue information*

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **Type of services** | | |
| Collaboration revenue | **100,063** | 110,269 |
| **Timing of revenue recognition** | | |
| Transferred at a point in time | **100,063** | 110,269 |

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in current periods:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **Revenue recognised that was included in contract liabilities at the beginning of the reporting period:** | | |
| Collaboration revenue | **–** | 8,000 |

### *(b) Performance obligations*

Information about the Group's performance obligations is summarised below:

*Licensing of Intellectual Property*

The performance obligation is satisfied at a point in time when the customer obtains the rights to use the underlying intellectual property under the corresponding licence.

In November 2021, the Group entered into an exclusive licence agreement (the "Agreement") with JMT-Bio Technology Co., Ltd. ("JMT-Bio"), to develop, use, sell, contract and commercialize CM326 (the "Product"), an TSLP antibody, for the treatment of moderate and severe asthma, COPD and other respiratory diseases (the "Field") in Mainland China (excluding Hong Kong, Macau or Taiwan) (the "Territory"). Pursuant to the Agreement, JMT-Bio will be responsible for the clinical development, regulatory activities and commercialisation of CM326 in the Field and the Territory at its own costs and expenses. JMT-Bio will be the market authorisation holder of CM326 in the Field and in the Territory, once approved. Pursuant to the Agreement, the Group is entitled to receive upfront payment, milestone payment and royalty payment. In January 2022, JMT-Bio paid the Group a one-time and non-refundable upfront payment of RMB100 million. The Group recognised revenue of RMB100 million when the Group had completed the grant of an exclusive and royalty-bearing licence covering the know-how and patents related to the Product in the Field and the Territory to JMT-Bio accordingly during the year ended 31 December 2022.

# Notes to Financial Statements

*31 December 2022*

## 6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Other income | | |
| Government grants income (note 26) | **65,544** | 24,154 |
| CDM service income (note (i)) | **–** | 21,500 |
| Interest income on other investments classified as financial assets at FVTPL | **2,277** | 1,049 |
| Interest income | **52,039** | 5,964 |
| Others | **79** | – |
| | **119,939** | 52,667 |
| Gains | | |
| Gain on exchange differences, net | **139,030** | – |
| Others | **33** | – |
| | **139,063** | – |
| | **259,002** | 52,667 |

(i) CDM service income is one-off and non-recurring services rendered to a third party during the year ended 31 December 2021.

## 7. OTHER EXPENSES

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Exchange loss, net | **–** | 54,721 |
| Contract development and manufacturing service costs | **–** | 1,756 |
| Others | **683** | 1,203 |
| | **683** | 57,680 |

## 8. FINANCE COSTS

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Implicit interest on other financial liabilities | **4,818** | 9,658 |
| Interest on lease liabilities | **1,535** | 1,475 |
| Interest expense on bank borrowings | **1,866** | – |
| Others | **178** | – |
| | **8,397** | 11,133 |

# Notes to Financial Statements

*31 December 2022*

## 9. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

| | Notes | **2022** ***RMB'000*** | 2021 *RMB'000* |
|---|---|---|---|
| Depreciation of property, plant and equipment | *15* | **22,274** | 12,804 |
| Depreciation of right-of-use assets | *16* | **13,513** | 8,138 |
| Amortisation of other intangible assets | *17* | **336** | 77 |
| Listing expenses | | **–** | 37,932 |
| Lease payments not included in the measurement of lease liabilities | *16* | **1,887** | 2,486 |
| Government grants income | *6* | **(65,544)** | (24,154) |
| Auditors' remuneration | | **2,830** | 2,800 |
| Interest income from financial assets at FVTPL | *6* | **(2,277)** | (1,049) |
| Interest income | *6* | **(52,039)** | (5,964) |
| Finance costs | *8* | **8,397** | 11,133 |
| Foreign exchange (gains)/losses, net | *6/7* | **(139,030)** | 54,721 |
| Fair value losses on convertible redeemable preferred shares | | **–** | 3,480,294 |
| Employee benefit expenses (excluding directors' and chief executive's remuneration) | | | |
| – Wages and salaries | | **136,415** | 77,671 |
| – Pension scheme contributions | | **25,351** | 6,933 |
| – Staff welfare expenses | | **4,454** | 992 |
| – Share-based payments expense | | **48,567** | 116,823 |
| | | **214,787** | 202,419 |

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year ended 31 December 2022, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is set out below:

| | **2022** ***RMB'000*** | 2021 *RMB'000* |
|---|---|---|
| Fees | **1,819** | 1,298 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **8,235** | 6,326 |
| Performance related bonuses | **31** | – |
| Pension scheme contributions | **123** | 104 |
| | **8,389** | 6,430 |

# Notes to Financial Statements

*31 December 2022*

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

| | **2022** ***RMB'000*** | 2021 *RMB'000* |
|---|---|---|
| Dr. Xiaofan Wang | **433** | 309 |
| Dr. Yang Ke | **433** | 309 |
| Dr. Linqing Liu | **433** | 309 |
| Mr. Cheuk Kin Stephen Law | **520** | 371 |
| | **1,819** | 1,298 |

### (b) Executive directors, non-executive directors and the chief executive

**2022**

| | **Fees** ***RMB'000*** | **Salaries, allowances and benefits in kind** ***RMB'000*** | **Performance related bonuses** ***RMB'000*** | **Pension scheme contributions** ***RMB'000*** | **Total** ***RMB'000*** |
|---|---|---|---|---|---|
| Director and chief executive: | | | | | |
| Dr. Bo Chen (note (i)) | **–** | **4,109** | **–** | **–** | **4,109** |
| Directors: | | | | | |
| Dr. Gang Xu (note (ii)) | **–** | **1,343** | **–** | **39** | **1,382** |
| Mr. Qi Chen (note (ii)) | **–** | **566** | **31** | **42** | **639** |
| Dr. Minchuan Wang (note (iii)) | **–** | **–** | **–** | **–** | **–** |
| Mr. Yilun Liu (note (iii)) | **–** | **–** | **–** | **–** | **–** |
| Dr. Changyu Wang (note (iv)) | **–** | **2,217** | **–** | **42** | **2,259** |
| | **–** | **8,235** | **31** | **123** | **8,389** |

# Notes to Financial Statements

*31 December 2022*

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

### (b) Executive directors, non-executive directors and the chief executive (Continued)

2021

| | Fees *RMB'000* | Salaries, allowances and benefits in kind *RMB'000* | Pension scheme contributions *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| Director and chief executive: | | | | |
| Dr. Bo Chen (note (i)) | – | 3,556 | 63 | 3,619 |
| Directors: | | | | |
| Dr. Gang Xu (note (ii)) | – | 968 | 28 | 996 |
| Mr. Qi Chen (note (ii)) | – | – | – | – |
| Dr. Dong Lv (note (iii)) | – | – | – | – |
| Dr. Minchuan Wang (note (iii)) | – | – | – | – |
| Mr. Yilun Liu (note (iii)) | – | – | – | – |
| Dr. Changyu Wang (note (iv)) | – | 1,802 | 13 | 1,815 |
| | – | 6,326 | 104 | 6,430 |

Notes:

(i) Dr. Bo Chen was appointed as an executive director of the Company and the chairman of the Board of Directors (the "Board") with effect from April 2018.

(ii) Dr. Gang Xu and Mr. Qi Chen were appointed as directors of the Company with effect from June 2018.

(iii) Dr. Dong Lv, Dr. Minchuan Wang and Mr. Yilun Liu were appointed as non-executive directors of the Company with effect from March 2021, and Dr. Dong Lv resigned as a non-executive director in March 2022.

(iv) Dr. Changyu Wang was appointed as an executive director of the Company with effect from March 2021.

# Notes to Financial Statements

*31 December 2022*

## 11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2022 included 1 director (2021: 1 director), whose details of remuneration are set out in note 10 above. Details of the remuneration for the remaining 4 highest paid employees (2021: 4 highest paid employees) who are neither a director nor chief executive of the Company during the year ended 31 December 2022 are as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Salaries, allowances and benefits in kind | **11,017** | 6,121 |
| Performance related bonuses | **1,429** | – |
| Pension scheme contributions | **280** | 74 |
| Equity-settled share-based payments | **21,032** | 99,024 |
| | **33,758** | 105,219 |

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

| | **2022** | 2021 |
|---|---|---|
| HK$2,000,001 to HK$2,500,000 | **–** | 1 |
| HK$3,000,001 to HK$3,500,000 | **1** | – |
| HK$3,500,001 to HK$4,000,000 | **–** | 1 |
| HK$5,000,001 to HK$5,500,000 | **1** | – |
| HK$7,500,001 to HK$8,000,000 | **1** | – |
| HK$8,000,001 to HK$8,500,000 | **–** | 1 |
| HK$22,500,001 to HK$23,000,000 | **1** | – |
| HK$114,500,001 to HK$115,000,000 | **–** | 1 |
| | **4** | 4 |

## 12. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

### Cayman Islands

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax.

### British Virgin Islands

Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the subsidiaries incorporated in the BVI are not subject to any income tax.

### United States of America

Subsidiaries incorporated in Delaware, the USA, are subject to the statutory federal corporate income tax at a rate of 21% during the year ended 31 December 2022.

# Notes to Financial Statements

*31 December 2022*

## 12. INCOME TAX (Continued)

### Hong Kong

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at the statutory rate of 16.5% on any estimated assessable profits arising in Hong Kong during the year ended 31 December 2022. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year ended 31 December 2022.

### Mainland China

Most subsidiaries incorporated in Mainland China are subject to the statutory rate of 25% on the taxable profits determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008. Chengdu Kangnuo Xing Biosciences Co., Ltd. ("Chengdu KNX"), a subsidiary of the Group, is subject to the statutory rate of 15% as it obtained the Certificate of High-tech Enterprise in 2022.

The Group had no taxable income during the year ended 31 December 2022.

A reconciliation of the tax expense applicable to loss before tax using the statutory rates of the jurisdictions in which the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

| 2022 | Mainland China *RMB'000* | Others *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| Profit/(loss) before tax | **(465,521)** | **161,924** | **(303,597)** |
| Tax charged at the statutory tax rate | **(109,147)** | **(14,373)** | **(123,520)** |
| Additional deductible allowance for qualified research and development costs | **(78,569)** | **–** | **(78,569)** |
| Deductible temporary difference and tax losses not recognised | **184,588** | **17,698** | **202,286** |
| Expenses not deductible for tax | **3,128** | **–** | **3,128** |
| Tax losses utilised from previous periods | **–** | **(3,325)** | **(3,325)** |
| Tax charge at the Group's effective rate | **–** | **–** | **–** |

# Notes to Financial Statements

*31 December 2022*

## 12. INCOME TAX (Continued)

| 2021 | Mainland China *RMB'000* | Others *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| Loss before tax | (286,596) | (3,606,036) | (3,892,632) |
| Tax charged at the statutory tax rate | (71,649) | (2,088) | (73,737) |
| Additional deductible allowance for qualified research and development costs | (45,311) | – | (45,311) |
| Deductible temporary difference and tax losses not recognised | 84,554 | (1,783) | 82,771 |
| Expenses not deductible for tax | 32,406 | 3,871 | 36,277 |
| Tax charge at the Group's effective rate | – | – | – |

The Group has accumulated tax losses in Mainland China of RMB730,929,000 in aggregate as at the end of 2022 (2021: RMB680,246,000), which can be carried forward for five to ten years to offset against future taxable profits of the companies in which losses were incurred.

The Group has accumulated tax losses in the USA of RMB10,272,000 in aggregate as at the end of 2022 (2021: RMB1,203,000), which can be carried forward indefinitely to offset against future taxable profits of the companies in which the losses were incurred.

Deferred tax assets have not been recognised in respect of these tax losses as they have been incurred in subsidiaries that were loss-making in the past and it is not probable that they will generate sufficient taxable income in the forthcoming five to ten years to utilise such tax losses.

# Notes to Financial Statements

*31 December 2022*

## 13. DIVIDENDS

No dividends have been declared and paid by the Company during the year ended 31 December 2022.

## 14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue (excluding treasury shares reserved under the restricted share units scheme) during each reporting period.

The computation of diluted loss per share for the year ended 31 December 2022 and 31 December 2021 was made without the assumption of the exercise of restricted share units in 2022 and 2021 and conversion of the convertible redeemable preferred shares in 2021 since their assumed exercise or conversion of such shares would result in a decrease in loss per share.

The calculation of the basic and diluted loss per share attributable to ordinary equity holders of the parent is based on the following data:

| | **2022** | 2021 |
|---|---|---|
| Loss for the year | | |
| Loss for the year attributable to ordinary equity holders of the parent (RMB'000) | **(308,115)** | (3,887,309) |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | **261,126,555** | 160,849,076 |
| Loss per share (basic and diluted) | | |
| RMB per share | **(1.18)** | (24.17) |

# Notes to Financial Statements

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## 15. PROPERTY, PLANT AND EQUIPMENT

| | Machinery *RMB'000* | Office equipment and others *RMB'000* | Motor vehicles *RMB'000* | Leasehold improvements *RMB'000* | Construction in progress *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **31 December 2022** | | | | | | |
| At 1 January 2022: | | | | | | |
| Cost | **102,000** | **5,162** | **3,482** | **42,446** | **21,625** | **174,715** |
| Accumulated depreciation | **(21,231)** | **(1,296)** | **(576)** | **(12,193)** | **–** | **(35,296)** |
| Net carrying amount | **80,769** | **3,866** | **2,906** | **30,253** | **21,625** | **139,419** |
| At 1 January 2022, net of accumulated depreciation | **80,769** | **3,866** | **2,906** | **30,253** | **21,625** | **139,419** |
| Additions | **16,151** | **3,375** | **–** | **8,795** | **408,482** | **436,803** |
| Disposals | **(198)** | **(194)** | **–** | **–** | **–** | **(392)** |
| Depreciation provided during the year (note 9) | **(14,291)** | **(500)** | **(864)** | **(6,619)** | **–** | **(22,274)** |
| Transfer | **106,073** | **–** | **–** | **486** | **(106,559)** | **–** |
| At 31 December 2022, net of accumulated depreciation | **188,504** | **6,547** | **2,042** | **32,915** | **323,548** | **553,556** |
| At 31 December 2022: | | | | | | |
| Cost | **223,749** | **8,262** | **3,482** | **51,727** | **323,548** | **610,768** |
| Accumulated depreciation | **(35,245)** | **(1,715)** | **(1,440)** | **(18,812)** | **–** | **(57,212)** |
| Net carrying amount | **188,504** | **6,547** | **2,042** | **32,915** | **323,548** | **553,556** |

# Notes to Financial Statements

*31 December 2022*

## 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Machinery | Office equipment and others | Motor vehicles | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2021** | | | | | | |
| At 1 January 2021: | | | | | | |
| Cost | 76,848 | 3,307 | 1,988 | 42,684 | 181 | 125,008 |
| Accumulated depreciation | (12,559) | (917) | (365) | (10,175) | – | (24,016) |
| Net carrying amount | 64,289 | 2,390 | 1,623 | 32,509 | 181 | 100,992 |
| At 1 January 2021, net of accumulated depreciation | 64,289 | 2,390 | 1,623 | 32,509 | 181 | 100,992 |
| Additions | 21,245 | 1,972 | 1,494 | 1,731 | 25,494 | 51,936 |
| Disposals | (665) | (40) | – | – | – | (705) |
| Depreciation provided during the year (note 9) | (9,080) | (456) | (211) | (3,057) | – | (12,804) |
| Transfer | 4,980 | – | – | (930) | (4,050) | – |
| At 31 December 2021, net of accumulated depreciation | 80,769 | 3,866 | 2,906 | 30,253 | 21,625 | 139,419 |
| At 31 December 2021: | | | | | | |
| Cost | 102,000 | 5,162 | 3,482 | 42,446 | 21,625 | 174,715 |
| Accumulated depreciation | (21,231) | (1,296) | (576) | (12,193) | – | (35,296) |
| Net carrying amount | 80,769 | 3,866 | 2,906 | 30,253 | 21,625 | 139,419 |

# Notes to Financial Statements

*31 December 2022*

## 16. LEASES

### The Group as a lessee

The Group has lease contracts for several office units used as its office and laboratory. The movements in the carrying amount of right-of-use assets and lease liabilities during the year ended 31 December 2022 are as follows:

### *(a) Right-of-use assets*

| | Office and laboratory | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| As at 1 January | **38,111** | 23,823 |
| Additions | **12,333** | 23,825 |
| Lease modification | **(6,053)** | (1,399) |
| Depreciation charge (note 9) | **(13,513)** | (8,138) |
| As at 31 December | **30,878** | 38,111 |

### *(b) Lease liabilities*

The carrying amount of lease liabilities and the movements during the year ended 31 December 2022 are as follows:

| | Office and laboratory | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Carrying amount at 1 January | **38,709** | 24,492 |
| New leases | **12,333** | 23,825 |
| Accretion of interest recognised during the year | **1,535** | 1,475 |
| Lease modification | **(6,053)** | (1,399) |
| Lease payments | **(14,518)** | (9,684) |
| Carrying amount at 31 December | **32,006** | 38,709 |
| Analysed into: | | |
| Current portion | **11,078** | 11,724 |
| Non-current portion | **20,928** | 26,985 |
| | **32,006** | 38,709 |

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

# Notes to Financial Statements

*31 December 2022*

## 16. LEASES (Continued)

**The Group as a lessee** (Continued)

***(c)*** The amounts recognised in profit or loss in relation to leases are follows:

| | **2022** ***RMB'000*** | 2021 *RMB'000* |
|---|---|---|
| Interest on lease liabilities | **1,535** | 1,475 |
| Depreciation charge on right-of-use assets | **13,513** | 8,138 |
| Expense relating to short-term and low-value leases | **1,887** | 2,486 |
| Total amount recognised in profit or loss | **16,935** | 12,099 |

The total cash outflow for leases included in the consolidated statement of cash flows is disclosed in note 32(c) to the financial statements.

## 17. OTHER INTANGIBLE ASSETS

| | **Computer software** ***RMB'000*** |
|---|---|
| **31 December 2022** | |
| Cost at 1 January 2022, net of accumulated amortisation | **1,104** |
| Additions | **728** |
| Amortisation provided during the year (note 9) | **(336)** |
| At 31 December 2022 | **1,496** |
| At 31 December 2022: | |
| Cost | **1,928** |
| Accumulated amortisation | **(432)** |
| Net carrying amount | **1,496** |
| **31 December 2021** | |
| At 1 January 2021 | 109 |
| Additions | 1,072 |
| Amortisation provided during the year | (77) |
| At 31 December 2021 | 1,104 |
| At 31 December 2021: | |
| Cost | 1,200 |
| Amortisation provided during the year | (96) |
| Net carrying amount | 1,104 |

# Notes to Financial Statements

*31 December 2022*

## 18. INVESTMENT IN A JOINT VENTURE

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Costs of investment in a joint venture | **21,000** | 21,000 |
| Share of loss of a joint venture | **(10,430)** | (719) |
| | **10,570** | 20,281 |

The joint venture is indirectly held by the Company and is accounted for using the equity method in the consolidated financial statements.

Particulars of the Group's joint venture is as follows:

| Name | Place of Registration and business | Percentage Ownership interest | Percentage Voting power | Percentage Profit sharing | Principle activity |
|---|---|---|---|---|---|
| Beijing Tiannuo Pharma Tech Co., Ltd. ("Tiannuo Pharma") | Mainland China | 50% | 50% | 50% | Clinical research |

As at 31 December 2022, Tiannuo Pharma was still a start-up company involved in research and development of biotechnology and pharmaceutical products. The following table illustrates the financial information of the joint venture, which is not material to the consolidated financial statements of the Group:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Share of a joint venture's loss for the year | **(9,711)** | (719) |
| Share of a joint venture's total comprehensive loss for the year | **(9,711)** | (719) |
| Aggregate carrying amount of the Group's investment in a joint venture | **10,570** | 20,281 |

## 19. INVENTORIES

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Raw materials | **44,215** | 15,294 |
| Contract costs | **280** | 1,099 |
| | **44,495** | 16,393 |

# Notes to Financial Statements

*31 December 2022*

## 20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | **2022** ***RMB'000*** | 2021 *RMB'000* |
|---|---|---|
| Non-current: | | |
| Value-added tax recoverable | **–** | 19,582 |
| Prepayments for property, plant and equipment | **12,031** | 128,951 |
| Rental deposits | **2,540** | 2,193 |
| Advances to employees | **1,270** | 2,865 |
| | **15,841** | 153,591 |
| Current: | | |
| Prepayments for | | |
| – Research and development expenses | **37,671** | 16,270 |
| – Raw materials | **6,837** | 6,033 |
| – Value-added tax recoverable | **29,904** | – |
| – Others | **6,045** | 2,109 |
| Others receivables | | |
| – Receivable for CDM service income | **480** | 6,570 |
| – Advances to employees | **2,860** | 2,357 |
| – Rental deposits | **2,253** | 2,938 |
| – Other receivables | **4,103** | 720 |
| | **90,153** | 36,997 |

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its prepayments and other receivable balances.

The balances are interest-free, unsecured and repayable on demand.

## 21. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

| | **2022** ***RMB'000*** | 2021 *RMB'000* |
|---|---|---|
| Unlisted equity investments | **10,001** | – |

During the reporting period, the Group subscribed for insignificant equity interests in Shanghai Duoning Biotechnology Co.,Ltd. at a consideration of RMB10 million in cash. The unlisted equity investment was measured at fair value through other comprehensive income. The change in fair value up to 31 December 2022 amounted to RMB1,000.

# Notes to Financial Statements

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## 22. OTHER INVESTMENTS CLASSIFIED AS FINANCIAL ASSETS AT FVTPL

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Wealth management products | **232,188** | 53,401 |

The investments measured at FVTPL are wealth management products denominated in RMB, USD and HKD. The above wealth management products were issued by banks in Mainland China and Hong Kong. The principals or yields on wealth management products are not guaranteed, and hence their contractual cash flows do not qualify for solely payments of principal and interest.

The fair values are based on cash flows discounted using the expected yield rate and are within Level 2 of the fair value hierarchy.

## 23. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Cash and bank balances | **588,050** | 981,080 |
| Time deposits with maturity dates within three months | **16,020** | 539,539 |
| Cash and cash equivalents | **604,070** | 1,520,619 |
| Time deposits with maturity dates over three months | **2,339,068** | 1,950,559 |
| | **2,943,138** | 3,471,178 |
| Denominated in | | |
| RMB | **2,303,998** | 140,791 |
| USD | **498,981** | 836,935 |
| HKD | **140,159** | 2,493,452 |
| | **2,943,138** | 3,471,178 |

Cash and cash equivalents earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The time deposits presented above are placed with banks in Mainland China and Hong Kong with annual interest rates ranging from 2.25% to 5.11% and have maturity dates within one year.

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

# Notes to Financial Statements

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## 24. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **4,995** | 271 |
| 3 to 6 months | **4,358** | 1,958 |
| 6 months to 1 year | **5,495** | 392 |
| Over 1 year | **65** | 163 |
| | **14,913** | 2,784 |

Trade payables are non-interest-bearing and unsecured.

## 25. OTHER PAYABLES AND ACCRUALS

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Payroll payable | **35,437** | 29,118 |
| Accrued research and development expenses | **53,873** | 18,630 |
| Accrued professional fee | **1,680** | 2,180 |
| Other tax payables | **1,026** | 935 |
| Other payables: | | |
| Accrued listing expenses | **–** | 30,513 |
| Payables for property, plant and equipment | **52,033** | 10,971 |
| Others | **2,159** | 3,055 |
| | **146,208** | 95,402 |

Other payables and accruals are non-interest-bearing and repayable on demand. The carrying amounts of financial liabilities included in other payables as at the end of each reporting period approximated to their fair values due to their short-term maturities.

# Notes to Financial Statements

*31 December 2022*

## 26. DEFERRED INCOME

| | **2022** ***RMB'000*** | 2021 *RMB'000* |
|---|---|---|
| Government grants: | | |
| Non-current | **163,671** | 8,719 |
| Current | **–** | 1,612 |
| | **163,671** | 10,331 |

The movements in deferred income during the year ended 31 December 2022 are as follows:

| | **2022** ***RMB'000*** | 2021 *RMB'000* |
|---|---|---|
| At beginning of the year | **10,331** | 9,659 |
| Grants received during the year | **155,851** | 3,906 |
| Amounts released to profit or loss during the year (note 6) | **(2,511)** | (3,234) |
| At end of the year | **163,671** | 10,331 |

The grants were mostly government subsidies received from government authorities related to property, plant and equipment to support the Group's research and development activities and will be released to profit or loss over the expected useful life of the relevant property, plant and equipment.

## 27. CONVERTIBLE REDEEMABLE PREFERRED SHARES

From 2018 to 2021, the Company issued convertible redeemable preferred shares ("Preferred Shares") for equity financing. These Preferred Shares had been automatically converted to ordinary shares of the Company on a 1:1 basis upon the completion of the Company's IPO on 8 July 2021, and the then fair value of financial liabilities had been reclassified to equity accordingly. No fair value change on the Preferred Shares had been recorded accordingly since then.

## 28. OTHER FINANCIAL LIABILITIES

In July 2019, Chengdu KNX entered into an investment agreement (the "Hi-tech Investment Agreement") with Chengdu Hi-tech New Economy Venture Capital Co., Ltd. (成都高新新經濟創業投資有限公司, "Hi-tech"). Pursuant to the Hi-tech Investment Agreement, Hi-tech subscribed for 16.6667% interests in Chengdu KNX at a cash consideration of RMB100,000,000 (the "Hi-tech Investment Principal").

In March 2020, Chengdu KNX entered into an investment agreement (the "Bio-town Investment Agreement") with Chengdu Bio-town Equity Investment Co., Ltd. (成都生物城股權投資有限公司, "Bio-town"). Pursuant to the Bio-town Investment Agreement, Bio-town subscribed for 2.4390% interests in Chengdu KNX at a cash consideration of RMB15,000,000 (the "Bio-town Investment Principal").

The key terms of the Hi-tech Investment Agreement and Bio-town Investment Agreement are as follows:

At the request of Hi-tech Investment and Bio-town Investment (collectively the "Onshore Investors"), Chengdu KNX (the "Domestic Subsidiary") shall repurchase all or a portion of their outstanding ownership from time to time on or upon, amongst others, the fifth anniversary of the Closing (as defined below) with a repurchase price being the higher of:

(1) the corresponding equity value of the Domestic Subsidiary evaluated by a third-party valuer at the time of triggering the repurchase obligation; or

(2) 100% of the principals plus interest accrued at the rate of eight percentage (simple interest) of the principals per annum starting from the principal receiving date (the "Closing") to the repurchase price payment date by the Domestic Subsidiary.

### Liquidation preferences

In an event of any liquidation, all assets and funds of the Domestic Subsidiary legally available for distribution to the shareholders of the Domestic Subsidiary shall, by reason of the shareholders' ownership of the shares, be distributed as follows:

(1) Prior to and in preference to any distribution of any of the assets of the Domestic Subsidiary to other shareholders of the Domestic Subsidiary, the Onshore Investors shall be entitled to receive an amount equal to 100% of the Principal, plus a simple annual interest of 8% (the "Preference Amount");

(2) Upon receiving the Preference Amount by the Onshore Investors, the residual assets and funds could be allocated among other shareholders of the Domestic Subsidiary based on their percentage of paid-in and additional paid-in capital.

Under current IFRSs, when the put option is granted, the instrument is regarded as a debt and the Group is required to record a financial liability which is to be measured at the present value of the repurchase price. The financial liability is subsequently measured in accordance with IFRS 9.

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## 28. OTHER FINANCIAL LIABILITIES (Continued)

**Liquidation preferences** (Continued)

The Group recorded finance costs of RMB4,818,000 (2021: RMB9,658,000) arising from the changes in the present value of the estimated repurchase price during the year ended 31 December 2022.

The management of the Company evaluated that the Group has the intention to repurchase all of Chengdu KNX's outstanding equities from Hi-tech and Bio-town during 2023 under the Hi-tech Investment Agreement and Bio-town Investment Agreement. As such, the corresponding financial liabilities arising from the repurchase rights has been reclassified as current liabilities as at 31 December 2022.

## 29. SHARE CAPITAL

**Issued and fully paid:**

| | Number of shares in issue | Number of shares fully paid | 2022 *RMB'000* | 2021 *RMB'000* |
|---|---|---|---|---|
| Ordinary shares of USD0.0001 each | 279,735,566 | 261,759,413 | **170** | 171 |

Among these 279,735,566 issued ordinary shares, 17,976,153 shares reserved under the restricted share units scheme remained unpaid as at 31 December 2022 and 31 December 2021.

### *Share Capital*

| | Number of shares in issue | Share Capital *RMB'000* |
|---|---|---|
| At 1 January 2021 and at 31 December 2021 | 279,735,566 | 171 |
| Share repurchased for Restricted Share Units ("RSUs") Scheme | (2,349,500) | (1) |
| At 31 December 2022 | **277,386,066** | **170** |

# Notes to Financial Statements

*31 December 2022*

## 29. SHARE CAPITAL (Continued)

**Issued and fully paid:** (Continued)

***Treasury Shares***

| | Number of treasury shares | Share Capital *RMB'000* |
|---|---|---|
| At 1 January 2021 and at 31 December 2021 | – | – |
| Share repurchased for RSUs Scheme | 2,349,500 | 1 |
| At 31 December 2022 | **2,349,500** | **1** |

During the year ended 31 December 2022, the Company repurchased 2,349,500 shares at a total consideration of RMB51,135,000 from the open market, which are held by Bright Season Enterprises Limited, a trust controlled by the Company established for the 2022 Restricted Share Unit Scheme.

## 30. SHARE-BASED PAYMENTS

**RSUs Scheme**

Pursuant to a written shareholders' resolution of the Company passed on 5 April 2021, a restricted share unit scheme (the "2021 RSU Scheme") has been approved for the purpose of providing incentives to eligible participants who contribute to the success of the Group's operation. Up to 17,976,153 shares of the Company were authorised and approved under the 2021 RSU Scheme. The number of RSUs granted, the grant date, and the vesting period under the 2021 RSU Scheme would be determined at the discretion of the Company's board of directors. The Scheme shall be valid and effective for the period of ten years commencing on the listing date of 8 July 2022.

Pursuant to a written board resolution passed by the Company on 21 January 2022, a restricted share unit scheme (the "2022 RSU Scheme") has been approved to recognise and incentivise the grantees' contributions and to retain and further develop to attract outstanding employees. Under the 2022 RSU Scheme, the authorized and approved shares of the Company shall not exceed 2% of the total issued share capital of the Company as at the grant date (i.e., not more than 5,594,711 shares). The number of RSUs granted, the grant date, and the vesting period under the 2022 RSU Scheme, shall be determined by the Company's board of directors. The 2022 RSU Scheme was effective on 21 January 2022 and is valid for ten years.

As at 31 December 2022, 2,349,500 shares were repurchased from the open market and held under the 2022 RSU Scheme.

The RSUs have vesting terms of 4 years from the grant date. The RSUs shall be vested according to the vesting schedule: 25% of the total number of RSUs shall be vested on the first anniversary of the grant date and the remaining 75% of the total number of RSUs shall be vested in three substantially equal annual instalments, with the first instalment vested on the second anniversary of the grant date, and then on up to the fourth anniversary of the grant date. The RSUs are granted with the subscription price of zero.

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*31 December 2022*

## 30. SHARE-BASED PAYMENTS (Continued)

**RSUs Scheme** (Continued)

A summary of movements in the RSUs under the 2021 RSU Scheme and 2022 RSU Scheme is as follows:

| | Number of RSUs |
|---|---|
| At 1 January 2022 | **5,119,984** |
| Granted during the year | **2,747,021** |
| Exercised during the year | **(1,221,321)** |
| Forfeited during the year | **(493,157)** |
| At 31 December 2022 | **6,152,527** |

The vesting periods and fair value of the RSUs outstanding as at 31 December 2022 are as follows:

**As at 31 December 2022**

| | Number of RSUs outstanding | Vesting period | Fair value at grant date *RMB per share* |
|---|---|---|---|
| Granted in April 2021 | **3,009,020** | **4 years** | **14.65** |
| Granted after April 2021 | **3,143,507** | **4 years** | **18.20 – 45.96** |
| | **6,152,527** | | |

The fair value of RSUs as at the grant date were determined based on the fair value of ordinary shares on the grant date. Major inputs used for the determination of the fair value of ordinary shares are listed as follows:

| | RSUs granted in April 2021 | RSUs granted after April 2021 |
|---|---|---|
| Expected volatility (%) | 88.16% | N/A |
| Risk-free interest rate (%) | 0.30% | N/A |
| Discount for lack of marketability ("DLOM") | 27.00% | N/A |

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## 30. SHARE-BASED PAYMENTS (Continued)

**RSUs Scheme** (Continued)

The fair values of RSUs granted after April 2021 were determined with reference to the closing price of ordinary shares of the Company traded publicly on the Hong Kong Stock Exchange at the grant date or the previous trading day, and hence no inputs were applicable.

The Group recognised share-based payment expenses of RMB48,567,000 under the 2021 RSU Scheme for the year ended 31 December 2022 (2021: RMB25,362,000).

## 31. RESERVES

**The Group**

The amounts of the Group's deficits and the movements therein for the year ended 31 December 2022 are presented in the consolidated statement of changes in equity on page 108 of the consolidated financial statements.

***Share premium***

The share premium of the Group represents: 1) conversion of redeemable convertible preferred shares into ordinary shares upon IPO, 2) the issue of ordinary shares upon IPO and exercise of over-allotment option, and 3) the transfer of share-based payments to share premium resulting from the exercise of RSUs.

***Share-based payments reserve***

The share-based payments reserve of the Group represents the share-based payments reserve in respect of equity-settled share awards.

## 32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

**(a) Major non-cash transactions**

During the year, the Group had non-cash additions to right-of-use assets of RMB12,333,000 and non-cash additions to lease liabilities of RMB12,333,000, in respect of lease arrangements for office and laboratory premises.

# Notes to Financial Statements

*31 December 2022*

## 32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (b) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Bank and other loans *RMB'000* | Convertible redeemable preferred shares *RMB'000* | Other financial liabilities *RMB'000* | Lease liabilities *RMB'000* | Accrued listing expenses included in other payables *RMB'000* | Amounts due to related parties *RMB'000* |
|---|---|---|---|---|---|---|
| At 1 January 2021 | – | 1,385,772 | 131,636 | 24,492 | 350 | 42,373 |
| Changes from financing cash flows | – | 813,957 | – | (9,684) | (8,497) | (41,820) |
| Increase in deferred listing expenses | – | – | – | – | 8,147 | – |
| Increase in transaction costs from IPO and over-allotment | – | – | – | – | 30,513 | – |
| Foreign exchange gains | – | (12,660) | – | – | – | – |
| Changes in fair value | – | 3,480,294 | – | – | – | – |
| Conversion of Preferred Shares into ordinary shares upon IPO | – | (5,667,363) | – | – | – | – |
| New leases | – | – | – | 22,426 | – | – |
| Accretion of interest | – | – | 9,658 | 1,475 | – | – |
| At 31 December 2021 and 1 January 2022 | – | – | 141,294 | 38,709 | 30,513 | 553 |
| Changes from financing cash flows | **88,097** | **–** | **–** | **(14,518)** | **(30,513)** | **(328)** |
| New leases | **–** | **–** | **–** | **12,333** | **–** | **–** |
| Lease modification | **–** | **–** | **–** | **(6,053)** | | |
| Accretion of interest | **1,866** | **–** | **4,818** | **1,535** | **–** | **–** |
| At 31 December 2022 | **89,963** | **–** | **146,112** | **32,006** | **–** | **225** |

# Notes to Financial Statements

*31 December 2022*

## 32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within operating activities | **1,887** | 2,486 |
| Within financing activities | **14,180** | 12,905 |
| | **16,067** | 15,391 |

## 33. COMMITMENTS

The Group had the following capital commitments as at 31 December 2022:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contracted, but not provided for: | | |
| Purchase of property, plant and equipment | **897** | 254,345 |

## 34. RELATED PARTY TRANSACTIONS

The Directors are of the opinion that the following companies are related parties that had material transactions or balances with the Group during the year ended 31 December 2022.

### (a) Name and relationships of the related parties

| **Name** | **Relationship** |
|---|---|
| Dr. Gang Xu | Director |
| Dr. Qian Jia | Key management personnel |

### (b) Outstanding balances with related parties

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Amounts due to related parties – non-trade | | |
| Dr. Qian Jia | **225** | 550 |
| Dr. Gang Xu | **–** | 3 |
| | **225** | 553 |

# Notes to Financial Statements

*31 December 2022*

## 34. RELATED PARTY TRANSACTIONS (Continued)

### (c) Compensation of key management personnel of the Group

| | 2022 *RMB'000* | 2021 *RMB'000* |
|---|---|---|
| Salaries, allowances and benefits in kind | **17,989** | 12,035 |
| Pension scheme contributions | **237** | 141 |
| Equity-settled share-based payments | **17,726** | 97,550 |
| Performance related bonuses | **697** | – |
| | **36,649** | 109,726 |

## 35. INTEREST-BEARING BANK BORROWINGS

| | 2022 | | |
|---|---|---|---|
| | **Effective interest rate (%)** | **Maturity** | ***RMB'000*** |
| Current | | | |
| Bank loans – unsecured | 3.5 | 2023/6/29 | **50,000** |
| Bank loans – secured | Loan Prime Rate ("LPR") - 1.2 | 2023/6/21 | **613** |
| Bank loans – secured | LPR-1.2 | 2023/12/21 | **600** |
| Bank loans – unsecured | LPR+0.2 | 2023/12/29 | **9,950** |
| | | | **61,163** |
| Non-current | | | |
| Bank loans – secured | LPR-1.2 | 2024-2027 | **28,800** |
| | | | **89,963** |

| | 2022 *RMB'000* |
|---|---|
| Analysed into: | |
| Bank loans and overdrafts repayable: | |
| Within one year or on demand | **61,163** |
| In the second year | **2,700** |
| In the third to fifth years, inclusive | **26,100** |
| | **89,963** |

# Notes to Financial Statements

*31 December 2022*

## 35. INTEREST-BEARING BANK BORROWINGS (Continued)

Notes:

(a) The Group's bank loans amounted to RMB89,963,000 (2021: Nil), of which RMB30,000,000 (2021: Nil) are secured by the pledge of certain of the Group's property, plant and equipment.

(b) Certain of the Group's bank loans were secured by:

(i) mortgages over the Group's machinery equipment of not less than RMB430,000,000 (2021: Nil); and

(ii) mortgages over the Group's plant and property to be obtained in 2023.

(c) All borrowings are denominated in RMB.

## 36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

### *Financial assets*

| | 2022 | | | |
|---|---|---|---|---|
| | Financial assets at amortised cost *RMB'000* | Financial assets at FVTPL *RMB'000* | Financial assets at FVTOCI *RMB'000* | Total *RMB'000* |
| Financial assets included in prepayments, other receivables and other assets | **13,506** | **–** | **–** | **13,506** |
| Other investments classified as financial assets at FVTPL | | | | |
| – Wealth management products | **–** | **232,188** | **–** | **232,188** |
| Equity investments designated at FVTOCI | **–** | **–** | **10,001** | **10,001** |
| Time deposits | **2,339,068** | **–** | **–** | **2,339,068** |
| Cash and cash equivalents | **604,070** | **–** | **–** | **604,070** |
| | **2,956,644** | **232,188** | **10,001** | **3,198,833** |

# Notes to Financial Statements

*31 December 2022*

## 36. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

### *Financial assets (Continued)*

| | 2021 | | |
|---|---|---|---|
| | Financial assets at amortised cost *RMB'000* | Financial assets at FVTPL *RMB'000* | Total *RMB'000* |
| Financial assets included in prepayments, other receivables and other assets | 17,643 | – | 17,643 |
| Other investments classified as financial assets at FVTPL | | | |
| – Wealth management products | – | 53,401 | 53,401 |
| Contract assets | 3,980 | – | 3,980 |
| Time deposits | 1,950,559 | – | 1,950,559 |
| Cash and cash equivalents | 1,520,619 | – | 1,520,619 |
| | 3,492,801 | 53,401 | 3,546,202 |

### *Financial liabilities*

| | **2022** | | |
|---|---|---|---|
| | **Financial liabilities at amortised cost *RMB'000*** | **Financial liabilities at present value of repurchase price *RMB'000*** | **Total *RMB'000*** |
| Trade payables | **14,913** | **–** | **14,913** |
| Interest-bearing bank borrowings | **89,963** | **–** | **89,963** |
| Financial liabilities included in other payables and accruals | **54,192** | **–** | **54,192** |
| Amounts due to related parties | **225** | **–** | **225** |
| Other financial liabilities | **–** | **146,112** | **146,112** |
| | **159,293** | **146,112** | **305,405** |

# Notes to Financial Statements

*31 December 2022*

## 36. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

***Financial liabilities** (Continued)*

| | 2021 | | |
|---|---|---|---|
| | Financial liabilities at amortised cost *RMB'000* | Financial liabilities at present value of repurchase price *RMB'000* | Total *RMB'000* |
| Trade payables | 2,784 | – | 2,784 |
| Financial liabilities included in other payables and accruals | 44,539 | – | 44,539 |
| Amounts due to related parties | 553 | – | 553 |
| Other financial liabilities | – | 141,294 | 141,294 |
| | 47,876 | 141,294 | 189,170 |

## 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, time deposits, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, amounts due to related parties, and other financial liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the Chief Finance Officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the Chief Finance Officer at 2021 and 2022. The finance department analyses the movements in the value of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors of the Company once a year for annual financial reporting.

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2022 were assessed to be insignificant.

# Notes to Financial Statements

*31 December 2022*

## 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

**Fair value hierarchy**

***Assets measured at fair value:***

| As at 31 December 2022 | Fair value measurement using<br>Quoted prices in active markets (Level 1)<br>*RMB'000* | Significant observable inputs (Level 2)<br>*RMB'000* | Significant unobservable inputs (Level 3)<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|
| Financial assets | | | | |
| Other investments classified as financial assets at FVTPL | | | | |
| – Wealth management products investment | **–** | **232,188** | **–** | **232,188** |
| Equity investments designated at FVTOCI | **–** | **–** | **10,001** | **10,001** |
| | **–** | **232,188** | **10,001** | **242,189** |

| As at 31 December 2021 | Fair value measurement using<br>Quoted prices in active markets (Level 1)<br>*RMB'000* | Significant observable inputs (Level 2)<br>*RMB'000* | Significant unobservable inputs (Level 3)<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|
| Other investments classified as financial assets at FVTPL | | | | |
| – Wealth management products investment | – | 53,401 | – | 53,401 |
| | – | 53,401 | – | 53,401 |

During the year ended 31 December 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly comprise cash and cash equivalents, time deposits, other investments classified as financial assets at FVTPL, amounts due to related parties, interests-bearing bank borrowings and other financial liabilities. The main purpose of these financial instruments is to raise fund for the Group's operations. The Group has various other financial assets and liabilities such as financial assets included in prepayments, other receivables and other assets, amounts due to related parties, trade payables, and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

### Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates.

The Group's financial assets and liabilities are subject to foreign currency risk as a result of certain cash and cash equivalents and time deposits, other investments classified as FVTPL and other payables and accruals denominated in non-functional currency. Therefore, the fluctuations in the exchange rate of functional currency against non-functional currency could affect the Group's results of operations. The Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currency.

# Notes to Financial Statements

*31 December 2022*

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

**Foreign currency risk** (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (arising from USD and RMB denominated financial instruments) and the Group's equity.

| | Increase/ (decrease) in rate of foreign exchange *%* | Decrease/ (increase) in loss before tax *RMB'000* | Increase/ (decrease) in equity *RMB'000* |
|---|---|---|---|
| **31 December 2021** | | | |
| If RMB weakens against USD | 5 | (41,795) | 41,795 |
| If RMB strengthens against USD | (5) | 41,795 | (41,795) |
| If RMB weakens against HKD | 5 | (124,562) | 124,562 |
| If RMB strengthens against HKD | (5) | 124,562 | (124,562) |
| **31 December 2022** | | | |
| If RMB weakens against USD | **5** | **(24,949)** | **24,949** |
| If RMB strengthens against USD | **(5)** | **24,949** | **(24,949)** |
| If RMB weakens against HKD | **5** | **(7,008)** | **7,008** |
| If RMB strengthens against HKD | **(5)** | **7,008** | **(7,008)** |

**Credit risk**

Credit risk is the risk that a counterparty will default on contractual obligations resulting in financial loss to the Group.

The credit risk of the Group's financial assets, which primarily comprise cash and cash equivalents, time deposits, other investments classified as at FVTPL, and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

For financial assets included in prepayments, other receivables and other assets, management makes periodic collective assessment as well as individual assessment on the recoverability of such assets based on historical settlement records and past experience. The Directors believe that there is no material credit risk inherent in the Group's outstanding balances.

# Notes to Financial Statements

*31 December 2022*

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

**Credit risk** (Continued)

As at the end of the reporting period, cash and cash equivalents were deposited in reputable financial institutions without significant credit risk. Other investments at FVTPL were obtained through reputable financial institutions without significant credit risk.

### *Maximum exposure and year-end staging*

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

| | As at 31 December 2022 | | | | |
|---|---|---|---|---|---|
| | 12-Month ECLs | Lifetime ECLs | | | |
| | Stage 1 *RMB'000* | Stage 2 *RMB'000* | Stage 3 *RMB'000* | Simplified approach *RMB'000* | Total *RMB'000* |
| Time deposit | **2,339,068** | **–** | **–** | **–** | **2,339,068** |
| Cash and cash equivalents | **604,070** | **–** | **–** | **–** | **604,070** |
| Financial assets included in prepayments, other receivables and other assets | **13,026** | **–** | **–** | **480** | **13,506** |
| | **2,956,164** | **–** | **–** | **480** | **2,956,644** |

| | As at 31 December 2021 | | | | |
|---|---|---|---|---|---|
| | 12-Month ECLs | Lifetime ECLs | | | |
| | Stage 1 *RMB'000* | Stage 2 *RMB'000* | Stage 3 *RMB'000* | Simplified approach *RMB'000* | Total *RMB'000* |
| Time deposit | 1,950,559 | – | – | – | 1,950,559 |
| Cash and cash equivalents | 1,520,619 | – | – | – | 1,520,619 |
| Contract assets | – | – | – | 3,980 | 3,980 |
| Financial assets included in prepayments, other receivables and other assets | 11,073 | – | – | 6,570 | 17,643 |
| | 3,482,251 | – | – | 10,550 | 3,492,801 |

# Notes to Financial Statements

*31 December 2022*

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

**Credit risk** (Continued)

***Maximum exposure and year-end staging** (Continued)*

The credit quality of other financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. During the reporting periods, the Group estimated that the expected credit loss for financial assets included in prepayments, other receivables and other assets was minimal.

**Liquidity risk**

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

| | 2022 | | | |
|---|---|---|---|---|
| | On demand or within one year *RMB'000* | One to five years *RMB'000* | Over five years *RMB'000* | Total *RMB'000* |
| Trade payables | **14,913** | **–** | **–** | **14,913** |
| Financial liabilities included in other payables and accruals | **54,192** | **–** | **–** | **54,192** |
| Lease liabilities | **12,020** | **23,361** | **–** | **35,381** |
| Interest-bearing bank borrowings (excluding lease liabilities) | **61,163** | **28,800** | **–** | **89,963** |
| Amounts due to related parties | **225** | **–** | **–** | **225** |
| Other financial liabilities (note 28) | **146,112** | **–** | **–** | **146,112** |
| | **288,625** | **52,161** | **–** | **340,786** |

# Notes to Financial Statements

*31 December 2022*

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

**Liquidity risk** (Continued)

| | 2021 | | | |
|---|---|---|---|---|
| | On demand or within one year *RMB'000* | One to five years *RMB'000* | Over five years *RMB'000* | Total *RMB'000* |
| Trade payables | 2,621 | 163 | – | 2,784 |
| Financial liabilities included in other payables and accruals | 44,426 | 113 | – | 44,539 |
| Lease liabilities | 14,254 | 28,359 | 1,029 | 43,642 |
| Amounts due to related parties | 553 | – | – | 553 |
| Other financial liabilities (note 28) | – | 141,294 | – | 141,294 |
| | 61,854 | 169,929 | 1,029 | 232,812 |

Note: The amount represents the contractual amount to be exchanged for the convertible redeemable preferred shares and other financial liabilities for which gross cash flows are exchanged.

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital as at the end of the reporting period.

## 39. EVENTS AFTER THE REPORTING PERIOD

### Out-license Agreement with AstraZeneca

On 23 February 2023, KYM Biosciences Inc. ("KYM"), a subsidiary of the Group, and AstraZeneca AB ("AstraZeneca") entered into an global exclusive out-license agreement (the "Licence Agreement") for the development and commercialisation of CMG901, a key product of the Group which has been co-developed with Innocube Limited, the 30% minority shareholder of KYM under the control of Lepu Biopharma Co., Ltd..

Upon the execution of the License Agreement, AstraZeneca will be granted an exclusive global license for research, development, registration, manufacturing, and commercialisation of CMG901, and shall be responsible for all costs and activities associated with its further development and commercialisation in accordance with the License Agreement.

Pursuant to the License Agreement, KYM shall receive an upfront payment of US$63 million with the potential for additional payments up to US$1,125 million subject to achievement of certain development, regulatory and commercial milestones. KYM is also entitled to receive tiered royalties on net sales from AstraZeneca.

# Notes to Financial Statements

*31 December 2022*

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Investments in subsidiaries | **684,902** | 636,335 |
| Amounts due from subsidiaries | **1,546,555** | 617,538 |
| **Total non-current assets** | **2,231,457** | 1,253,873 |
| **CURRENT ASSETS** | | |
| Financial assets at fair value through profit or loss | **50,000** | – |
| Prepayments, other receivables and other assets | **1,664** | – |
| Time deposits | **2,339,068** | 1,950,559 |
| Cash and cash equivalents | **31,733** | 1,239,984 |
| **Total current assets** | **2,422,465** | 3,190,543 |
| **CURRENT LIABILITY** | | |
| Other payables and accruals | **7,185** | 41,890 |
| **Total current liability** | **7,185** | 41,890 |
| **NET CURRENT ASSETS** | **2,415,280** | 3,148,653 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **4,646,737** | 4,402,526 |
| **Total non-current liabilities** | **–** | – |
| **NET ASSETS** | **4,646,737** | 4,402,526 |
| **EQUITY** | | |
| Share capital | **171** | 171 |
| **Reserves** | **4,646,566** | 4,402,355 |
| **TOTAL EQUITY** | **4,646,737** | 4,402,526 |

**Bo Chen**
*Director*

**Changyu Wang**
*Director*

# Notes to Financial Statements

*31 December 2022*

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The balances of the Company's (deficits)/reserves and the movements therein for the year ended 31 December 2022 are presented as follows:

| | **(Deficits)/Reserves** ***RMB'000*** |
|---|---|
| At 1 January 2021 | (632,581) |
| Total comprehensive loss for the year | (3,597,755) |
| Share-based payments | 116,823 |
| Conversion of Preferred Shares into ordinary shares upon IPO (note 27) | 5,667,280 |
| Issue of ordinary shares upon IPO and exercise of over-allotment option | 2,973,875 |
| Transaction costs attributable to issuance of new shares | (125,287) |
| At 31 December 2021 and 1 January 2022 | 4,402,355 |
| Total comprehensive loss for the year | **246,779** |
| Share-based payments | **48,567** |
| Shares repurchased | **(51,135)** |
| At 31 December 2022 | **4,646,566** |

The share-based payments reserve of the Company represents the share-based payments reserve in respect of equity-settled share awards.

## 41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 March 2023.

# Four-Year Financial Summary

| | As at 31 December | | | |
|---|---|---|---|---|
| | **2022** | 2021 | 2020 | 2019 |
| | ***RMB'000*** | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and cash equivalents | **604,070** | 1,520,619 | 199,409 | 432,608 |
| Time deposits | **2,339,068** | 1,950,559 | 144,279 | – |
| Total assets | **3,932,316** | 3,934,455 | 529,945 | 658,578 |
| Total liabilities | **593,098** | 289,073 | 1,624,748 | 934,533 |
| Total equity/(deficits) | **3,339,218** | 3,645,382 | (1,094,803) | (275,955) |

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2022** | 2021 | 2020 | 2019 |
| | ***RMB'000*** | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue | **100,063** | 110,269 | – | – |
| Gross profits | **97,478** | 93,069 | – | – |
| Other income and gains | **259,002** | 52,667 | 41,190 | 15,645 |
| Research and development expenses | **(507,374)** | (358,156) | (127,400) | (64,812) |
| Administrative expenses | **(133,912)** | (92,454) | (21,548) | (15,158) |
| Listing expenses | **–** | (37,932) | (280) | – |
| Fair value losses on convertible redeemable preferred shares | **–** | (3,480,294) | (696,470) | (97,212) |
| Other expenses | **(683)** | (57,680) | (31) | (298) |
| Finance costs | **(8,397)** | (11,133) | (14,309) | (5,677) |
| Total comprehensive loss | **(303,596)** | (3,892,632) | (818,848) | (167,512) |