

*Abbisko* 和譽

**Abbisko Cayman Limited**  
**和譽開曼有限責任公司**

(Incorporated in the Cayman Islands with limited liability)

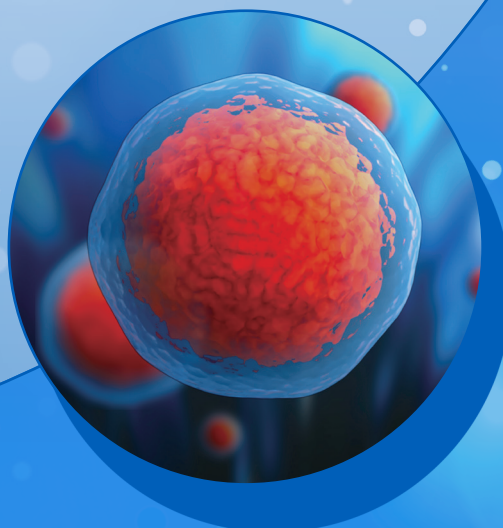
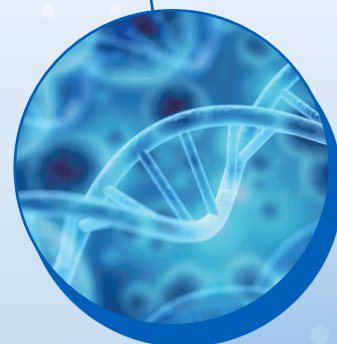
Stock Code: 2256

2021  
Annual Report



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Dr. Xu Yao-Chang (*Chairman and Chief Executive Officer*)  
Dr. Yu Hongping  
Dr. Chen Zhui  
Mr. Yeh Richard\*

### Non-executive Directors

Dr. Xia Gavin Guoyao  
Ms. Tang Yanmin

### Independent Non-executive Directors

Dr. Sun Piaoyang  
Mr. Sun Hongbin  
Mr. Wang Lei

## JOINT COMPANY SECRETARIES

Ms. Tian Huimin  
Ms. Chan Yin Wah

## AUTHORIZED REPRESENTATIVES

Mr. Yeh Richard\*  
Ms. Chan Yin Wah

## AUDIT COMMITTEE

Mr. Sun Hongbin  
Dr. Sun Piaoyang  
Mr. Wang Lei

## REMUNERATION COMMITTEE

Mr. Wang Lei  
Mr. Sun Hongbin  
Mr. Yeh Richard\*

## NOMINATION COMMITTEE

Dr. Xu Yao-Chang  
Dr. Sun Piaoyang  
Mr. Sun Hongbin

## REGISTERED OFFICE

Abbisko Cayman Limited  
P.O. Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Building 3, No. 898  
Halei Road, Zhangjiang Hi-Tech Park  
Pudong New Area  
Shanghai, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai, Hong Kong

## PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited  
PO Box 1093, Boundary Hall  
Cricket Square  
Grand Cayman  
KY1-1102  
Cayman Islands

## HONG KONG SHARE REGISTRAR

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

## HONG KONG LEGAL ADVISER

Davis Polk & Wardwell  
18/F, The Hong Kong Club Building  
3A Chater Road  
Hong Kong

\* On April 27, 2022, Mr. Yeh tendered his resignation as an executive Director, the Chief Financial Officer and the Head of Strategic Operations of the Company, with effect from April 28, 2022. As a result of Mr. Yeh's resignation, Mr. Yeh will also cease to be a member of the Remuneration Committee and an authorized representative on the same day. Dr. Xu Yao-Chang has been appointed to fill the vacancy following Mr. Yeh's cessation to act as a member of the Remuneration Committee and an authorized representative.

### COMPLIANCE ADVISER

Somerley Capital Limited  
20/F China Building  
29 Queen's Road Central  
Hong Kong

### PRINCIPAL BANK

Ping An Bank Co., Ltd.  
5047, Shennan East Road  
Shenzhen 518001  
PRC

### AUDITOR

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

### STOCK CODE

2256

### COMPANY'S WEBSITE

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

# CHAIRMAN'S STATEMENT



*Chairman and Chief Executive Officer*  
**Dr. Xu Yao-Chang**

Dear Shareholders,

On behalf of the board of directors, I am pleased to present our annual report of the Company for the year ended December 31, 2021.

2021 marks an extraordinary year in terms of the Company's achievements. We ended the year with remarkable breakthroughs in various areas including our pipeline, business development and fund-raising activities.

Throughout 2021, we have made significant progress on our pipeline and have achieved major advancements to our candidates across different stages. Many of our clinical stage candidates, such as ABSK011, ABSK091 (AZD4547), ABSK021 and ABSK081 (mavoxifafor) have now proceeded to Phase Ib/II clinical trials, which are critical stages in anticipation of proof-of-concept data. In addition, we have advanced two more preclinical candidates into Phase I studies, including ABSK043, an orally bioavailable, highly selective small molecule PD-L1 inhibitor currently in Phase I dose escalation trial in Australia; as well as ABSK061, a highly selective small molecule FGFR2/3 inhibitor which received IND approval from both U.S. FDA and China NMPA and a Phase I trial will be initiated soon. Furthermore, multiple programs are in IND-enabling studies, for which we plan to file IND applications this year.

It has always been one of our key strategies to actively explore potential collaboration opportunities with strategic partners to both complement our in-house R&D capabilities and maximize commercial value of our self-developed programs. In July 2021, we entered into an out-licensing agreement with Sperogenix, pursuant to which Sperogenix will have the exclusive right to develop, manufacture and commercialize ABSK021 in mainland China, Hong Kong and Macau for non-oncology neurological rare diseases indications. The upfront payment and the maximum milestone payments payable by Sperogenix amount to US\$270.5 million. Subsequently in January 2022, a worldwide co-discovery collaboration was established with Eli Lilly and Company ("Lilly") for the further discovery, development and potential commercialization of novel molecules against an undisclosed target with critical unmet medical needs, pursuant to which we are potentially eligible to receive up to US\$258 million

based on the achievement of pre-specified preclinical, clinical development and commercial milestones, as well as tiered royalties on sales. We believe that such collaborations could join efforts from various parties and bolster our capabilities in bringing novel therapies to patients around the world.

2021 is an important milestone year for Abbisko, as the Company was successfully listed on the main board of the Hong Kong Stock Exchange, raising net proceeds of approximately HK\$1,674 million. The global offering not only provides a strong financial support to our future business development plan but also signifies our symbolic entry into the international capital markets.

Looking forward, we will strive to meet our aspiration, which is to become a leading biopharmaceutical company that discovers and develops differentiated therapies in cancer and beyond, addressing critical unmet needs for patients in China and globally. In particular, we will continue to strive for our various initial goals, which comprise the following:

- We will continue to advance our clinical-stage compounds with quality and speed, and push forward the development of pre-clinical candidates.
- We will continue to expand our pipeline with innovative programs primarily focusing on first-in-class or best-in-class therapies, to address critical unmet medical needs for patients in China and globally, as always advocated in our mission statement.
- We will also continue to explore, evaluate and identify suitable business development opportunities so as to maximize the commercial value of our pipeline candidates.

Finally, on behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to our directors, management, employees, business partners and shareholders for their continuing contribution and support to the Company.

**Dr. Xu Yao-Chang**

*Chairman and Chief Executive Officer*

Shanghai, April 27, 2022

# FINANCIAL HIGHLIGHTS

## INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) MEASURES:

**Cash and bank balances.** Cash and bank balances as at December 31, 2021 were RMB2,545.5 million (approximately US\$400.5 million), an increase by RMB1,927.7 million from RMB617.8 million for the year ended December 31, 2020, primarily attributable to net proceeds received from series D fund raising which was completed in January 2021 and net proceeds from the IPO which was completed in October 2021.

**Revenue.** Revenue increased from zero for the year ended December 31, 2020 to RMB22.7 million for the year ended December 31, 2021, primarily attributable to the license fee income generated from one of our clinical candidates.

**Other income and gains.** Other income and gains increased by RMB24.8 million from RMB18.8 million for the year ended December 31, 2020 to RMB43.6 million for the year end December 31, 2021, primarily attributable to the increase in bank interest income resulting from an increase in our cash and bank balances, increase in government subsidies, investment gain realized from disposal of an associate and foreign exchange gains.

**Research and development expenses.** Our research and development expenses primarily consisted of research and development expenses in connection with exploratory research, pre-clinical research and clinical research, as well as reagent costs, employee costs, licensing fees, share-based payments and depreciation. Research and development expenses increased by RMB93.4 million from RMB132.7 million for the year ended December 31, 2020 to RMB226.1 million for the year ended December 31, 2021, primarily attributable to a combination of impacts from continuous expansion of functions related to research and development, advancement of our pipeline programs as well as decrease in licensing fee.

**Administrative expenses.** Administrative expenses increased by RMB103.6 million from RMB21.2 million for the year ended December 31, 2020 to RMB124.8 million for the year ended December 31, 2021, primarily attributable to continuous expansion of workforce in non-R&D related functions and increase in IPO related expenses.

**Finance costs.** Finance costs increased by RMB0.62 million from RMB0.34 million for the year ended December 31, 2020 to RMB0.96 million for the year ended December 31, 2021, mainly due to the addition of lease liabilities including one new office space in Shanghai and the laboratory in Wuxi.

## FINANCIAL HIGHLIGHTS

**Fair value losses on convertible redeemable preferred shares.** Fair value losses on convertible redeemable preferred shares increased RMB954.7 million from RMB569.6 million for the year ended December 31, 2020 to RMB1,524.3 million for the year ended December 31, 2021, primarily due to the significant increase in our company's valuation.

**Loss for the year.** Loss for the year increased from RMB706.6 million for the year ended December 31, 2020 to RMB1,810.0 million for the year ended December 31, 2021, primarily attributable to increase in R&D and administrative expenses, and increase in fair value losses on convertible redeemable preferred shares, while partially offset by the license fee income as well as other income and gains.

### NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS (“NON-IFRS”) MEASURES:

**Research and development expenses** excluding share-based compensation cost increased by RMB47.1 million from RMB129.2 million for the year ended December 31, 2020 to RMB176.3 million for the year ended December 31, 2021, primarily attributable to the continuous expansion of functions related to research and development, as well as advancement of our pipeline programs.

**Administrative expenses** excluding share-based compensation cost increased by RMB64.6 million from RMB20.1 million for the year ended December 31, 2020 to RMB84.7 million for the year ended December 31, 2021, primarily attributable to continuous expansion of workforce in non-R&D related functions and increase in IPO related expenses.

**Loss for the year** excluding the effect of the fair value losses on convertible redeemable preferred shares and share-based compensation cost increased by RMB63.2 million from RMB132.5 million for the year ended December 31, 2020 to RMB195.7 million for the year ended December 31, 2021, primarily attributable to increase in R&D and administrative expenses, while partially offset by the license fee income as well as other income and gains.



## FINANCIAL HIGHLIGHTS

### FINANCIAL SUMMARY

	For the year ended 31 December		
	2021 RMB'000	2020 RMB'000	2019 RMB'000
<b>Non-IFRS measures</b>			
Research and development expenses (excluding the share-based compensation cost)	(176,315)	(129,188)	(80,734)
Administrative expenses (excluding the share-based compensation cost)	(84,655)	(20,073)	(21,621)
Loss for the year (excluding the non-IFRS adjustments)	(195,740)	(132,480)	(93,126)
<b>IFRS measures</b>			
Revenue	22,682	–	–
Other income and gains	43,587	18,831	12,705
Research and development expenses	(226,126)	(132,664)	(81,457)
Administrative expenses	(124,777)	(21,168)	(21,891)
Other expenses	(80)	(1,712)	(2,953)
Fair value losses on convertible redeemable preferred shares	(1,524,320)	(569,588)	(39,793)
Finance costs	(959)	(338)	(523)
Loss for the year	(1,809,993)	(706,639)	(133,912)
Loss per share			
Basic and diluted (RMB Yuan)	RMB7.71	RMB7.12	RMB1.48

	As at 31 December		
	2021 RMB'000	2020 RMB'000	2019 RMB'000
Cash and bank balances	2,545,513	617,773	285,637
Total assets	2,654,539	665,971	320,236
Total liabilities	118,480	1,770,959	779,261
Total equity	2,536,059	(1,104,988)	(459,025)

# BUSINESS HIGHLIGHTS

On October 13, 2021 (the “**Listing Date**”), the Company was successfully listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). We have made significant progresses in every aspect during 2021 and 2022 year-to-date:

## ESTABLISHED A WORLDWIDE CO-DISCOVERY COLLABORATION WITH ELI LILLY

In January 2022, we entered into a worldwide co-discovery collaboration with Eli Lilly and Company (“**Lilly**”) for the discovery, development and potential commercialization of novel molecules against an undisclosed target.

- We will be responsible for the discovery and development of such molecules using our proprietary R&D platform.
- Lilly will join the effort by providing prior discovery information associated with this target as well as certain additional disease knowledge and expertise.
- Lilly will have the right to further develop and commercialize the compounds if the compounds meet the agreed endpoints.
- We are eligible to receive up to US\$258 million in potential payments upon achievement of prespecified preclinical, clinical development and commercial milestones, as well as tiered royalties on sales, if Lilly is responsible for further clinical development and commercialization

## ENTERED INTO AN OUT-LICENSING AGREEMENT WITH SPEROGENIX FOR ONE OF OUR CLINICAL CANDIDATES

In July 2021, we entered into an exclusive licensing agreement with Sperogenix (Shanghai) MedTech Co., Ltd. (“**Sperogenix**”) with respect to the development and commercialization of ABSK021 for indications in non-oncology neurological rare diseases.

- Sperogenix will have the exclusive right to develop and commercialize ABSK021 in mainland China, Hong Kong SAR and Macao SAR for non-oncology neurological rare disease indications, of which amyotrophic lateral sclerosis (“**ALS**”) will be the first indication to be developed by Sperogenix. We reserve the rights for all the other territories and indications.
- Under the licensing agreement, we are eligible to receive upfront payment and milestone payments from Sperogenix of up to US\$270.5 million in aggregate, as well as royalty payments based on future net sales.

## BUSINESS HIGHLIGHTS

### FURTHER ADVANCED OUR CLINICAL-STAGE ASSETS

We have built a pipeline of 14 small molecule oncology programs out of which six are in clinical stage.

#### ABSK011

- We are conducting a Phase Ib monotherapy trial at 180mg QD in second-line treatment of hepatocellular carcinoma (“**HCC**”) patients with FGF19 overexpression in mainland China. The first patient was dosed in June 2021.
- We have extended to 320mg QD for dose escalation and may explore different dose levels for expansion in addition to 180mg QD.
- In October 2021, we obtained the Investigational New Drug (“**IND**”) approval from National Medical Products Administration (“**NMPA**”) for a Phase II trial of ABSK011 in combination with the anti-PD-L1 antibody atezolizumab from F. Hoffmann-La Roche Ltd. and Roche China Holding Ltd. (“**Roche**”) in late stage HCC patients with FGF19 overexpression in mainland China. The first patient was dosed in January 2022.

#### ABSK091 (AZD4547)

- We are conducting a Phase II trial in mainland China for ABSK091 (AZD4547) in patients with locally advanced or metastatic urothelial carcinoma with FGFR2/3 genetic alterations. We dosed the first patient in November 2021.
- In February 2022, we entered into partnership with BeiGene, Ltd. (“**BeiGene**”) on the combination therapy of ABSK091 (AZD4547) and tislelizumab, an anti-PD-1 antibody developed by BeiGene for the treatment of urothelial cancer with FGFR2/3 genetic alterations.
- In addition to urothelial carcinoma, we also plan to conduct trials for ABSK091 (AZD4547) in other solid tumors. In March 2022, we received Orphan Drug Designation granted by the U.S. Food and Drug Administration (“**U.S. FDA**”) to ABSK091 (AZD4547) in gastric cancer.

#### ABSK021

- We are conducting a Phase Ib trial for ABSK021 in the U.S. and mainland China concurrently. In August 2021, we dosed the first patient in the Phase Ib trial. In December 2021, we dosed the first patient in the Phase Ib trial tenosynovial giant cell tumor (“**TGCT**”) cohort.
- In July 2021, we entered into an out-licensing agreement with Sperogenix for ABSK021 in mainland China, Hong Kong SAR and Macao SAR for non-oncology neurological rare disease indications.

#### ABSK081

- In November 2021, our partner, X4 Therapeutics Inc. (“**X4**”), announced that it had completed patient enrollment in the Phase III clinical trial and top-line data from the trial is expected in the fourth quarter of 2022, and a regulatory filing will likely follow in early 2023 in the U.S..

## BUSINESS HIGHLIGHTS

- In mainland China, we are conducting a Phase Ib/II clinical trial of ABSK081 (mavorixafor) in combination with toripalimab from Junshi in TNBC patients in China. We dosed the first patient in July 2021.

### ABSK043

- We are conducting a Phase I trial in Australia to assess the safety, tolerability and PK/PD profile of ABSK043 in patients with solid tumors.
- In January 2022, we submitted an IND application for ABSK043 in mainland China. In March 2022, we obtained the IND approval from NMPA for a Phase I clinical trial of ABSK043 in patients with malignant tumor in mainland China.

### ABSK061

- In September 2021, we obtained IND approval from U.S. FDA to initiate a Phase I clinical trial for ABSK061 in patients with solid tumors. We expect to start patient enrollment in the U.S. soon.
- In March 2022, we obtained IND approval from NMPA for a Phase I clinical trial of ABSK061 in mainland China.

## CONTINUE TO MOVE FORWARD PRE-CLINICAL CANDIDATES INTO CLINIC

Leveraging our discovery team and multi-dimensional discovery platform, we are continuously generating new pre-clinical candidates (“PCC”) to supplement our clinical pipeline. In 2022, we expect to file INDs for the below three programs in IND-enabling stage:

- **ABSK121** – a next-generation small molecule FGFR inhibitor that targets both wild-type and mutants of FGFR1-3 including those that are resistant to the currently approved or clinical FGFR inhibitors;
- **ABSK051** – a small molecule CD73 inhibitor being developed for the treatment of various tumor types including lung cancer, pancreatic cancer and other cancers;
- **ABSK012** – a next-generation small molecule FGFR4 inhibitor with strong potency against both wild-type and mutant FGFR4.

Recently, we have also declared pre-clinical candidates for below two programs and are conducting IND-enabling studies:

- **ABSK112** – A next-generation EGFR-exon20 inhibitor with improved selectivity and brain-penetrating ability;
- **ABSK071** – A next-generation KRAS-G12C inhibitor with improved potency and drug-like properties.

# MANAGEMENT DISCUSSION AND ANALYSIS

## I. BUSINESS REVIEW

### Our vision

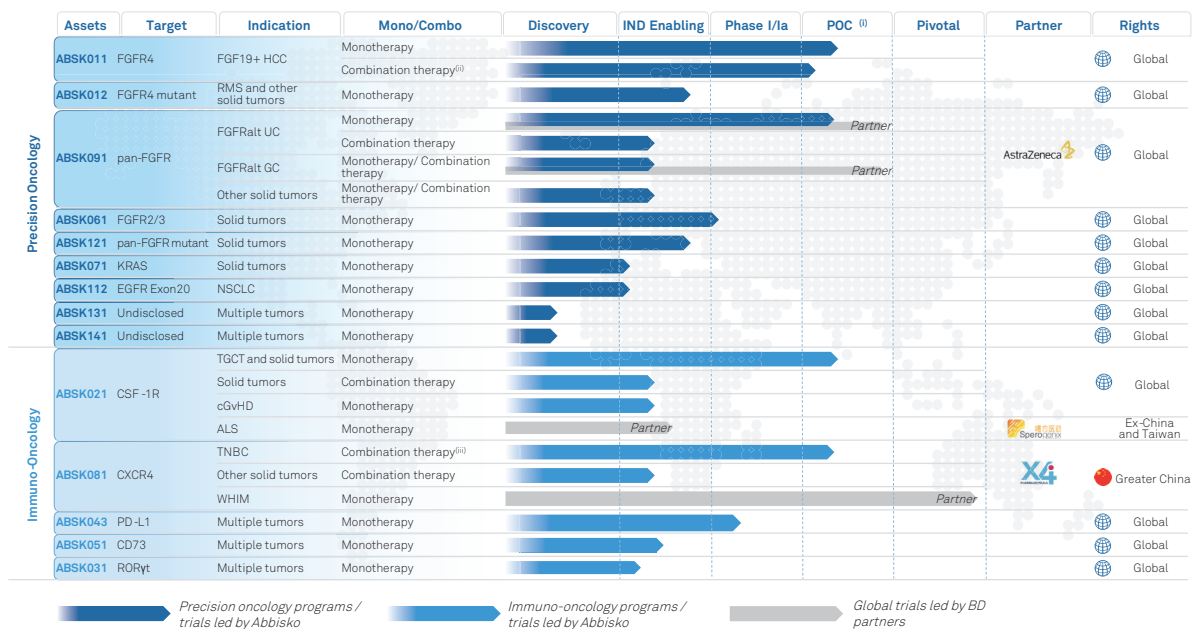
Our vision is to discover and develop novel, differentiated therapies in oncology and beyond to address critical unmet medical needs for patients in China and worldwide.

### Company overview

We are a clinical-stage biopharmaceutical company primarily dedicated to the discovery and development of innovative and differentiated small molecule oncology therapies. Since our inception in 2016, we have strategically designed and developed a pipeline of 14 candidates focused on oncology, including six candidates at clinical stage. Our product candidates are primarily small molecules that focus on small molecule precision oncology and small molecule immuno-oncology therapeutic areas.

### Product pipeline

We have a pipeline of 14 oncology drug candidates ranging from pre-clinical stage to clinical stage programs. The following charts summarizes our pipeline and the development status of each candidate as of December 31, 2021.



Abbreviations: HCC = hepatocellular carcinoma; RMS = rhabdomyosarcoma; FGFRalt = FGFR altered; UC = urothelial cancer; GC = gastric cancer; NSCLC = non-small cell lung cancer; TGCT = tenosynovial giant cell tumor; cGvHD = chronic graft – versus-host disease; ALS = amyotrophic lateral sclerosis; TNBC = triple-negative breast cancer; WHIM = warts, hypogammaglobulinemia, infections and myelokathexis

Notes:

- i. Represents Phase Ib/II clinical trial
- ii. In combination with anti-PD-L1 antibody atezolizumab with Roche
- iii. In combination with anti-PD-1 antibody toripalimab with Junshi

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business review

We have made significant progress with respect to our product pipeline in year 2021 and 2022 year-to-date:

## Clinical candidates

### ABSK011

ABSK011 is a potent and highly selective small molecule inhibitor of fibroblast growth factor receptor 4 (FGFR4) that we are conducting clinical trials in China. ABSK011 is being developed for the treatment of advanced hepatocellular carcinoma with hyper-activation of FGF19/FGFR4 signaling. The FGFR4 signaling pathway is a promising direction for the development of molecularly targeted therapies in HCC. The number of patients with an overexpression of FGF19/FGFR4 account for approximately 30% of total HCC patients worldwide, according to Frost & Sullivan. Currently, no FGFR4 inhibitor has been approved to the market yet.

### Current status

We are conducting a Phase Ib trial for patients in second-line HCC with FGF19 overexpression. Based on the safety, tolerability, PK and PD data from the Phase Ia trial conducted in Taiwan, 180mg QD has been selected as the first recommended dose for expansion (“RDE”) for the Phase Ib clinical trial, and the first patient was dosed in June 2021. Given the superior safety and quality PK/PD profiles of ABSK011 from the Phase Ia trial, we have extended to 320mg QD for dose escalation and may explore different dose levels for expansion in addition to 180mg QD.

In July 2021, we submitted the IND application for a Phase II trial of ABSK011 in combination with the anti-PD-L1 antibody atezolizumab in late stage HCC patients with FGF19 overexpression in mainland China. In October 2021, we obtained the IND approval from NMPA and subsequently dosed the first patient in January 2022. Roche provides atezolizumab for use in our ABSK011 clinical trial, according to the clinical supply agreement we entered into with Roche in February 2021.

## WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK011 SUCCESSFULLY.

### ABSK091

ABSK091, previously known as AZD4547, is a molecularly targeted candidate and a highly potent and selective inhibitor of FGFR subtypes 1, 2 and 3. According to Frost & Sullivan, The cancers most commonly affected by FGFR aberration are urothelial cancer (32%), cholangiocarcinoma (25%), breast cancer (18%), endometrial carcinoma (11%) and gastric cancer (7%). Specific FGFR aberrations have been observed in a proportion of certain cancers: for example, FGFR1 amplification in squamous cell lung cancer, FGFR2 mutations in endometrial carcinoma and FGFR3 mutations in urothelial cancer.

ABSK091 has a chemical structure different from other FGFR inhibitors with similar anti-tumor activities. Prior to the in-licensing of ABSK091, AstraZeneca started conducting clinical trials on AZD4547 in 2009. From 2009 to 2019, AstraZeneca sponsored and completed a total of four trials, including two Phase I trials and two Phase II trials. In November 2019, we entered into an exclusive license agreement with AstraZeneca and obtained the global rights for the development, manufacturing and commercialization of ABSK091.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Current status*

In February 2021, we completed a Phase I study of ABSK091 in Taiwan. In November 2021, we dosed the first patient in the Phase II trial conducted in mainland China for ABSK091, which is to assess the efficacy of ABSK091 in patients with locally advanced or metastatic urothelial carcinoma with FGFR2/3 genetic alterations, including mutations and fusions. According to Frost & Sullivan, FGFR aberration rate in urothelial cancer is approximately 31.7%. Among the clinical trials conducted by AstraZeneca, the BISCAY trial, a study in patients with advanced urothelial cancer who have progressed on prior treatments, achieved 31.3% response rate in the ABSK091 monotherapy arm, which is on par with the approved pan-FGFR inhibitor erdafitinib in treatment of locally advanced or metastatic urothelial carcinoma with FGFR2/3 alteration (ORR 32.2%).

In addition to monotherapy, we are continuously exploring the combination therapy potential of ABSK091. In February 2022, we announced collaboration with BeiGene on the combination therapy of ABSK091 and tislelizumab, an anti-PD-1 antibody developed by BeiGene, for the treatment of urothelial cancer with FGFR2/3 genetic alterations.

We also plan to conduct trials for ABSK091 in other solid tumors. In March 2022, U.S. FDA granted Orphan Drug Designation to ABSK091 in gastric cancer. In a previous trial conducted by AstraZeneca in patients with previously treated advanced FGFR amplified cancer, 33% of the FGFR2-amplified gastro-oesophageal patients had confirmed responses to ABSK091. This demonstrated that ABSK091 could potentially bring significant clinical benefits to the treatment of gastric cancer patients with FGFR alterations.

### **WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK091 SUCCESSFULLY.**

#### **ABSK021**

ABSK021 is an orally bioavailable, selective, potent small molecule CSF-1R inhibitor being developed for the treatment of multiple types of oncology and non-oncology indications. The overexpression of CSF-1 is observed in many tumors and also at sites of inflammation. Indications for CSF-1R inhibitors include, among others, the treatment of adult patients with TGCT, pancreatic cancer, colorectal cancer, chronic graft-versus-host disease (“cGVHD”) and ALS.

### *Current status*

We have completed a Phase Ia clinical trial of ABSK021 in the U.S. for the treatment of patients with advanced solid tumors. Phase Ia clinical trial data has shown that ABSK021 has a favorable safety and tolerability profile. We are conducting Phase Ib dose expansion trial in the U.S. and mainland China concurrently. In August 2021, we dosed the first patient in the Phase Ib trial. In December 2021, we dosed the first patient in the Phase Ib trial TGCT cohort.

In July 2021, we entered into an out-licensing agreement with Sperogenix for ABSK021 in mainland China, Hong Kong SAR and Macao SAR for non-oncology neurological rare disease indications. The first indication to be developed by Sperogenix is ALS.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ABSK081

ABSK081 (mavorixafor), also known as X4P-001, is a novel small molecule antagonist to CXCR4 and currently the only orally bioavailable CXCR4 modulator in clinical development globally, according to Frost & Sullivan. ABSK081 is a potential treatment option for various cancers in which CXCR4 and its ligand CXCL12 contribute to the tumor microenvironment (TME) that supports immune evasion, neoangiogenesis, and tumor metastasis. In July 2019, we entered into an exclusive license agreement with X4 and obtained the rights for the development, manufacturing and commercialization of the licensed compound ABSK081 (mavorixafor) in mainland China, Taiwan, Hong Kong and Macau for any oncological indication and WHIM Syndrome in humans, excluding mozobil indications and any use for auto-HSCT treatment and allo-HSCT treatments.

#### *Current status*

In November 2021, our partner, X4, announced that it had completed patient enrollment in the Phase III clinical trial and top-line data from the trial is expected in the fourth quarter of 2022, and a regulatory filing will likely follow in early 2023.

In mainland China, we are conducting a Phase Ib/II clinical trial of ABSK081 (mavorixafor) in combination with toripalimab from Junshi in TNBC patients in China. We dosed the first patient in July 2021.

### ABSK043

ABSK043 is an orally bioavailable, highly selective small molecule PD-L1 inhibitor being developed for the treatment of various cancers and potentially non-oncology indications. While anti-PD-1/anti-PD-L1 antibodies have revolutionized cancer treatment, the antibody-based immunotherapies carry a number of disadvantages such as high cost, lack of oral bioavailability, and immunogenicity, which could likely be improved with small molecule inhibitors. Pre-clinical data have demonstrated strong inhibition of PD-1/PD-L1 interaction by ABSK043, and rescue of PD-L1-mediated inhibition of T-cell activation. ABSK043 has also demonstrated strong anti-tumor efficacy and excellent safety profile in several pre-clinical models.

#### *Current status*

In July 2021, we obtained the regulatory approval from the Therapeutic Goods Administration (TGA) of Australia. In August 2021, we dosed the first patient of a Phase I clinical trial of ABSK043 in Australia. In January 2022, we also submitted IND application for ABSK043 in mainland China. In March 2022, we obtained the IND approval from NMPA for a Phase I clinical trial of ABSK043 in patients with malignant tumor in mainland China.

### ABSK061

ABSK061 is a highly selective small molecule FGFR2/3 inhibitor. Pre-clinical research has shown that ABSK061 selectively inhibits FGFR2/3 over FGFR1 across various in vitro and cellular assays, with little activity against other kinases. Its high selectivity against FGFR2/3 and reduced FGFR1 activity could lead to an improved safety profile due to less off-target side effects, and potentially improved therapeutic window and efficacy as well as better opportunities for treating non-oncology indications. We believe ABSK061 has the potential to be a second generation FGFR inhibitor with its improved selectivity over current FGFR inhibitors such as erdafitinib and infigratinib based on our pre-clinical data.



## MANAGEMENT DISCUSSION AND ANALYSIS

### *Current status*

In September 2021, we obtained IND approval from U.S. FDA to initiate a Phase I clinical trial for ABSK061 in patients with solid tumors.

In March 2022, we obtained IND approval from NMPA for a Phase I clinical trial of ABSK061 in mainland China.

### **IND-enabling candidates**

**ABSK121** is a highly selective, next-generation small molecule FGFR inhibitor that targets both wild-type and mutants of FGFR1-3 including those that are resistant to the currently approved or clinical FGFR inhibitors. It could potentially bring clinical benefits to patients who relapsed or progressed after initial treatment with first-generation FGFR inhibitors. In pre-clinical studies, ABSK121 has demonstrated strong potency against wild-type and various mutations of FGFR1-3, and excellent in vivo efficacy in FGFR dependent and FGFR-mutant dependent models. We are currently conducting IND-enabling studies and expect to file IND in 2022.

**ABSK051** is a small molecule CD73 inhibitor being developed for the treatment of various tumor types including lung cancer, pancreatic cancer and other cancers. It has demonstrated strong potency in inhibiting the activities of soluble and surface-expressed CD73. It has also shown strong efficacy in vivo in various animal models. We are currently conducting IND-enabling studies and expect to file IND in 2022.

**ABSK012** is an orally bioavailable, highly selective, next-generation small molecule FGFR4 inhibitor with strong potency against both wild-type and mutant FGFR4. In pre-clinical studies, ABSK012 has demonstrated strong activities in vitro and in cells against both wild-type FGFR4 and various FGFR4 mutants that are resistant to current FGFR4 inhibitors in clinical development, and excellent in vivo efficacy in FGF19-driven and FGFR4-mutant models. We are currently conducting IND-enabling studies and expect to file IND in 2022.

**ABSK112** is a next-generation EGFR-exon20 inhibitor with improved selectivity and brain-penetrating ability. EGFR-exon20 mutations occur in 3-5% of NSCLC patients, and are resistant to the currently available first, second and third generation EGFR inhibitors. Current clinical compounds targeting these mutations have limited therapeutic window due to limited selectivity against wild-type EGFR. Increased selectivity will likely lead to better target modulation and efficacy in clinical trials. ABSK112 demonstrates strong activity against EGFR Exon20 mutants and clear selectivity against wild-type EGFR in various cellular assays. It has efficacy and PD effects in mouse xenograft models bearing EGFR Exon20 mutation. We have declared ABSK112 as the first PCC and are currently conducting pre-clinical studies.

**ABSK071** is a next-generation KRAS-G12C inhibitor with improved potency and drug-like properties. KRAS is one of the most mutated oncogenes in many cancer types, including pancreatic, colon, and lung. KRAS mutations occur in around 30% of lung cancer patients who are in dire need of effective therapies. We have declared ABSK071 as the first PCC and are currently conducting pre-clinical studies.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Research and development

We believe research and development are critical to our future growth and our ability to remain competitive in the Chinese biopharmaceutical market. We are dedicated to enhancing our pipeline by leveraging our leading in-house R&D capabilities, which spans from early drug discovery to clinical development.

As at December 31, 2021, our R&D team consisted of approximately 111 employees. Our R&D team members have extensive clinical development experience, with a particular focus on oncology. Among our R&D team members, approximately 80% have obtained post-graduate degrees, and approximately 30% hold Ph.D. degrees. Among our pre-clinical R&D team members, over 80% have obtained post-graduate degrees, and over 35% hold Ph.D. degrees.

In years ended December 31, 2020 and 2021, our R&D expenses were RMB132.7 million and RMB226.1 million respectively.

### *Drug discovery and pre-clinical development*

Our drug discovery effort is led by our co-founders, Dr. Xu Yao-Chang, Dr. Yu Hongping and Dr. Chen Zhui, who collectively have made contributions to dozens of discovery programs, a number of which led to successful commercialization, such as Ameile (almonertinib), Cymbalta (duloxetine), Balversa (erdafitinib), Reyvow (lasmiditan), Fu Laimei (PEG-loxenate), Kisqali (ribociclib), Xinfu (flumatinib) and Venclexta (venetoclax).

We use various discovery and engineering technologies to discover and select our lead compounds with suitable pharmaceutical properties and market potential. Our drug discovery team collaborates with our CMC team at an early stage to complement each team's needs and to ensure continued knowledge sharing, regulatory compliance and a streamlined transition from discovery to development. Our drug discovery team also includes a translational medicine function that conducts biomarker discovery and bioinformatics data processing and analysis to facilitate our clinical studies. We conduct translational research to assess the effectiveness of treatment, evaluate different ways to customize therapies, and improve personalized medicine guidelines using the new data generated. These insights help further guide us toward new directions in novel drug and biomarker discovery.

### *Clinical development*

Our clinical development team is led by Dr. Ji Jing, who received a M.D. degree from Fudan University and Shanghai Second Medical University, majoring in GI and liver disease. She has over 25 years of experience in early and late-stage clinical development in global pharmaceutical companies, serving as clinical development leader and head of therapy area. She has led and executed a wide range of functions, including medical, clinical operations, quality control, clinical research, clinical pharmacology and patient safety. As at December 31, 2021, our clinical development team consisted of 34 employees, including 24 holding master or doctorate degrees.

Our clinical development team manages all stages of our clinical trials, including clinical trial design, implementation, drug supply, and the collection and analysis of trial data. We have entered into agreements with hospitals and principal investigators located in China, the U.S. and other regions that can support our clinical trials of different indications at different stages. We believe our experience in executing clinical trials helps us accelerate our drug development.

## MANAGEMENT DISCUSSION AND ANALYSIS

With the vision to address unmet medical needs of global patients, we have always been aiming for the global markets. We believe such going-global approach will maximize the commercial value of our assets, for which we own global rights. We have received 11 IND or clinical trial approvals in four countries and regions. Trials outside mainland China include a Phase Ib trial ongoing in the U.S. for ABSK021, a Phase I trial ongoing in Australia for ABSK043, a Phase I trial ongoing in the U.S. for ABSK061, and two completed trials in Taiwan for ABSK011 Phase Ia and ABSK091 Phase I respectively.

### Financing activity

- In January 2021, we completed series D financing and raised in aggregate US\$123 million.
- On October 13, 2021, 140,736,000 shares of US\$0.00001 each were issued at a price of HK\$12.46 per share in connection with the Company's listing on the Main Board of the Stock Exchange under stock code 2256.HK. The proceeds of HK\$10,949 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK\$1,753,559,611, (before deduction of the legal and other professional fees in relation to the listing) were credited to the share premium account. On November 5, 2021, the international underwriters of the global offering partially exercised the over-allotment option, pursuant to which the Company is required to allot and issue an addition of 112,000 shares, representing approximately 0.08% of the total number of the offer shares initially available under the global offering. The net proceeds from the exercise of the over-allotment option were approximately HK\$1,332,614 (after deducting the commissions and other offering expenses payable by the Company in relation to the exercise of the over-allotment option). The over-allotment shares were listed on the Stock Exchange on November 10, 2021.

### Business development and other corporate activities

- To maximize the commercial value of our programs in both China and international markets, we have established a dedicated team to actively evaluate potential licensing transactions and other strategic collaborations. During 2021 and 2022 year-to-date, we successfully completed several transactions and established key partnerships as listed below:
  - In February 2021, we entered into a clinical supply agreement with Roche concerning the supply of atezolizumab, an anti-PD-L1 antibody, by Roche for use in our ABSK011 clinical trial. Details of the trial progress are discussed in the section above "Business review – Clinical candidates – ABSK011".
  - In July 2021, we granted Sperogenix the exclusive right to develop and commercialize ABSK021 in mainland China, Hong Kong SAR and Macau SAR for non-oncology rare neurological diseases indications, of which ALS will be the first indication to be developed by Sperogenix. We have received an upfront payment of US\$3.5 million and is eligible for milestone payments of up to US\$267.0 million as well as royalty payments based on future net sales from Sperogenix.

## MANAGEMENT DISCUSSION AND ANALYSIS

- In January 2022, we entered into a worldwide co-discovery collaboration with Lilly for the discovery, development and commercialization of novel small molecules against an undisclosed target with critical unmet medical needs. Under the agreement, Lilly will provide prior discovery information as well as additional disease knowledge and expertise to us, and we will be responsible for the discovery and development of molecules that modulate a novel and challenging drug target using our proprietary R&D platform. Upon achievement of the agreed endpoints, Lilly will have the right to further develop and commercialize the asset, and we will be eligible to receive up to US\$258 million in potential payments based on the achievement of prespecified preclinical, clinical development and commercial milestones, as well as tiered royalties on sales.
- In February 2022, we announced a collaboration with BeiGene on the combination therapy of ABSK091 and tislelizumab, an anti-PD-1 antibody developed by BeiGene, for the treatment of urothelial cancer.
- As our business continues to grow, we further expanded our facilities together with business operations as summarized below:
  - We currently have two operational sites in Shanghai at Zhangjiang High Tech Park, including one 4,082 sq.m. building as our R&D center, and one new office space of 2,075 sq.m. as our clinical development and operation center.
  - We also opened a new office in Beijing which commenced operation in February 2022. Beijing office mainly serves as a branch for clinical development and regulatory affairs related activities.
  - Our new laboratory space in Wuxi, a property of over 4,500 sq.m. which will be used for CMC related activities, is under preparation and is expected to commence operation this year.

### Events after the Reporting Period

Subsequent to December 31, 2021, the significant events that took place are listed as below:

- In January 2022, we entered into a worldwide co-discovery collaboration with Lilly for the discovery, development and potential commercialization of novel molecules against an undisclosed target with critical unmet medical needs. Details of the collaboration have been set out in the above section under “Business review – Business development and other corporate activities”.
- In January 2022, we dosed the first patient in the Phase II clinical trial for ABSK011 in combination with atezolizumab provided by Roche. Details of this trial have been set out in the above section under “Business review – Clinical candidates – ABSK011”.
- In February 2022, we announced a collaboration with BeiGene on the combination therapy of ABSK091 and tislelizumab, an anti-PD-1 antibody developed by BeiGene, for the treatment of urothelial cancer.

## MANAGEMENT DISCUSSION AND ANALYSIS

- In March 2022, we obtained IND approval from NMPA for a Phase I clinical trial of ABSK061 in mainland China.
- In March 2022, we received Orphan Drug Designation granted by the U.S. FDA to ABSK091 in gastric cancer.
- In March 2022, we obtained the IND approval from NMPA for a Phase I clinical trial of ABSK043 in patients with malignant tumor in mainland China.
- We further expanded our business operations and opened a new office in Beijing. Details are set out in the above section under “Business review – Business development and other corporate activities”.

### Future and outlook

We are a R&D driven company focused on discovering and developing small molecule oncology drugs and beyond. We have an in-house research team with a proven track record of drug discovery, demonstrated by many historical programs our three co-founders who have led or participated in, including several have yielded approved innovative drugs currently commercialized in the market. Since 2017, our research and discovery team have advanced the first ten discovery programs into the IND-enabling stage at about two pre-clinical candidates per year. Four of them have already entered into clinical development. We believe that such an in-house R&D engine will continuously generate novel assets with global value into our pipeline and sustain the strong and long-term growth of the company, especially acknowledging the fact that drug development is a high-risk business. Going forward, we will strive to advance our existing programs into next stage, while exploring new technologies and areas with unmet medical needs and generating new molecules into the current pipeline.

With more programs advancing into clinical development stage, we will continue to expand our clinical development force to execute and accelerate our trials globally.

To maximize the therapeutic and commercial potential of our drug candidates at clinical stage, we will actively explore and evaluate partnership opportunities with leading pharmaceutical and biotech companies. We have actively engaged in business discussions with various counterparties to explore such opportunities. We believe that well-thought-through and carefully orchestrated business partnership with the right partners at the right time will be accretive to the shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS

### II. FINANCIAL REVIEW

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

	2021 RMB'000	2020 RMB'000
Revenue	22,682	–
Cost of sales	–	–
Gross profit	22,682	–
Other income and gains	43,587	18,831
Research and development expenses	(226,126)	(132,664)
Administrative expenses	(124,777)	(21,168)
Other expenses	(80)	(1,712)
Fair value losses on convertible redeemable preferred shares	(1,524,320)	(569,588)
Finance costs	(959)	(338)
<b>LOSS BEFORE TAX</b>	<b>(1,809,993)</b>	<b>(706,639)</b>
Income tax expenses	–	–
<b>LOSS FOR THE YEAR</b>	<b>(1,809,993)</b>	<b>(706,639)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	53,268	(2,934)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	(60,895)	59,461
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>	<b>(7,627)</b>	<b>56,527</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(1,817,620)</b>	<b>(650,112)</b>
Loss attributable to:		
Owners of the parent	(1,809,993)	(706,639)
Total comprehensive loss attributable to:		
Owners of the parent	(1,817,620)	(650,112)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>		
Basic and diluted		
For loss for the year	RMB 7.71	RMB 7.12

## MANAGEMENT DISCUSSION AND ANALYSIS

**Revenue.** Revenue increased from zero for the year ended December 31, 2020 to RMB22.7 million for the year ended December 31, 2021, primarily attributable to the license fee income generated from one of our clinical candidates.

**Other income and gains.** Other income and gains increased by RMB24.8 million from RMB18.8 million for the year ended December 31, 2020 to RMB43.6 million for the year end December 31, 2021, primarily attributable to: 1) an increase in bank interest income by RMB5.7 million, resulting from an increase in our cash and bank balances; 2) an increase in government subsidies by RMB6.8 million; 3) Investment gain of RMB5.9 million recognized from the disposal of a previous equity investment; 4) foreign exchange gains due to appreciation of RMB.

### Other income and gains

	2021 (RMB'000)	2020 (RMB'000)
Bank interest income	16,938	11,274
Government subsidies	14,081	7,302
Gain on disposal of an associate	5,900	–
Foreign exchange gains	6,668	–
Investment income from financial assets at FVTPL	–	166
Others	–	89
<b>Total</b>	<b>43,587</b>	18,831

**Research and development expenses.** Research and development expenses increased by RMB93.4 million from RMB132.7 million for the year ended December 31, 2020 to RMB226.1 million for the year ended December 31, 2021, primarily attributable to: 1) increase in employee cost by RMB74.1 million due to continuous expansion of functions related to research and development; 2) increase in third party contracting cost by RMB37.5 million as we advanced of our clinical trials to later stage while expanding early discovery and research activities at the same time.

## MANAGEMENT DISCUSSION AND ANALYSIS

### R&D expenses

	2021 (RMB'000)	2020 (RMB'000)
Employee cost	111,916	37,767
Third party contracting cost	95,998	58,467
Licensing fees	–	20,682
Others	18,212	15,748
<b>Total</b>	<b>226,126</b>	132,664

**Administrative expenses.** Administrative expenses increased by RMB103.6 million from RMB21.2 million for the year ended December 31, 2020 to RMB124.8 million for the year ended December 31, 2021, primarily attributable to: 1) an increase in employee cost by RMB57.2 million due to expansion of workforce in non-R&D related functions; 2) an increase in third party advisory service cost by RMB39.8 million, mainly arising from third party advisory fees in relation to the IPO.

### Administrative expenses

	2021 (RMB'000)	2020 (RMB'000)
Employee cost	69,942	12,736
Third party advisory service cost	43,007	3,210
Others	11,828	5,222
<b>Total</b>	<b>124,777</b>	21,168

**Finance costs.** Finance costs increased by RMB0.62 million from RMB0.34 million for the year ended December 31, 2020 to RMB0.96 million for the year ended December 31, 2021. The nature of the finance cost is the interest expense incurred on lease liabilities. Increase in finance cost for the year ended in December 31, 2021 is mainly due to the fluctuation of actual interest rate in 2021 and the addition of one new office space in Shanghai and the laboratory in Wuxi.

**Other expenses.** Other expenses decreased by RMB1.6 million from RMB1.7 million for the year ended December 31, 2020 to RMB0.1 million for the year ended December 31, 2021, primarily due to the fluctuation of foreign exchange differences.

**Fair value losses on convertible redeemable preferred shares.** Fair value losses on convertible redeemable preferred shares increased by RMB954.7 million from RMB569.6 million for the year ended December 31, 2020 to RMB1,524.3 million for the year ended December 31, 2021, primarily due to the significant increase in our company's valuation. As stated in the prospectus of the Company dated September 30, 2021 (the "Prospectus"), the convertible redeemable preferred shares had been converted into ordinary shares upon the listing of the Company's shares, and will not affect our financial performance in the subsequent financial years.



## MANAGEMENT DISCUSSION AND ANALYSIS

### NON-IFRS MEASURE

To supplement the Group's Consolidated Financial Statements, which are presented in accordance with the IFRS, the Company also uses adjusted loss for the year and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The Company believes that these adjusted measures provide useful information to shareholders and potential investors in understanding and evaluating the Group's consolidated results of operations.

Adjusted loss for the year represents the loss for the year excluding the effect of certain non-cash items and onetime events, namely the loss on fair value changes of the convertible redeemable preferred shares and share-based compensation cost. The term adjusted loss for the year is not defined under the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS. The Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. However, the Company believes that this and other non-IFRS measures are reflections of the Group's normal operating results by eliminating potential impacts of items that the management do not consider to be indicative of the Group's operating performance, and thus facilitate comparisons of operating performance from period to period and company to company to the extent applicable.

The table below sets forth a reconciliation of the loss to adjusted loss during the periods indicated:

	2021 (RMB'000)	2020 (RMB'000)
<b>Loss for the year</b>	<b>(1,809,993)</b>	(706,639)
Added:		
Fair value losses on convertible redeemable preferred shares	1,524,320	569,588
Share-based compensation cost	89,933	4,571
<b>Adjusted loss for the year</b>	<b>(195,740)</b>	(132,480)

The table below sets forth a reconciliation of the research and development expenses to adjusted research and development expenses during the periods indicated:

	2021 (RMB'000)	2020 (RMB'000)
<b>Research and development expenses for the year</b>	<b>(226,126)</b>	(132,664)
Added:		
Share-based compensation cost	49,811	3,476
<b>Adjusted research and development expenses for the year</b>	<b>(176,315)</b>	(129,188)

## MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth a reconciliation of the administrative expenses to adjusted administrative expenses during the periods indicated:

	2021 (RMB'000)	2020 (RMB'000)
<b>Administrative expenses for the year</b>	<b>(124,777)</b>	(21,168)
Added:		
Share-based compensation cost	<b>40,122</b>	1,095
<b>Adjusted administrative expenses for the year</b>	<b>(84,655)</b>	(20,073)

### Employee and Remuneration Policy

The following table sets forth a breakdown of our employees as at December 31, 2021, by function:

Function	Number	Percentage of total %
Research	65	40.6%
Pre-clinical Development	12	7.5%
Clinical Development	34	21.3%
Scientific Strategy and Operations	18	11.3%
Others	31	19.4%
<b>Total</b>	<b>160</b>	<b>100%</b>

As at December 31, 2021, all of our employees are based in mainland China.

As at December 31, 2021, the Group had 160 employees, where their salaries and allowances were determined based on their performance, experience and the then prevailing market rates. We have also invested 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, project and stock incentive plans to our employees especially key employees.

### Liquidity and Financial Resources

The Group's cash and bank balances as at December 31, 2021 were RMB2,545.5 million, representing an increase of 312% compared to RMB617.8 million for the year ended December 31, 2020. The increase was primarily attributable to net proceeds received from series D fund raising which was completed in January 2021 and net proceeds from the IPO which was completed in October 2021.

### Gearing ratio

Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. As at December 31, 2021, our gearing ratio was 4% (as at December 31, 2020: 266%).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other Financial Information

#### *Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures*

In April 2021, we sold all 20.3168% of shares of Shanghai Yanjian New Drug R&D Co., Ltd for RMB5.9 million. We invested in Shanghai Yanjian New Drug R&D Co., Ltd in 2017.

Save as disclosed above, the Group had no other material acquisitions and disposals of subsidiaries, associates and joint ventures during the reporting period.

#### *Significant Investment Held*

During the reporting period, the Group did not hold any significant investment.

#### *Future Plans for Material Investments or Capital Assets*

Save as disclosed in this report, we do not have any future plans for material investments or capital assets as at the date of this report.

#### *Foreign Exchange Risk*

Our financial statements are expressed in RMB, but certain of our financial assets measured at fair value through profit or loss and other payables are denominated in foreign currencies, and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

#### *Bank Loans and Other Borrowings*

As at December 31, 2021, we did not have any bank loans of other forms of borrowings.

#### *Contingent Liabilities*

The Group had no material contingent liability as at December 31, 2021.

# DIRECTORS AND SENIOR MANAGEMENT

The biography details of the Directors and senior management are set out as follows:

## EXECUTIVE DIRECTORS

**Dr. Xu Yao-Chang**, aged 65, is a co-founder of the Group. Dr. Xu founded the Group on April 12, 2016 and was appointed as a Director, chairman of the board and CEO of the Company on March 28, 2018. Dr. Xu was designated as an executive Director on June 10, 2021.

Dr. Xu has over 30 years of experience in research and development in oncology and other disease areas. Dr. Xu began his career at the University of Sherbrooke in Canada as a postdoctoral researcher in 1988. He then worked at BioChem Pharma Inc., a company engaged in new drug research and development for anti-virus and anti-tumor in the early 1990s. Dr. Xu served as senior organic chemist from October 1993 and subsequently Head of Discovery Chemistry Research until January 2006 at Eli Lilly & Company, a pharmaceutical company engaged in the development of pharmaceutical products for treatment in areas of oncology, diabetes, immunology and neurodegeneration. From January 2006 to March 2012, Dr. Xu served as the executive director at Novartis International AG, a pharmaceutical company principally engaged in the development, manufacture and marketing of branded and generic prescription drugs, active pharmaceutical ingredients (APIs), biosimilars and ophthalmic products. From March 2012 to March 2016, Dr. Xu served as the general manager of the Hansoh Pharmaceutical Group Shanghai Research and Development Centre (豪森醫藥集團上海新藥研發中心) of Shanghai Hansoh BioMedical Co., Ltd. (上海翰森生物醫藥科技有限公司), a subsidiary of 江蘇豪森藥業集團有限公司 (“Hansoh”), a pharmaceutical company engaged in the development of pharmaceutical products in areas of anti-tumor, central nervous system and diabetes. During his tenure at Hansoh, Dr. Xu also served as the Chairman of Hengrui-Hansoh new drug discovery Committee (恒瑞 – 豪森醫藥研發委員會).

Dr. Xu has served as a director at Abbisko Hong Kong since April 2018, a director and the chief executive officer at Abbisko Shanghai since April 2016, a director at Abbisko Wuxi since July 2020 and a director at Abbisko Australia since December 2020, all four of which are wholly-owned subsidiaries of the Company.

Dr. Xu obtained his Bachelor’s degree in chemistry from Nanjing University in the PRC in July 1982, and his Doctoral degree in organic chemistry from the University of Chicago in the United States in July 1988. He served as an Industrial Alternate Councilor from 2010 to 2012 for American Chemical Society, the Division of Medicinal Chemistry. He also has been an elected member of the Medicinal Chemistry Committee of the Chinese Pharmaceutical Association.

## DIRECTORS AND SENIOR MANAGEMENT

**Dr. Yu Hongping**, aged 54, is a co-founder of the Group. Dr. Yu founded the Group on April 12, 2016 and was appointed as a Director and senior vice president, Chemistry on March 28, 2018. Dr. Yu was designated as an executive Director on June 10, 2021.

Dr. Yu worked as a senior research chemist at the Merck Frosst Centre for Therapeutic Research from October 2002 to April 2007, a pharmaceutical company engaged in the development, manufacture and marketing of pharmaceutical drugs, vaccines and animal-health products. From April 2007 to February 2012, Dr. Yu served as a Senior Research Investigator I at Novartis Institutes for BioMedical Research Co., Ltd., a pharmaceutical company engaged in the development, manufacture and marketing of branded and generic prescription drugs, active pharmaceutical ingredients (APIs), biosimilars and ophthalmic products. From October 2012 to February 2016, Dr. Yu served as the deputy general manager of medicinal chemistry at Hansoh (Shanghai) Pharmaceutical Co., Ltd (上海翰森生物醫藥科技有限公司) (formerly known as 上海捷森藥物化學科技有限公司).

Dr. Yu has served as a director at Abbisko Hong Kong since April 2018 and as a director at Abbisko Shanghai since April 2016, both of which are wholly-owned subsidiaries of the Company.

Dr. Yu obtained his Bachelor's degree in chemistry and his Master's degree in science from Tsinghua University in the PRC in July 1991 and March 1994, respectively. He obtained his Doctoral degree in chemistry from the University of British Columbia in Canada in November 2000 and was a postdoctoral research fellow at that university between July 2001 and September 2002.

**Dr. Chen Zhui**, aged 47, is a co-founder of the Group. Dr. Chen joined the Group on May 23, 2016 and was appointed as a Director and senior vice president, Biology in March 28, 2018. Dr. Chen was designated as an executive Director on June 10, 2021.

Prior to joining the private healthcare sector, Dr. Chen worked at the University of Texas Southwestern Medical Center in the United States until October 2006. From October 2006 to November 2008, Dr. Chen served as a senior scientist at Abbott Laboratories in the United States. From December 2008 to February 2014, Dr. Chen served as an Investigator II at China Novartis Institutes of Biological Research. From February 2014 to May 2016, he served as an associate director in oncology research for Johnson & Johnson.

Dr. Chen has served as a director at Abbisko Hong Kong since April 2018 and a director at Abbisko Shanghai since June 2016, both of which are wholly-owned subsidiaries of the Company.

Dr. Chen obtained his Bachelor's degree in Biochemistry from the University of Texas in the United States in May 1997. He obtained his Doctoral degree from Duke University in the United States in December 2003. He has been a member of the American Association of Cancer Research since 2007.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Yeh Richard**, aged 53, joined the Group as Chief Financial Officer and Head of Strategic Operations on November 9, 2020 and was appointed as a Director on January 5, 2021. Mr. Yeh was designated as an executive Director on June 10, 2021. On April 27, 2022, Mr. Yeh tendered his resignation with effect from April 28, 2022.

Mr. Yeh has over 20 years of experience working for investment banks and multinational biopharmaceutical companies. Prior to joining the Company, Mr. Yeh has been the Chief Financial Officer of CStone Pharmaceuticals, a company listed on the Hong Kong Stock Exchange (HKEX: 2616) from July 2018 to April 2020. Prior to joining CStone Pharmaceuticals, Mr. Yeh was a Managing Director and the business unit leader of Asia Pacific healthcare equity research at Goldman Sachs (Asia) L.L.C. in Hong Kong. Before that, Mr. Yeh served as the head of China healthcare research team at Citigroup Capital Markets Asia Limited. In October 1995, he joined Amgen Inc., a leading global biotechnology company traded on the NASDAQ (stock code: AMGN), as a research associate conducting drug research. Mr. Yeh has also served as an independent non-executive director of Medlive Technology Co., Ltd., a company listed on the Hong Kong Stock Exchange (HKEX: 2192) since July 2021.

Mr. Yeh obtained an MBA from Cornell University in the United States in May 2002 and a Master of Science from the University of Toronto in Canada in November 1995. He graduated from the University of Manitoba in Canada with a bachelor of science in May 1993.

### NON-EXECUTIVE DIRECTORS

**Dr. Xia Gavin Guoyao** (previously known as Guoyao Xia), aged 42, joined the Group as non-executive director of Abbisko Shanghai on July 1, 2016 and was appointed as a Director on October 22, 2018. Dr. Xia was designated as a non-executive Director on June 10, 2021.

Dr. Xia has joined Lilly Asia Ventures since February 2015 and currently serves as a venture partner at Lilly Asia Ventures. Since August 2019, he has served as a director of ClinChoice Medical Development Limited, a clinical contract research organization engaged in offering flexible solutions to pharmaceutical, biotechnology, medical device and consumer products clients. Dr. Xia served as a director of Shanghai Kun Yuan Biotechnology Co., Ltd. (上海鵬遠生物技術有限公司), a company engaged in NGS testing (next generation sequencing (NGS) allows clinicians to test many genes of a cancer simultaneously) and early detection and screening of cancers, from August 2016 to February 2021. He also served as a director of Jacobio Pharmaceuticals Co., Ltd. (北京加科思新藥研發有限公司) from July 2018 to March 2020, an indirectly wholly-owned subsidiary of Jacobio Pharmaceuticals Group Co., Ltd. (加科思藥業集團有限公司) (a company currently listed on the Hong Kong Stock Exchange (HKEX: 1167)). He has served as a director of Alebund Biotech Inc., a company engaged in drug discovery and development for kidney diseases, since November 2019 and has also served as its chief executive officer since October 2019.

Dr. Xia obtained his dual Bachelor's degrees in chemistry and economics from Peking University in the PRC in July 2001, and obtained his Doctoral degree in chemistry from the University of Chicago in the United States in June 2007.

## DIRECTORS AND SENIOR MANAGEMENT

**Ms. Tang Yanmin (唐艷旻)** aged 49, joined the Company on June 10, 2021 and was designated as a non-executive Director on the same day.

Ms. Tang worked at Asia Baokang Pharmaceutical Consulting (Beijing) Co., Ltd. (亞洲保康藥業諮詢(北京)有限公司) as general manager of the Beijing office from December 2002 to August 2015. Ms. Tang has been serving as a partner at Suzhou Qiyuan Equity Investment Management Partnership Enterprise (Limited Partnership) (蘇州啟元股權投資管理合夥企業(有限合夥)) since December 2015.

Ms. Tang has been serving as a director and vice general manager of Beijing Sinotau International Pharmaceutical Technology Co., Ltd. (北京先通國際醫藥科技股份技術有限公司) and a director of Beijing Sinotau Pharmaceutical Technology Co., Ltd. (北京先通生物醫藥技術有限公司) since May 2016. Since March 2019, Ms. Tang has also served as a director of Sinocelltech Group Ltd (北京神州細胞生物技術集團股份公司) (Shanghai Stock Exchange stock code: 688520). Ms. Tang is also currently a director of Sino Biological Inc. (北京義翹神州科技股份有限公司) ("**Sino Biological**") and a director of Suzhou Keyu Biotechnology Limited (蘇州克愈生物科技股份有限公司). She has been serving as non-executive director of Jacobio Pharmaceuticals Group Co., Ltd. (HKEX: 1167) and a director of Jacobio Pharmaceuticals Co., Ltd. and Jacobio (HK) Pharmaceuticals Co., Limited since August 2018. Ms. Tang also serves as a director of Cure Genetics Co., Ltd (蘇州克睿基因生物科技股份有限公司). Ms. Tang has also been serving as a director of Guangdong Xiantong Molecular Imaging Technology Co., Ltd. (廣東先通分子影像科技有限公司) since September 2020.

Ms. Tang obtained her Bachelor's degree in pharmacy in English from Shenyang Pharmaceutical University (瀋陽藥科大學) in the PRC in July 1996 and her master's degree in business administration for senior management from Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2008.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Sun Piaoyang (孫飄揚)**, aged 64, was appointed as an independent non-executive Director on September 30, 2021.

Dr. Sun has served as a director and a member of the strategic committee of Jiangsu Hengrui Pharmaceuticals Co., Ltd. (江蘇恒瑞醫藥股份有限公司) (Shanghai Stock Exchange Code: 600276) ("**Jiangsu Hengrui Pharmaceuticals**") since March 2003 and as the Chairman of the board of Jiangsu Hengrui Pharmaceuticals from 2003 to January 2020 and as the acting Chairman of the board of Jiangsu Hengrui Pharmaceuticals from July 2021 until the next chairman of the board of Jiangsu Hengrui Pharmaceuticals is elected. Dr. Sun has served as the Chairman of the board and an executive director of Jiangsu Hengrui Pharmaceutical Group Co., Ltd. (江蘇恒瑞醫藥集團有限公司) since February 2020.

Dr. Sun obtained his Bachelor's degree in pharmaceutical chemistry from China Pharmaceutical University in the PRC in July 1982. He obtained his Doctoral degree in organic chemistry from Nanjing University in December 2004.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Sun Hongbin (孫洪斌)**, aged 46, was appointed as an independent non-executive Director on September 30, 2021.

Mr. Sun has served as an independent non-executive Director of New Century Healthcare Holding Co. Limited (HKEx Stock Code: 1518) since December 2016. He has served as an independent non-executive Director of CStone Pharmaceuticals (HKEx Stock Code: 2616) since February 2019. He has served as an independent non-executive Director of Mobvista Inc. (HKEx Stock Code: 1860) since July 2020. Mr. Sun was appointed as a director of Shanghai MicroPort MedBot (Group) Co., Ltd. (HKEx stock code: 2252, "MedBot") in April 2020 and re-designated as a non-executive director of MedBot in June 2021. He has also served as chairman of the board of directors of MedBot. He has been the chief financial officer of MicroPort Scientific Corporation (微創醫療科學有限公司), a company listed on the Stock Exchange (stock code: 0853), since July 2010 and served as its executive director from July 2010 to September 2012. Mr. Sun has over 22 years of finance and audit experience. Mr. Sun was the deputy financial director of Otsuka (China) Investment Co., Ltd. (大冢(中國)投資有限公司) from January 2004 to January 2006 and served as its general manager from January 2006 to August 2010. From August 1998 to January 2004, he was an assistant manager in the audit department of KPMG Huazhen (畢馬威華振會計師事務所) in Shanghai.

Mr. Sun obtained his Bachelor's degree in accounting from Shanghai Jiaotong University in the PRC in July 1998. Mr. Sun became a member of the Chinese Institute of Certified Public Accountants in December 2009 and became a Chartered Financial Analyst in April 2010.

**Mr. Wang Lei (王磊)**, aged 49, was appointed as an independent non-executive Director of the Company on September 30, 2021.

Mr. Wang worked at Shanghai Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司) from 1996 to 2013, as Virology/Osteoporosis/Anemia BU VP, International Product Manager, National Sales Manager and Strategic Marketing Business Leader, consecutively.

Mr. Wang joined AstraZeneca China in 2013 as Vice President for GI, Respiratory, Anaesthesia and was promoted to President of AstraZeneca China in 2015. In 2017, Mr. Wang was appointed as Executive Vice President, International Region and China Country President.

Mr. Wang holds an EMBA from China Europe International Business School, and a Bachelor of Arts from Shanghai International Studies University in the PRC. Mr. Wang is the Member of the 12th Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference and the Member of the 16th Wuxi Municipal People's Congress. Mr. Wang serves as the Vice Chairman of the Federation of Enterprises and Entrepreneurs in Shanghai Pudong New District (上海市浦東新區企業、企業家聯合會) and Council Member of Shanghai Yangtze River Delta Institute of Business Innovation (上海長三角商業創新研究院).



## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

The Group's senior management comprises the four executive Directors and the following senior management personnel. For the biography of the executive Directors, please refer to "DIRECTORS AND SENIOR MANAGEMENT – Directors – Executive Directors" of this section.

**Dr. Ji Jing** (嵇靖), aged 51, joined the Group as Chief Medical Officer on February 1, 2021 and is responsible for leading cross-functional teams and overseeing company-wide clinical development and regulatory strategies.

Dr. Ji worked as a doctor at Shanghai First People's Hospital from July 1995 to December 1997. She served as the clinical research manager at Merck Sharp & Dohme, a pharmaceutical company engaged in the development of vaccines, medicines and health products, from December 1997 to March 2003. From September 2003 to September 2005, Dr. Ji served as the clinical development manager at Sanofi S.A., a biopharmaceutical company engaged in manufacture of pharmaceutical products. From June 2006 to January 2010, Dr. Ji served as the head of medical affairs at GlaxoSmithKline plc, a pharmaceutical company engaged in the development, manufacture and marketing of pharmaceutical products. From January 2010 to April 2015, Dr. Ji served at Johnson & Johnson Medical (Shanghai) Ltd. (強生(上海)醫療器材有限公司), a pharmaceutical company that engaged in the development of medical devices pharmaceuticals, and consumer packaged goods. From April 2015 to May 2020, Dr. Ji served as the head of cardiovascular, renal and metabolism therapeutic area and vice president at AstraZeneca plc, a pharmaceutical and biotechnology company engaged in the development and manufacture of pharmaceutical products. From May 2020 to January 2021, Dr. Ji served as the senior vice president of medical and clinical development at Shanghai Lianbio Development Co., Ltd (上海聯拓生物科技有限公司).

Dr. Ji obtained her Bachelor of Medicine degree from Fudan University and Shanghai Second Medical University in the PRC in July 1993 and Master's degree in medicine from Fudan University and Shanghai Second Medical University in the PRC in July 1995.

**Dr. XIE Kewei**, aged 61, has been with the Group serving the function of chief business officer since December 14, 2020 and is responsible for overseeing the Group's business development activities.

Prior to joining the Group, Dr. Xie served as the vice president of corporate development and technology at Scientific Protein Labs from February 2016 to December 2020. Before that, he had served at Bayer Healthcare LLC, a multinational pharmaceutical and life science company, and at Boehringer Ingelheim.

Dr. Xie obtained his Bachelor of Science degree in genetics from Fudan University in the PRC in July 1983. He obtained his Master's degree in science from Fudan University in the PRC in July 1986. He obtained his Doctoral degree in biology from Yale University in the United States in May 1994 and obtained his MBA from Yale University School of Management in May 1997.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. LI Yongyi** (李勇毅), aged 47, joined the Group as General Counsel on June 1 2021, and is responsible for overseeing the Group's legal and compliance matters.

Mr. Li worked as an attorney at Latham & Watkins LLP from March 2010 to April 2011. From June 2013 to June 2017, Mr. Li served as vice president and General Counsel at Cardinal Health China. From July 2017 to May 2021, Mr. Li served as vice president and General Counsel at Eli Lilly China.

Mr. Li obtained his Bachelor of Engineering degree in management information systems from the University of Science and Technology Beijing in the PRC in July 1997. He obtained his Master of Arts degree and Juris Doctor degree from Duke University in the United States in May 1999 and May 2007, respectively.

**Dr. ZHANG Zhen** (張臻), aged 48, joined the Group as vice president and head of Chemistry, Manufacturing and Controls on April 1, 2021 and is responsible for overseeing the Group's chemistry, manufacturing and controls in the drug development cycle. Dr. Zhang served as a senior director of the research and development department of Shanghai Chempartner Co Ltd from December 2009 to January 2013. He served as the Director, Stability China of Bristol Myers Squibb from January 2013 to July 2013. He served as a director of small molecule development at Johnson & Johnson from July 2013 to March 2021.

Dr. Zhang obtained his Bachelor of Science degree in chemistry from Nanjing University in the PRC in July 1994. He obtained his Doctoral degree from the Rutgers University in the United States in October 2002.

# DIRECTORS' REPORT

## PRINCIPAL ACTIVITIES

We are a clinical-stage biopharmaceutical company dedicated to the discovery and development of innovative and differentiated small molecule oncology therapies. Since our inception in 2016, we have strategically designed and developed a pipeline of 14 candidates focused on oncology, including six candidates at clinical stage. Our product candidates are primarily small molecules that focus on small molecule precision oncology and small molecule immuno-oncology therapeutic areas.

There were no significant changes in the nature of the Group's principal activities from the Listing Date to December 31, 2021. Please refer to note 1 to the Consolidated Financial Statements on pages 93 to 94 of this report for details of the principal activities of the principal subsidiaries of the Group.

## BUSINESS REVIEW

A fair review of the business of the Group, the outlook of future development of the business of the Group as well as a discussion and analysis of the Group's performance during the Reporting Period and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Companies Ordinance can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this report. The financial risk management objectives and policies of the Group are set out in note 31 to the Consolidated Financial Statements.

For further details, please refer to the section headed "Management Discussion and Analysis" on pages 12 to 26.

## RESULTS AND FINAL DIVIDENDS

Details of the consolidated loss of the Group for the Reporting Period and the Group's financial position as at December 31, 2021 are set out in the Consolidated Financial Statements.

The Board does not recommend payment of a final dividend for the year ended December 31, 2021. No dividend was paid or declared by the Company or other members of the Group during the year ended December 31, 2021.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth.

In accordance with the relevant rule requirements in place for the year ended December 31, 2021, the Company's environmental, social and governance report will be available on our website on or before May 31, 2022.

### PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks involved in our operations, many of which are beyond our control. Some of the major risks we face include:

- We face fierce competition from existing products and product candidates under development in the entire oncology market. Our competitors may discover, develop or commercialize competing drugs earlier or more successfully than we do. If we fail to effectively compete with our competitors, our competitive position in our target markets may be undermined, our drug candidates, if and when approved, may fail to be commercially successful and our business, financial condition, results of operations and prospects could suffer;
- Our business and financial prospects depend substantially on the success of our clinical stage and pre-clinical stage drug candidates. If we are unable to successfully complete their clinical development, obtain relevant regulatory approvals or achieve their commercialization, or if we experience significant delays in any of the foregoing, our business, results of operations and financial condition may be adversely affected;
- We rely on certain third-party licensors for some of our clinical development activities;
- We had a limited number of suppliers and the loss of one or more of our key suppliers could disrupt our operations;
- If safety, efficacy or other issues arise with any drug or medical product used in combination with or to facilitate the use of our drug candidates, we may be unable to market such drug candidate or may experience significant regulatory delays;
- We may be restricted from transferring our scientific data abroad;
- We have incurred significant net losses since our inception, and expect to continue to incur net losses for the foreseeable future and may not be able to generate sufficient revenue to achieve profitability. Potential investors are at risk of losing substantially all of their investments in our Shares;
- We have net operating cash outflow; and
- Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our convertible redeemable preferred shares.

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.

# DIRECTORS' REPORT

## DIRECTORS

The Directors from the period of the Listing Date to December 31, 2021 and up to the date of this report are:

### Executive Directors

Dr. Xu Yao-Chang (徐耀昌博士)

Dr. Yu Hongping (喻紅平博士)

Dr. Chen Zhui (陳椎博士)

Mr. Yeh Richard (葉霖先生)\*

### Non-executive Directors

Dr. Xia Gavin Guoyao (夏國堯博士)

Ms. Tang Yanmin (唐艷旻女士)

### Independent Non-executive Directors

Dr. Sun Piaoyang (孫飄揚博士)

Mr. Sun Hongbin (孫洪斌先生)

Mr. Wang Lei (王磊先生)

In accordance with Article 16.19 of the Articles of Association, 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 at every annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to 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 next following general meeting of the Company and shall then be eligible for re-election at that meeting.

In accordance with Article 16.3 of the Articles of Association, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors.

Details of the Directors to be re-elected at the forthcoming annual general meeting are set out in the circular to Shareholders to be dispatched in due course in the manner as required by the Listing Rules.

\* Please refer to the note in the "Corporate Information" section on page 2 of this annual report.

### DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 27 to 33 of this report.

### CHANGES IN INFORMATION OF DIRECTORS

So far as the Directors are aware and save as disclosed in this report, there has been no other change of information of Directors during the Reporting Period pursuant to Rule 13.51B(1) of the Listing Rules.

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the Independent Non-executive Directors, namely Dr. Sun Piaoyang, Mr. Sun Hongbin and Mr. Wang Lei, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our Independent Non-executive Directors have been independent from the date of their appointments to December 31, 2021 and remain so as at the date of this report.

### DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

As at December 31, 2021, we had 160 employees. Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security contributions and other welfare payments. In accordance with applicable PRC laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees in the PRC.

Our Directors receive compensation in the form of fees, salaries, bonuses, other allowances, benefits in kind, contribution to the pension scheme and other share-based compensation. We determine the compensation of our Directors based on each Director's responsibilities, qualification, position and seniority. Details of the Directors' remuneration during the year are set out in note 9 to the Consolidated Financial Statements. No amount was paid to any Director or any of the five highest paid individual disclosed in note 10 to the Consolidated Financial Statements as an inducement to join or upon joining the Company or as a compensation for loss of office. In addition, there was no arrangement under which a Director waived or agreed to waive any remuneration.

## **DIRECTORS' REPORT**

### **PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The Articles of Association provide that the Directors or other officers of the Company are entitled to be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Reporting Period.

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Save as disclosed in this report, no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting from the period of the Listing Date to December 31, 2021 and up to the date of this report.

### **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed from the period of the Listing Date to December 31, 2021 and up to the date of this report between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

### **ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in this report, at no time from the period of the Listing Date to December 31, 2021 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors 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 or any of their spouse or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

### **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

Save as disclosed in this report, each of the Directors confirms that since the Listing Date and up to the date of this report, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules. From time to time our Non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these Non-executive Directors are not members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which these Directors may hold directorships from time to time.

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

As far as the Company is aware, as at December 31, 2021, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Name of Director or chief executive officer	Nature of Interest	Total number of shares/ underlying shares	Approximate Percentage of Shareholding Interest <sup>(2)</sup>
Dr. Xu Yao-Chang <sup>(3)</sup>	Founder of discretionary trust; interest in controlled corporation; interests held jointly with another person; interest of a party to an agreement regarding interest in our Company	164,581,300 (L) <sup>(1)</sup>	23.43%
Dr. Chen Zhui <sup>(3)</sup>	Founder of discretionary trust; interest in controlled corporation; interests held jointly with another person; interest of a party to an agreement regarding interest in our Company	164,581,300 (L) <sup>(1)</sup>	23.43%
Dr. Yu Hongping <sup>(3)</sup>	Interest in controlled corporation; interests held jointly with another person; interest of a party to an agreement regarding interest in our Company	164,581,300 (L) <sup>(1)</sup>	23.43%
Mr. Yeh Richard <sup>(4)</sup>	Beneficial owner	6,359,300(L) <sup>(1)</sup>	0.90%



## DIRECTORS' REPORT

### Notes:

- (1) "L" means holding a long position in Shares.
- (2) Refers to the percentage of the number of relevant Shares involved divided by the total number of Shares in issue of the Company as at December 31, 2021, being 702,578,350 Shares.
- (3) Dr. Xu is the settlor of a discretionary trust, the Xu Family Trust, of which Trident Trust Company (HK) Limited acts as its trustee and the beneficiaries of which are Dr. Xu's family members. Yaochang Family Holding Limited is wholly owned by Hery International Development Limited, which is in turn wholly owned by Trident Trust Company (HK) Limited as the trustee of the Xu Family Trust. Each of Dr. Xu (as settlor of the Xu Family Trust), Trident Trust Company (HK) Limited and Hery International Development Limited are deemed to be interested in the 70,290,520 Shares in the Company held by Yaochang Family Holding Limited.

Dr. Chen is the settlor of a discretionary trust, the Zabuye Trust, of which Trident Trust Company (HK) Limited acts as its trustee and the beneficiaries of which are Dr. Chen's family members. Chogir Limited is wholly owned by Zabuye Limited, which in turn is wholly owned by Trident Trust Company (HK) Limited as the trustee of the Zabuye Trust. Jamdrok Limited is wholly owned by Dr. Chen. Each of Dr. Chen (as the settlor of the Zabuye Trust), Trident Trust Company (HK) Limited and Zabuye Limited are deemed to be interested in the 4,948,690 Shares in the Company held by Chogir Limited. Dr. Chen is also deemed to be interested in the 4,948,680 Shares in the Company held by Jamdrok Limited.

Dr. Yu through his interest in controlled corporation, Panorama HY Investment Limited, held 9,897,370 Shares. Dr. Xu, Dr. Yu and Dr. Chen entered into an acting-in-concert agreement on May 26, 2021, pursuant to which they acknowledged and confirmed that (i) since 2016, each of Dr. Xu, Dr. Yu, Dr. Chen and their controlled entities has been acting in concert at the shareholders' meetings of Abbisko Therapeutics Co., Ltd. and the Company; (ii) they will continue to act in concert at the shareholders' meeting of the Company; and (iii) in the event that the parties are unable to reach consensus on matters of the Company, each of the parties shall exercise their respective voting rights in accordance with the instructions of Dr. Xu. As such, each of Dr. Xu, Dr. Chen and Dr. Yu (i.e. the "Concert Parties") are deemed to be interested in the Shares each other is interested in.

Computershare Hong Kong Trustees Limited, the trustee of Abbisko Cayman Limited Trust, held 37,054,800 Shares. Futu Trustee Limited, the trustee of Abbisko Galaxy Myth Trust and Abbisko Glorious Ode Trust, held 37,441,240 Shares through its wholly owned corporations Abbisko Galaxy Myth Limited and Abbisko Glorious Ode Limited. Pursuant to trust deeds dated September 10, 2021 and August 25, 2021, Computershare Hong Kong Trustees Limited and Futu Trustee Limited will exercise their voting rights in accordance with the instructions of Dr. Xu. As such, each of the Concert Parties are deemed to be interested in the Shares held by Computershare Hong Kong Trustees Limited and Futu Trustee Limited.

- (4) In addition to the 742,000 Shares held by Mr. Yeh as beneficial owner, Mr. Yeh is interested in RSUs granted to him under the 2019 Share Incentive Plan entitling him to receive up to 5,617,300 Shares subject to certain conditions. On April 27, 2022, Mr. Yeh tendered his resignation with effect from April 28, 2022.

Save as disclosed above, as at December 31, 2021, none of the Directors or chief executives of the Company had or was deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO; or which were required, pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2021, to the best of the knowledge of the Company and the Directors, the following are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

Name of Shareholder	Nature of Interest	Total number of shares/ underlying shares	Approximate Percentage of Shareholding Interest <sup>(2)</sup>
LAV GP III, L.P. <sup>(3)</sup>	Interest in controlled corporation	51,454,060 (L) <sup>(1)</sup>	7.32%
LAV Corporate GP, Ltd. <sup>(3)</sup>	Interest in controlled corporation	51,454,060 (L) <sup>(1)</sup>	7.32%
Yi Shi <sup>(3)</sup>	Interest in controlled corporation	75,143,790 (L) <sup>(1)</sup>	10.70%
Qiming Venture Partners VI, L.P. <sup>(4)</sup>	Beneficial owner	47,323,020 (L) <sup>(1)</sup>	6.74%
Qiming Corporate GP VI, Ltd <sup>(4)</sup>	Interest in controlled corporation	48,596,400 (L) <sup>(1)</sup>	6.92%
Elbrus Investments Pte. Ltd. <sup>(5)</sup>	Beneficial owner	46,508,460 (L) <sup>(1)</sup>	6.62%
Temasek Holdings (Private) Limited <sup>(5)</sup>	Interest in controlled corporation	52,734,460 (L) <sup>(1)</sup>	7.51%
Trident Trust Company (HK) Limited <sup>(6)</sup>	Trustee	75,239,210 (L) <sup>(1)</sup>	10.71%
Futu Trustee Limited <sup>(6)</sup>	Trustee	37,441,240 (L) <sup>(1)</sup>	5.33%
Computershare Hong Kong Trustees Limited <sup>(6)</sup>	Trustee	37,054,800 (L) <sup>(1)</sup>	5.27%
Morgan Stanley <sup>(7)</sup>	Interest in controlled corporation	52,486,000 (L) <sup>(1)</sup> 21,108,000 (S) <sup>(1)</sup>	7.47% 3.00%

## DIRECTORS' REPORT

### Notes:

- (1) "L" means holding a long position in Shares, while "S" means holding a short position in Shares.
- (2) Refers to the percentage of the number of relevant Shares involved divided by the total number of Shares in issue of the Company as at December 31, 2021, being 702,578,350 Shares.
- (3) Absolute Investment Limited, Sky Infinity Investment Limited and LAV Biosciences Fund V, L.P. directly owns 34,302,700 Shares, 17,151,360 Shares and 11,235,730 Shares respectively. Absolute Investment Limited is wholly-owned by LAV Biosciences Fund III, L.P.. Sky Infinity Investment Limited is wholly-owned by Lilly Asia Ventures Fund III, L.P.. The general partner of both LAV Biosciences Fund III, L.P. and Lilly Asia Ventures Fund III, L.P. is LAV GP III, L.P., whose general partner is LAV Corporate GP, Ltd., a company owned by Yi Shi. LAV Biosciences Fund V, L.P. is a Cayman exempted limited partnership fund. The general partner of LAV Biosciences Fund V, L.P. is LAV GP V, L.P., whose general partner is LAV Corporate V GP, Ltd., a company owned by Yi Shi.

Each of LAV Star Limited, LAV Star Opportunities Limited and LAV Amber Limited directly owns 4,982,000 Shares, 4,982,000 Shares and 2,490,000 Shares. LAV Star Limited is wholly-owned by LAV Fund VI, L.P. and LAV Star Opportunities Limited is wholly-owned by LAV Fund VI Opportunities, L.P. The ultimate beneficial owner of LAV Star Limited and LAV Star Opportunities Limited is Yi Shi. LAV Amber Limited is wholly owned by LAV Biosciences Fund V, L.P..

Based on the above, under the SFO, LAV Biosciences Fund III, L.P. is deemed to be interested in the 34,302,700 Shares held by Absolute Investment Limited. Each of LAV GP III, L.P. and LAV Corporate GP, Ltd. (through its interests in controlled corporations) is interested in the 34,302,700 Shares held by Absolute Investment Limited and the 17,151,360 Shares held by Sky Infinity Investment Limited. LAV Biosciences Fund V, L.P. is deemed to be interested in the 2,490,000 Shares held by LAV Amber Limited. Yi Shi (through his interests in controlled corporations) is deemed to be interested in the 34,302,700 Shares held by Absolute Investment Limited, the 17,151,360 Shares held by Sky Infinity Investment Limited and the 11,235,730 Shares LAV Biosciences Fund V, L.P. is interested in.

- (4) Qiming Venture and Qiming Managing directly owns 47,323,020 Shares and 1,273,380 Shares respectively. Each of Qiming Venture and Qiming Managing is an exempted limited partnership managed and controlled by its ultimate general partner Qiming Corporate GP VI, Ltd.. Based on the above, under the SFO, Qiming Corporate GP VI, Ltd. is deemed to be interested in (through its interests in controlled corporations) the 47,323,020 Shares and 1,273,380 Shares held by Qiming Venture and Qiming Managing respectively.
- (5) Elbrus Investments directly owns 46,508,460 Shares. Elbrus Investments is a company incorporated in Singapore, being a wholly-owned subsidiary of Temasek Life Sciences Private Limited, which is in turn a wholly-owned subsidiary of Fullerton Management Pte Ltd, which is in turn a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Under the SFO, each of Temasek Life Sciences Private Limited, Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited is deemed to be interested in (through their interests in controlled corporations) the 46,508,460 Shares held by Elbrus Investments.

In addition, taking into account 6,226,000 Shares directly owned by Aranda Investments Pte. Ltd., an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited, Temasek Holdings (Private) Limited is deemed to be interested in the 6,226,000 Shares held by Aranda Investments Pte. Ltd.

- (6) Please refer to note 3 to the table under the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" as disclosed in this report.
- (7) Morgan Stanley & Co. International plc directly holds 52,486,000 and 21,108,000 in long position and short position in Shares respectively. Morgan Stanley & Co. International plc is directly wholly owned by Morgan Stanley Investments (UK), which is in turn wholly owned by Morgan Stanley International Limited, which is in turn wholly owned by Morgan Stanley International Holdings Inc., which is in turn wholly owned by Morgan Stanley. Therefore, Morgan Stanley is deemed to be interested in the 52,486,000 long position in Shares and 21,108,000 short position in Shares held by Morgan Stanley & Co. International plc.

Save as disclosed above, as at December 31, 2021, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### LARGEST SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

At no time during the Reporting Period had the Company or any of its subsidiaries, and its largest shareholders of the Company or any of their subsidiaries (as the case may be) entered into any contract of significance or any contract of significance for the provision of services by any such largest shareholders or their subsidiaries (as the case may be) to the Company or any of its subsidiaries.

### EQUITY INCENTIVE PLANS

#### 2019 Share Incentive Plan

The 2019 Share Incentive Plan was adopted and approved by resolutions in writing by the Board and the Shareholders on July 4, 2019 and further amended on June 10, 2021. The purpose of the 2019 Plan is to attract and retain the best available personnel and to provide additional incentives to employees, directors and consultants of the Company and to promote the success of the Company's business.

#### 1. *Summary of terms*

##### *(a) Duration*

The 2019 Plan shall be valid and effective for the period of ten years commencing from the adoption date after which period no further options, share appreciation right, dividend equivalent right, restricted shares and restricted share units ("Award") will be granted, unless terminated sooner.

##### *(b) Administration*

The 2019 Plan shall be subject to the administration of (i) the Board; (ii) one of the officers or directors or a committee designated by the Board (the "Administrator"); and (iii) the shareholders. The Board shall have the authority to (i) approve the 2019 Plan and the separate programs under the 2019 Plan; (ii) select the core management team and Directors to which Awards may be granted from time to time; (iii) to determine whether and to what extent the Awards are granted for the core management team and Directors; (iv) to determine the type or the number of Awards to be granted for the core management team and Directors and the number of shares to be covered by each Award granted; (v) to determine the terms and conditions of any Award granted for the core management team and Directors; (vi) amend the terms of any outstanding Award granted for the core management team and Directors under the 2019 Plan; (vii) amend, suspend or terminate the 2019 Plan at any time provided, however, that no such amendment shall be made without the approval of the shareholders to the extent that such approval is required by the applicable laws; (viii) terminate the grant of Award during any suspension of the 2019 Plan or after termination of the 2019 Plan; (ix) to take such other major action, not inconsistent with the terms of the 2019 Plan and the applicable laws, as the Board deems appropriate, such as the early exercise of the Awards and the loan plan and the amount of consideration to be covered by each Award granted. The shareholders shall have the power to approve and determine the maximum aggregate number of ordinary shares which may be issued pursuant to all Awards under the 2019 Plan.

## DIRECTORS' REPORT

The Administrator shall have the authority to (i) propose amendments to the 2019 Plan and separate programs under the 2019 Plan and report the propose amendments of the 2019 Plan to the Board for approval; (ii) to select employees (not including the core management team and consultants) whom Awards may be granted from time to time; (iii) to determine whether and to what extent Awards are granted for the employees (not including the core management team and consultants); (iv) to determine the type or the number of Awards to be granted for the employees (not including the core management team and consultants), the number of ordinary shares to be covered by each Award; (v) to approve forms of Award agreements for use under the 2019 Plan and the separate programs and to amend the terms of the Award agreements; (vi) to determine the terms and conditions of any Award granted for the employees (not including the core management team and consultants); (vii) to amend the terms any outstanding Award granted for the employees (not including the core management team) and consultants under the 2019 Plan; (viii) to construe and interpret the terms of the 2019 Plan and Awards; (ix) to take such other action, not inconsistent with the terms of the 2019 Plan and the applicable laws, as the Administrator deems appropriate.

### *(c) Award Agreement*

Each Award granted under the 2019 Plan shall be evidenced by an award agreement between the Company and the eligible participant, approved by the Administrator and the Board.

### *(d) Type of Award*

The 2019 Plan provides for awards of options, share appreciation right, dividend equivalent right, restricted share and restricted share units ("RSUs").

- (i) **Options.** Subject to the 2019 Plan, the Administrator or the Board (as the case may be) shall be entitled to make an offer to any eligible participant to take up options in respect of such number of Shares as the Administrator may determine and at the exercise price determined by the Administrator or the Board (as the case may be) in its sole discretion and disclosed in the notices of stock option award and the award agreement. An option shall be deemed exercised when the Company receives (i) notice in writing from the eligible participant to the Company in the specified form under the award agreement; (ii) full payment for the Shares with respect to which the option is exercised.
- (ii) **Share Appreciation right and dividend equivalent right.** Subject to the 2019 Plan, the Administrator or the Board (as the case may be) shall be entitled to make an offer to any eligible participant to take up share appreciation right or dividend equivalent right in respect of such number of Shares as the Administrator may determine and at the exercise or purchase price determined by the Administrator or the Board (as the case may be) in its sole discretion and disclosed in the award agreement.
- (iii) **Restricted Share.** Subject to the 2019 Plan, a restricted share may be issued to the eligible participant for such consideration, if any, and subject to such restrictions on transfer, rights of first refusal, repurchase provisions, forfeiture provisions, and other terms and conditions established by the Administrator or the Board (as the case may be).

(iv) **Restricted Share Units.** A restricted share unit may be earned in whole or in part upon the passage of time or the attainment of performance criteria established by the Administrator or the Board (as the case may be) and may be settled for cash, Shares or other securities or a combination of cash, Shares or other securities as established by the Administrator or the Board (as the case may be).

(e) *Payment*

The consideration to be paid for the Shares to be issued upon exercise or purchase of an Award including the method of payment, shall be determined by the Board according to the specific circumstances and subject to the applicable laws. The tax withholding to be paid for the Shares shall be determined according to the provisions in the 2019 Plan and the applicable laws.

(f) *Non-transferability of Awards*

Subject to the applicable laws, the Awards shall not be transferrable unless otherwise approved by the Administrator. Upon the Administrator's approval, the eligible participant may designate one or more beneficiaries of the eligible participant's award in the event of the participant's death on a beneficiary designation form provided by the Administrator.

(g) *Maximum Number of ordinary shares*

Subject to the terms of the 2019 Plan, the maximum aggregate number of ordinary shares which may be issued pursuant to all Awards was 8,360,280 Shares (which was subsequently adjusted to 83,602,800 Shares upon completion of the Share Subdivision), or any other share as approved by the Board or the shareholders' meeting according to the shareholders' agreement and the Articles of Association of the Company. As at December 31, 2021, (i) the aggregate number of underlying ordinary shares pursuant to the outstanding options and RSUs granted under the 2019 Plan was 68,191,790 Shares; and (ii) the aggregate number of underlying ordinary shares pursuant to the outstanding RSUs to be granted under the 2019 Plan was 15,411,010 Shares.

On December 16, 2019, 910,676 ordinary shares were issued to Affluent Bay Limited, which was owned and managed by The Core Trust Company Limited (匯聚信託有限公司), the trustee of Affluent Bay Trust. On September 18, 2021, 3,705,480 ordinary shares were issued to Computershare Hong Kong Trustees Limited, the trustee of Abbisko Cayman Limited Trust. On September 18, 2021, 1,909,023 ordinary shares were issued to Abbisko Galaxy Myth Limited and on September 18, 2021, 1,835,101 ordinary shares were issued to Abbisko Glorious Ode Limited, both of which were owned and managed by Futu Trustee Limited, the trustee of Abbisko Galaxy Myth Trust and Abbisko Glorious Ode Trust. The Affluent Bay Trust, Abbisko Cayman Limited Trust, Abbisko Galaxy Myth Trust and Abbisko Glorious Ode Trust are all trusts set up by the Company to facilitate the administration of the ordinary shares Incentive Plan.

Pursuant to trust deeds dated September 10, 2021 and August 25, 2021, Computershare Hong Kong Trustees Limited and Futu Trustee Limited will exercise their voting rights in accordance with the instructions of Dr. Xu.

## DIRECTORS' REPORT

### *(h) Change in Control*

In the event of a Corporate Transaction, each Award can be assumed or replaced immediately prior to the specified effective date of such Corporate Transaction. For the portion of each Award that is neither assumed or substituted, such portion of the Award shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights for all of the ordinary shares at the time represented by such portion of the Award, immediately prior to the specified effective date of such Corporate Transaction, provided that the eligible participant's continuous service has not terminated prior to such date. All outstanding Awards under the 2019 Plan shall terminate effective upon the consummation of a Corporate Transaction, provided however that all such Awards shall not terminate to the extent that they are assumed or replaced in connection with the Corporate Transaction.

For the above purpose, a "Corporate Transaction" means the following events as determined by the Board: (i) a merger, amalgamation, consolidation or other business combination of the Company with or into any person, in which the Company is not the surviving entity, as a result of which the shareholders of the company immediately prior to such transaction will cease to own a majority of the voting power of the surviving entity immediately after consummation of such transaction; (ii) the sale, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company and its Subsidiaries and Affiliates; (iii) the complete liquidation or dissolution of the Company; (iv) any reverse merger or series of related transactions culminating in a reverse merger in which the Company is the surviving entity but the ordinary shares outstanding immediately prior to such merger are converted or exchanged by virtue of the merger into other property, whether in the form of securities, cash or otherwise, or in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person different from those who held such securities immediately prior to such merger or the initial transaction culminating in such merger but excluding any such transaction or series of related transactions that the Board determines shall not be a corporate transaction; or (v) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities, but excluding any such transaction or series of related transactions that the Board determines shall not be a corporate transaction.

### *2. Outstanding options, share appreciation right, dividend equivalent right, restricted shares and RSUs*

As at December 31, 2021, the aggregate number of underlying ordinary shares pursuant to the outstanding options granted was 30,006,990 Shares, representing approximately 4.27% of the total issued Shares. The exercise price of all the options granted under the 2019 Plan is between RMB0.10 and RMB23.8 per share. No options under the 2019 Plan have been or could be granted after the Listing Date. Therefore, the 2019 Plan is not subject to provisions of Chapter 17 of the Listing Rules.

As at December 31, 2021, the aggregate number of underlying ordinary shares pursuant to the outstanding RSUs granted under the 2019 Plan is 38,184,800 Shares, representing approximately 5.43% of the total issued Shares.

As at December 31, 2021, no shares appreciation right or dividend equivalent right had been granted pursuant to the 2019 Plan.

## Post-IPO RSU Scheme

The Company has conditionally adopted the Post-IPO RSU Scheme by Shareholders' resolutions dated September 16, 2021. The Post-IPO RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Post-IPO RSU Scheme does not involve the grant of options by our Company. The Company may appoint a trustee (the "RSU Trustee") to administer the Post-IPO RSU Scheme with respect to the grant of any Award (as defined below), by way of restricted share unit(s) ("RSU(s)"), which may vest in the form of Shares (the "Award Shares") or the actual selling price of the Award Shares in cash in accordance with the Post-IPO RSU Scheme.

### 1. *Eligible Persons to the Post-IPO RSU Scheme*

Any individual, being an employee, Director (including executive Directors, nonexecutive Directors and independent non-executive Directors) or Consultant of any member of the Group or any affiliate (an "Eligible Person" and, collectively "Eligible Persons") who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an award granted by the Board (an "Award"), by way of RSUs, which may vest in the form of Award Shares or the actual selling price of the Award Shares of RSUs in cash in accordance with the Post-IPO RSU Scheme. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Post-IPO RSU Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO RSU Scheme.

### 2. *Purpose of the Post-IPO RSU Scheme*

The purpose of the Post-IPO RSU Scheme is to align the interests of Eligible Persons' with those of our Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of our Group.

### 3. *Awards*

An Award gives a selected participant a conditional right, when the RSU vests, to obtain the Award Share or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Award Shares. An Award includes all cash income from dividends in respect of those Shares from the date the Award is granted (the "Grant Date") to the date the Award vests (the "Vesting Date"). For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by our Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.



## DIRECTORS' REPORT

### 4. *Grant of Award*

#### (i) Making the Grant

The Board or the committee of the Board or person(s) to which the Board has delegated its authority may, from time to time, at their absolute discretion, grant an Award to a selected participant by way of an award letter ("Award Letter"). The Award Letter will specify the Grant Date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the Vesting Date and such other details as the Board or its delegate(s) may consider necessary.

Each grant of an Award to any Director, chief executive or substantial shareholder of our Company shall be subject to the prior approval of the independent non-executive Directors of our Company (excluding any independent non-executive Director who is a proposed recipient of an Award). Our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of our Company.

#### (ii) Restrictions on Grants and Timing of Grants

The Board and its delegate(s) may not grant any Award to any selected participant in any of the following circumstances:

- (A) where any requisite approval from any applicable regulatory authorities has not been granted;
- (B) where any member of our Group will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of such Award or the Post-IPO RSU Scheme, unless the Board determines otherwise;
- (C) where such Award would result in a breach by any member of our Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction;
- (D) where such grant of Award would result in a breach of the Post-IPO RSU Limit (as defined below) or the minimum public float requirement as required under the Listing Rules, or would otherwise cause our Company to issue Shares in excess of the permitted amount in the mandate approved by the Shareholders;
- (E) where an Award is to be satisfied by way of issue of new Shares to the RSU Trustee, in any circumstances that cause the total Shares issued or allotted to connected persons to be in excess of the amount permitted in the mandate approved by the Shareholders;
- (F) where any Director of our Company is in possession of unpublished inside information in relation to our Company or where dealings by Directors of our Company are prohibited under any code or requirement of the Listing Rules and all applicable laws, rules or regulations, from time to time;

- (G) during the period of 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, unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met, in accordance with the Listing Rules;
- (H) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and the 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, unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met, in accordance with the Listing Rules; and
- (I) during any period of delay in the publication of a results announcement.

### 5. *Maximum Number of Shares to be Granted*

The aggregate number of Shares underlying all grants made pursuant to the Post-IPO RSU Scheme (excluding Award which have been forfeited in accordance with the Post-IPO RSU Scheme) will not exceed 10% of the issued share capital of the Company as of the date of approval of the Post-IPO RSU Scheme without Shareholders' approval (the "Post-IPO RSU Scheme Limit"), being 4,872,343 ordinary shares, which was subsequently adjusted to 48,723,430 Shares following the Share Subdivision.

### 6. *Rights attached to the Award*

Save that the Board at its discretion may from time to time determine that any dividends declared and paid by our Company in relation to the Award Shares be paid to the selected participants even though the RSUs have not yet vested in the form of Award Shares, the selected participant only has a contingent interest in the Award Shares underlying an Award unless and until such Award Shares are actually transferred to the selected participant, nor does he/she have any rights to any related income until the RSUs vest in the form of Award Shares.

The RSU Trustee shall not exercise the voting rights in respect of any Award Shares which are held under the Trust that have not yet vested.

### 7. *Issue of Shares and/or transfer of funds to the RSU Trustee*

Our Company shall, as soon as reasonably practicable and no later than 30 business days from the Grant Date, (i) issue and allot Shares to the RSU Trustee and/or (ii) transfer to the RSU Trustee the necessary funds and instruct the RSU Trustee to acquire Shares through on-market transactions at the prevailing market price, so as to satisfy the Awards.

Our Company shall not issue or allot Award Shares nor instruct the RSU Trustee to acquire Shares through on-market transactions at the prevailing market price, where such action (as applicable) is prohibited under the Listing Rules, the Securities and Futures Ordinance or other applicable laws from time to time. Where such a prohibition causes the prescribed timing imposed by the Post-IPO RSU Scheme Rules or the trust deed to be missed, such prescribed timing shall be treated as extended until as soon as reasonably practicable after the first Business Day on which the prohibition no longer prevents the relevant action

## DIRECTORS' REPORT

### *8. Assignment of Awards*

Unless express written consent is obtained from the Board or the committee of the Board or person(s) to which the Board has delegated its authorities, any Award granted under the Post-IPO RSU Scheme but not yet vested are personal to the selected participants to whom they are granted and cannot be assigned or transferred. A selected participant shall not in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any Award, or enter into any agreement to do so.

### *9. Vesting of Awards*

The Board or its delegate(s) may from time to time while the Post-IPO RSU Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

Within a reasonable time period as agreed between the RSU Trustee and the Board from time to time prior to any Vesting Date, the Board or its delegate(s) will send a vesting notice to the relevant selected participant and instruct the RSU Trustee the extent to which the Award Shares held in the trust shall be transferred and released from the trust to the selected participant. Subject to the receipt of the vesting notice and notification from the Board or its delegate(s), the RSU Trustee will transfer and release the relevant Award in the manner as determined by the Board or its delegate(s).

If, in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, solely due to legal or regulatory restrictions with respect to the selected participant's ability to receive the Award in Shares or the RSU Trustee's ability to give effect to any such transfer to the selected participant, the Board or its delegate(s) will direct and procure the RSU Trustee to sell, on-market at the prevailing market price, the number of RSUs so vested in the form of Award Shares in respect of the selected participant and pay the selected participant the proceeds arising from such sale based on the actual selling price of the Award Shares following vesting of such RSUs in cash as set out in the vesting notice.

If there is an event of change in control of our Company by way of a merger, a privatization of our Company by way of a scheme or by way of an offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at their sole discretion determine whether the Vesting Dates of any Awards will be accelerated to an earlier date.

### *10. Consolidation, subdivision, bonus issue and other distribution*

In the event our Company undertakes a subdivision or consolidation of the Shares, corresponding changes will be made to the number of outstanding RSUs that have been granted provided that the adjustments shall be made in such manner as the Board determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Post-IPO RSU Scheme for the selected participants. All fractional shares (if any) arising out of such consolidation or subdivision in respect of the Award Shares of a selected participant shall be deemed as returned shares and shall not be transferred to the relevant selected participant on the relevant Vesting Date. The RSU Trustee shall hold returned shares to be applied towards future Awards in accordance with the provisions of the Post-IPO RSU Scheme rules for the purpose of the Post-IPO RSU Scheme.

In the event of an issue of Shares by our Company credited as fully paid to the holders of the Shares by way of capitalization of profits or reserves (including share premium account), the Shares attributable to any Award Shares held by the RSU Trustee shall be deemed to be an accretion to such Award Shares and shall be held by the RSU Trustee as if they were Award Shares purchased by the RSU Trustee hereunder and all the provisions hereof in relation to the original Award Shares shall apply to such additional Shares.

In the event of any non-cash distribution or other events not referred to above by reason of which the Board considers an adjustment to an outstanding Award to be fair and reasonable, an adjustment shall be made to the number of outstanding RSUs of each selected participant as the Board shall consider as fair and reasonable, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Post-IPO RSU Scheme for the selected participants. Our Company shall provide such funds, or such directions on application of the returned shares or returned trust funds, as may be required to enable the RSU Trustee to purchase Shares on-market at the prevailing market price to satisfy the additional Award.

In the event of other non-cash and non-scrip distributions made by our Company not otherwise referred to in the Post-IPO RSU Scheme rules in respect of the Shares held upon trust, the RSU Trustee shall sell such distribution and the net sale proceeds thereof shall be deemed as related income of the Post-IPO RSU Scheme or returned trust funds of the returned Shares held upon trust as the case may be.

### *11. Cessation of employment and other events*

Except as otherwise determined by the Board or the committee of the Board or person(s) to which the Board has delegated its authority, upon termination of employment, office or service with our Company during the applicable restriction period, Awards that are at that time unvested shall be forfeited or repurchased in accordance with the terms and provisions of the grant letter and/or award agreement to be entered into by such selected participant; provided, however, that the Board or the committee of the Board or person(s) to which the Board has delegated its authority may (a) provide in any grant letter and/or award agreement that restrictions or forfeiture and repurchase conditions relating to the Awards will be waived in whole or in part in the event of terminations resulting from specified causes; and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to the Awards.

If a selected participant ceases to be an Eligible Person for reasons other than those stated this paragraph, any outstanding RSUs and related income not yet vested in the form of Award Shares shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

## DIRECTORS' REPORT

### *12. Alteration of the Post-IPO RSU Scheme*

The Post-IPO RSU Scheme may be altered in any respect (save for the Post-IPO RSU Scheme Limit) by a resolution of the Board provided that no such alteration shall operate to affect adversely any subsisting rights of any selected participant unless otherwise provided for in the rules of the Post-IPO RSU Scheme, except:

- (i) with the consent in writing of selected participants amounting to three-fourths in nominal value of all RSUs held by the RSU Trustee on that date; or
- (ii) with the sanction of a special resolution that is passed at a meeting of the selected participants amounting to three-fourths in nominal value of all RSUs held by the RSU Trustee on that date.

### *13. Termination*

The Post-IPO RSU Scheme shall terminate on the earlier of:

- (i) the end of the period of ten years commencing on the Listing Date except in respect of any non-vested RSUs granted hereunder prior to the expiration of the Post-IPO RSU Scheme, for the purpose of giving effect to the vesting in the form of Award Shares of such RSUs or otherwise as may be required in accordance with the provisions of the Post-IPO RSU Scheme; and
- (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the Post-IPO RSU Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the RSUs already granted to a selected participant.

### *14. Administration of the Post-IPO RSU Scheme*

Our Company has established a committee comprising of, among others, Directors and senior management members, for the administration of the Post-IPO RSU Scheme

### *15. General*

As of December 31, 2021, no RSU had been granted or agreed to be granted under the Post-IPO RSU Scheme.

### Post-IPO Share Option Scheme

A summary of the principal terms of the Post-IPO Share Option Scheme conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by resolutions of our Shareholders on September 16, 2021 is as follows.

#### 1. *Purpose*

The Post-IPO Share Option Scheme is established to reward employees, Directors or Consultants for their past contribution to the success of the Company, and to provide incentives to them to further contribute to the Company.

#### 2. *Selected participants*

Any individual, being an employee, Director or Consultant of any member of our Group ("Selected Participant") who the Board may in its absolute discretion select to grant an Option to subscribe for such number of Shares as the Board may determine at the Subscription Price (as defined below).

#### 3. *Maximum number of Shares*

The maximum number of Shares in respect of which Options may be granted under the Post-IPO Share Option Scheme shall not exceed 10% of the issued share capital of the Company as of the date of approval of the Post-IPO Share Option Scheme by the shareholders of the Company, being 4,872,343 ordinary shares, which was subsequently adjusted to 48,723,430 Shares following the Share Subdivision, representing approximately 6.94% of the total number of issued shares of the Company as at the date of this annual report. Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme shall not be counted for the purpose of calculating the Limit of the Scheme. The total number of Shares to be issued upon exercise of all outstanding Options under the Post-IPO Share Option Scheme and all other schemes of the Company granted and yet to be exercised shall not exceed 30% of all the Shares in issue from time to time. No Option may be granted under the Post-IPO Share Option Scheme if this will result in the limit being exceeded.

The maximum number of Shares shall be adjusted, in such manner as the auditor of the Company shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of the Company whether by way of capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction to which the Company is a party.

## DIRECTORS' REPORT

### 4. *Maximum entitlement of a grantee*

Except with the approval of shareholders in general meeting with the prospective Grantee and his associates abstaining from voting, no Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options and any other Option over the Shares (including exercised, canceled and outstanding Options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time. The Company shall send a circular to its shareholders containing the information required under the Listing Rules. The number and terms of the Options to be granted to such prospective Grantee shall be fixed before the shareholders' approval of the grant of such Options and the date of Board meeting for proposing such further grant should be taken as the Offer Date for the purpose of calculating the Subscription Price.

### 5. *Performance target*

The Post-IPO Share Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, subject to the provisions of the Listing Rules, the Board may in its absolute discretion specify such event, time limit or conditions (if any) as it thinks fit including, without limitation, conditions as to performance criteria to be satisfied and/or the Company and/or the Group which must be satisfied before an Option can be exercised, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the Post-IPO Share Option Scheme.

### 6. *Subscription price*

The amount payable for each Share to be subscribed for under an option ("Subscription Price") in the event of the option being exercised shall be determined by the Board at its absolute discretion, but shall be not less than the greater of:

- (i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;
- (ii) the average closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share on the date of grant, provided that, for the purpose of determining the Subscription Price where the Shares have been listed on the Stock Exchange for less than five business days, the issue price of the Shares in the Company's Global Offering of the Shares shall be used as the closing price of the Shares for any business day falling within the period before the listing of the Shares on the Stock Exchange.

### *7. Rights are personal to grantee*

An Option is personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of the Post-IPO Share Option Scheme.

### *8. Options granted to Connected Persons*

The approval of independent non-executive Directors of the Company (excluding any independent non-executive director of the Company who is intended to be a grantee of the Option) will be required for each grant of Options to a director, chief executive, or substantial shareholder of the Company or any of their respective associates.

If a grant of Option(s) to a substantial shareholder or an independent non-executive Director of the Company or their respective associates will result in the total number of Shares issued and to be issued upon exercise of all the options granted and to be granted (including options exercised, canceled and outstanding) to such person under the Post-IPO Share Option Scheme and any other scheme in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue from time to time; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet at the date of each grant, in excess of HK\$5 million, such further grant of Option(s) must be approved by the shareholders of the Company, voting by way of poll. In this case the Board shall procure that all the requirements of the Listing Rules relating to sending a circular to shareholders are complied with. All Connected Persons of the Company shall abstain from voting in favor of the resolution at such general meeting.

### *9. Grant offer letter and notification of grant of options*

An offer of the grant of an Option shall be made to any Grantee by letter in such form as the Board may from time to time determine specifying the number of Shares, the Subscription Price, the Option Period, the date by which the grant must be accepted being a date not more than 28 days after the Offer Date (provided such offer shall be open for acceptance after the effective period of the Post-IPO Share Option Scheme) and further requiring the employee to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Post-IPO Share Option Scheme. The letter shall also state that the offer of an Option shall be personal to the employee concerned and shall not be transferable. The inadvertent non-compliance with the requirements of the above shall not render the grant of an Option invalid if the Board so determines and makes such remedial action, if any, as it deems appropriate in its absolute discretion.



## DIRECTORS' REPORT

An Option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of the Option duly signed by the Grantee together with a payment to the Company and/or any of its Subsidiaries of HK\$1 (or the equivalent of HK\$1 in the local currency of any jurisdiction where the company and/or its Subsidiaries operate, as the Board may in its absolute discretion determine) by way of consideration for the grant thereof is received by the Company within the time period specified in the offer of the grant of the Option. Such remittance shall not be refundable.

Any offer of the grant of an Option may be accepted or deemed to have been accepted in respect of any number of Shares up to the number in respect of which the Option is offered provided that it is accepted in respect of a Board Lot or an integral multiple thereof. To the extent that the offer of the grant of an Option is not accepted within 28 days after the Offer Date, it will be deemed to have been irrevocably declined and will lapse, unless the Board in its absolute discretion determines otherwise.

### *10. Restriction of grant of options*

No Option shall be offered or granted:

- (a) to any employee after inside information has become to the Company's knowledge until (and including) the trading day after the Company has announced the information;
- (b) to any employee during the period commencing one month immediately before the earlier of:
  - (i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the results of the Company for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
  - (ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. No Option shall be granted during any period of delay in publishing a results announcement.
- (c) to any director of the Company (except where the Subscription Price is to be determined by the Board at the time of exercise of the Option):
  - (i) during the period of 60 days immediately preceding the publication of the annual results of the Company or, if shorter, the period from the end of the relevant financial year up to the publication of the results; or
  - (ii) during the period of 30 days immediately preceding the publication of the quarterly (if any) or half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication of the results.

### 11. Time of exercise of an Option

Subject as provided in the Post-IPO Share Option Scheme and any conditions specified by the Board, an Option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

### 12. Lapse of Option

Any Option shall elapse automatically and not be exercisable on the earliest of:

- (a) the expiry of the Option Period;
- (b) subject to the date of the commencement of the winding-up of the Company;
- (c) the date on which the Grantee ceases to be an employee, Director or Consultant of the Company by reason of the summary termination of his employment, office or service on any one or more of the grounds that he has been guilty of misconduct, or has been convicted of any criminal offense involving his integrity or honesty or (if so determined by the Board in its absolute discretion) on any other ground on which the relevant company in the Group would be entitled to terminate his employment, office or service summarily at common law or pursuant to any applicable laws or under the Grantee's service contract with relevant company in the Group;
- (d) where the Grantee is an employee, Director or Consultant of a subsidiary of the Company, the date on which such subsidiary ceases to be a member of the Group;
- (e) the date on which the Option is canceled by the Board;
- (f) the date on which the Grantee commits a breach of Post-IPO Share Option Scheme rule; or
- (g) the occurrence or non-occurrence of any event, expiry of any period, or nonsatisfaction of any condition, as specified in the letter containing the offer or grant of the relevant Option.

## DIRECTORS' REPORT

### *13. Voting and dividend rights*

No dividends shall be payable and no voting rights shall be exercisable in relation to any options or Shares that are the subject of options that have not been exercised.

### *14. Effects of alterations in the capital structure of our Company*

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company in accordance with applicable laws and regulatory requirements (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such corresponding adjustments (if any) shall be made to:

- (a) the number or nominal amount of Shares, the subject matter of the Option (insofar as it is unexercised); and/or
- (b) the aggregate number of Shares subject to outstanding Options; and/or
- (c) the Subscription Price; and/or
- (d) the method of exercise of the Option, as the auditor of the Company shall certify in writing to the Board to be in their opinion fair and reasonable, provided that any adjustment shall be made on the basis that the proportion of the issued share capital of the Company to which a Grantee is entitled after such adjustment shall remain the same, or as nearly as possible the same as that to which he was entitled to subscribe had he exercised all the Options held by him immediately before such adjustment, but so that no such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to alter any terms of the relevant Option to the advantage of the Grantee without the approval of the shareholders of the Company.

If there has been any alteration in the capital structure of the Company as referred to in the Company shall, upon receipt of a notice from the Grantee, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made pursuant to the certificate of the auditor of the Company obtained by the Company for such purpose, or if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the auditor of the Company to issue a certificate in that regard.

### *15. Rights on takeover and schemes of compromise or arrangement*

If a general or partial offer (whether by way of take-over offer, share repurchase offer or otherwise in like manner other than by way of a scheme of arrangement) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror) the Company shall use its best endeavors to procure that such offer is extended to all the Grantees (on the same terms mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, shareholders of the Company). If such offer becomes or is declared unconditional, the Grantee (or his legal personal representative(s)) shall be entitled to exercise his outstanding Option(s) in full at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

### *16. Rights on a voluntary winding up*

In the event of an effective resolution being passed for the voluntary winding-up of the Company or an order of the court being made for the winding-up of the Company, notice thereof shall be given by the Company to Grantees with Options outstanding in full or in part at such date. If a Grantee immediately prior to such event had any outstanding Options, the Grantee (or his legal personal representative(s)) may by notice in writing to the Company within 21 days after the date of such resolution elect to be treated as if the Options had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the notice, such notice to be accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon the Grantee shall be duly issued and allotted with the relevant Shares (or treated as such by the Company) and entitled to receive out of the assets available in the liquidation pari passu with the holders of Shares such sum as would have been received in respect of the Shares that are the subject of such election.

### *17. Ranking of Shares*

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association of the Company for the time being in force and will rank pari passu with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends and other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor falls before the date of allotment.

## DIRECTORS' REPORT

### *18 Duration*

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date when the Post-IPO Share Option Scheme becomes unconditional, after which period no further Options will be granted by the provisions of the Post-IPO Share Option Scheme, but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. The remaining life of the Post-IPO Share Option Scheme is approximately 9.5 years.

### *19. Alteration of the Post-IPO Share Option Scheme*

The Board may subject to the rules of the Post-IPO Share Option Scheme amend any of the provisions of the Post-IPO Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Post-IPO Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any grantee at that date).

Those specific provisions of the Post-IPO Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of selected participants, and no changes to the authority of the administrator of the Post-IPO Share Option Scheme in relation to any alteration of the terms of the Post-IPO Share Option Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms of the Post-IPO Share Option Scheme which are of a material nature, or any change to the terms and conditions of options granted (including those granted to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates), must also, to be effective, be approved by our Shareholders in general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme. The options and the Post-IPO Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules. Any change to the authority of the Directors or Post-IPO Share Option Scheme administrators in relation to any alteration to the terms of the Post-IPO Share Option Scheme must be approved by Shareholders in general meeting.

Notwithstanding any provisions to the contrary in the Post-IPO Share Option Scheme, if on the relevant date of exercise there are restrictions or conditions imposed by the relevant laws and regulations to which the grantee is subject and the grantee has not obtained approval, exemption or waiver from the relevant regulatory authorities for the subscription of and dealing in our Shares, the grantee may sell the options to such transferee, subject to the approval by the Board, which shall not unreasonably withhold or delay such approval. In the event that the options are transferred to a connected person of our Company, no Shares shall be allotted and issued upon the exercise of the options by a connected person of our Company unless the Board is satisfied that the allotment and issue of Shares will not trigger any breach of the Listing Rules, the Articles of Association, the Companies Act or the Takeovers Code.

### *20. Termination*

The Company by an ordinary resolution in general meeting or the Board may at any time terminate the operation of the Post-IPO Share Option Scheme and in such event no further Options will be offered but the provisions of the Post-IPO Share Option Scheme shall remain in full force in all other respects. All Options granted but unexercised prior to such termination shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Post-IPO Share Option Scheme.

### *21. Administration of the Post-IPO Share Option Scheme*

Our Company has established a committee comprising of, among others, Directors and senior management members, for the administration of the Post-IPO Share Option Scheme.

### *22. General*

As of December 31, 2021, no option had been granted or agreed to be granted under the Post-IPO Share Option Scheme.

## **CONNECTED AND CONTINUING CONNECTED TRANSACTIONS**

For the year ended December 31, 2021, none of the related parties transactions as disclosed in note 28 to the Consolidated Financial Statements constitute any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. For the year ended December 31, 2021, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Group for the year ended December 31, 2021 are set out in note 14 to the Consolidated Financial Statements.

## **SHARES ISSUED IN THE REPORTING PERIOD**

Details of the Shares issued by the Company during the Reporting Period are set out in note 23 to the Consolidated Financial Statements.

## **DISTRIBUTABLE RESERVES**

As at December 31, 2021, the Company's reserves available for distribution from share premium less accumulated losses, calculated in accordance with the provisions of Companies Law of the Cayman Islands, was nil (2020: nil).

## DIRECTORS' REPORT

### USE OF PROCEEDS FROM THE LISTING OF SHARES OF THE COMPANY

The shares of the Company was listed on October 13, 2021 and the over-allotment option was partially exercised on November 5, 2021. The Company has received a net proceeds of approximately HK\$1,674 million. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus and the Company will gradually utilize the residual amount of the net proceeds in accordance with such intended purposes depending on actual business needs.

As at December 31, 2021, the Company has yet to utilize any of the net proceeds. The Company intends to use the net proceeds in the manner and proportion as set out below:

	% of use of proceeds (Approximately)	Net proceeds from the IPO (HK\$ million)	Actual usage up to December 31, 2021 (HK\$ million)	Unutilized net proceeds as of December 31, 2021 (HK\$ million)	Expected timeline for application of the Unutilized Proceeds
Fund the ongoing and future R&D including planned clinical trials, preparation of registration filings, and future commercialization of our Core Product Candidate ABSK011	19.7%	329.78	0	329.78	Expected to be fully utilized by December 31, 2024
Fund the ongoing and future R&D including planned clinical trials, preparation of registration filings and future commercialization of our Core Product candidate ABSK091 (AZD4547)	32.6%	545.72	0	545.72	Expected to be fully utilized by December 31, 2024
Fund our other clinical stage products and product candidates in our pipeline	28.0%	468.72	0	468.72	Expected to be fully utilized by December 31, 2024
Fund our pre-clinical research and studies, including continued development of our R&D platform and research and development of new pre-clinical candidates	8.4%	140.62	0	140.62	Expected to be fully utilized by December 31, 2024
Fund the construction of manufacturing facility in Shanghai	6.3%	105.46	0	105.46	Expected to be fully utilized by December 31, 2024
Working capital and general corporate purposes	5.0%	83.70	0	83.70	Expected to be fully utilized by December 31, 2024
<b>Total</b>	<b>100%</b>	<b>1,674</b>	<b>0</b>	<b>1,674</b>	

Notes:

(1) Net IPO proceeds were received in Hong Kong dollars and translated to Renminbi for application planning.

### SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information available to the Company and to the knowledge of the Directors, the Company's public float complies with the requirements of Rule 8.08 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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

For the period from the Listing Date up to December 31, 2021, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

Subsequent to the Reporting Period, in February 2022 the Company repurchased in total 804,000 shares on the Stock Exchange for an aggregate consideration of approximately HK\$4.7 million before expenses. The highest price per share paid and the lowest price per share paid was HK\$5.9 and HK\$5.69 respectively. All of the repurchased shares were subsequently cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange from the Listing Date and up to the date of this report.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which 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 of the Company's securities.

### CHARITABLE CONTRIBUTIONS

During the year ended December 31, 2021 (the "**Reporting Period**"), the Group made a charitable contribution of RMB20,000.



## DIRECTORS' REPORT

### MAJOR CUSTOMERS AND SUPPLIERS

As at December 31, 2021, the Company has not commercialized its products and there was no major customer.

During the year ended December 31, 2021, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in relation to R&D activities and business operations (excluding IPO related expenses) in aggregate was 11% and 35%, respectively.

None of our Directors or any of their close associates or any Shareholder (which to the best knowledge of our Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest suppliers.

### COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group has complied with the requirements under the Companies Ordinance, the Listing Rules, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") and the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules for, among other things, the disclosure of information and corporate governance. The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Model Code. For further details, please refer to the section headed "Compliance with the Corporate Governance Code" in this section. The Group has also complied with other relevant laws and regulations that have a significant impact on the operations of the Group. Please refer to the section headed "Regulatory Environment" in the Prospectus for details.

### KEY RELATIONSHIP WITH STAKEHOLDERS

The details of an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company are set out in the "Environmental, Social and Governance Report" of the Company which will be available on our website on or before May 31, 2022.

### SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Particulars of the Company's significant events affecting the Company or any of its subsidiaries after the year ended December 31, 2021 are set out in the section headed "Management Discussion and Analysis – Events after the Reporting Period" of this report.

### CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" of this report.

### EQUITY-LINKED AGREEMENT

Other than the 2019 Share Incentive Plan, the Post-IPO RSU Scheme and the Post-IPO Share Award Scheme as disclosed above and in note 25 to the financial statements respectively and the grant letters issued pursuant to the schemes, the Company has not entered into any equity-linked agreement from the period of the Listing Date to December 31, 2021.

### REVIEW BY AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Sun Hongbin, Dr. Sun Piaoyang and Mr. Wang Lei. The Audit Committee has reviewed with the management of the Company the audited Consolidated Financial Statements for the Reporting Period.

### AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2021 have been audited by Ernst & Young.

Ernst & Young shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the forthcoming annual general meeting.

By order of the Board of Directors

**Abbisko Cayman Limited**

**Dr. Xu Yao-Chang**

*Chairman and Chief Executive Officer*

Shanghai, April 27, 2022

# CORPORATE GOVERNANCE REPORT

The Board is committed to achieving good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate our business strategies and policies, and enhance its transparency and accountability. The Company has adopted the principles and code provisions of the the Corporate Governance Code set out in Appendix 14 of the Listing Rules (the “CG Code”) contained in Appendix 14 to the Listing Rules as the basis of the Company’s corporate governance practices. In the opinion of the Directors, from the Listing Date and to the date of this report, the Company has complied with all the code provisions as set out in the CG Code, except for code provision C.2.1 of the CG Code which provides that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual, details of which are set out on page 67 under the section headed “Board of Directors – Chairman and Chief Executive Officer” of this Corporate Governance Report.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code from the Listing Date and to the date of this report. The Company’s employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company as at the date of this report.

## BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group’s businesses, strategic decisions and performance and makes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing such responsibilities.

### Board Composition

As at the date of this annual report, the Board currently comprises nine Directors, consisting of four executive Directors, two non-executive Directors and three independent non-executive Directors as follows:

#### *Executive directors*

Dr. Xu Yao-Chang (*Chairman and Chief Executive Officer*)  
Dr. Yu Hongping  
Dr. Chen Zhui  
Mr. Yeh Richard\*

#### *Non-executive Directors*

Dr. Xia Gavin Guoyao  
Ms. Tang Yanmin

#### *Independent non-executive Directors*

Dr. Sun Piaoyang  
Mr. Sun Hongbin  
Mr. Wang Lei

\* Please refer to the note in the “Corporate Information” section on page 2 of this annual report.

The biographical information of the Directors is set out in the section headed “Directors and Senior Management” on pages 27 to 31 of this report.

Except for the relationships between the Directors set forth in the respective Director’s biography under the section headed “Directors and Senior Management”, the Directors do not have financial, business, family or other material/relevant relationships with one another.

### Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer of the Company are held by Dr. Xu Yao-Chang who is also an executive Director. The Board believes that, in view of Dr. Xu’s experience, personal profile and his roles in our Company as mentioned in the section headed “Directors and Senior Management – Executive Directors”, Dr. Xu is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our chief executive officer. The Board also believes that the combined role of chairman and chief executive officer can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. The Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole.

### Independent Non-executive Directors

From the Listing Date to the date of this report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise in accordance with Rules 3.10 and 3.10A. The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

### Appointment and Re-election of Directors

Each of the executive Directors and non-executive Directors has entered into a service agreement with the Company under which the initial term of their service agreement shall commence from the date of their appointment for a period of three years until terminated in accordance with the terms and conditions of the service agreement and subject to re-election as and when required under the articles of association of the Company (the “**Articles of Association**”) or by either party giving to the other not less than 3 months’ prior notice.

Each of the independent non-executive Directors has entered into an appointment letter with the Company effective from September 16, 2021. The initial term of their appointment letters shall commence from the date of their appointment for a period of three years (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than two (2) month’s prior notice in writing (as the case may be). The appointments of Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

## CORPORATE GOVERNANCE REPORT

Under the Articles of Association, at every annual general meeting of the Company 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 retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

### Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company.

Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

## Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of a Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. 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 expenses.

For the year ended December 31, 2021 and up to the date of this report, all Directors attended training sessions on the respective obligations of the Directors and senior management. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, continuing connected transaction, disclosure of interests and regulatory updates. In addition, relevant reading materials including compliance manual, legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the year ended December 31, 2021 and up to the date of this report is summarized as follows:

<b>Directors</b>	<b>Participated in continuous professional development <sup>Note 1</sup></b>
<i>Executive directors</i>	
Dr. Xu Yao-Chang ( <i>Chairman and Chief Executive Officer</i> )	√
Dr. Yu Hongping	√
Dr. Chen Zhui	√
Mr. Yeh Richard <sup>Note 2</sup>	√
<i>Non-executive Directors</i>	
Dr. Xia Gavin Guoyao	√
Ms. Tang Yanmin	√
<i>Independent non-executive Directors</i>	
Dr. Sun Piaoyang	√
Mr. Sun Hongbin	√
Mr. Wang Lei	√

Notes:

1. Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.
2. Please refer to the note in the "Corporate Information" section on page 2 of this annual report.

## CORPORATE GOVERNANCE REPORT

### Board Diversity and Board Diversity Policy

The Board has adopted a board diversity policy (the “**Board Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity of the Board, in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of chemistry, biotechnology, clinical research and life sciences. They obtained degrees in various areas including chemistry, biology, biological science, and management. The Company has also taken, and will continue to take steps to promote gender diversity at the Board level of our Company. The Board comprises 8 male members (including 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors) and 1 female member (a non-executive Director). The Board of Directors is of the view that the Board satisfies the gender diversity and the Board Diversity Policy. The Nomination Committee is responsible for reviewing the diversity of the Board. The Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness.

### Nomination Policy

The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board of Directors on matters relating to the appointment of Directors. The Company has a Director Nomination Policy which sets out the objectives, selection criteria and nomination procedures for identifying and recommending candidates for appointment or reappointment of Directors. From date of Listing up to the date of this report, there was no change in the composition of the Board.

## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company’s affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the Compensation Committee and the Nomination Committee are posted on the Company’s website and the Stock Exchange’s website and are available to Shareholders upon request.

The list of the chairperson and members of each Board committee is set out under the section headed “Corporate Information” on page 2 of this report.

## Audit Committee

The Audit Committee consists of three members, including three independent non-executive Directors, namely Dr. Sun Piaoyang, Mr. Sun Hongbin and Mr. Wang Lei. Mr. Sun Hongbin, being the chairperson of the Audit Committee holds the appropriate professional qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules. The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board of Directors.

The main duties of the Audit Committee include but are not limited to:

- making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor;
- reviewing and monitoring the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- developing and implementing policy on the engagement of an external auditor to supply non-audit services and report to the Board, identifying and making recommendations on any matters in respect of which it considers that action or improvement is needed;
- discussing with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of Senior Management where necessary);
- monitoring integrity of financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them.
- reviewing the Company’s financial controls and, unless expressly addressed by a separate Board risk committee or by the Board itself, reviewing the Company’s risk management and internal control systems;
- discussing the risk management and internal control system with the senior management of the Company and to ensure that the senior management of the Company has performed its duties in establishing and maintaining effective systems, including adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting and financial reporting function;
- considering major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and the response of the senior management of the Company to those findings;



## CORPORATE GOVERNANCE REPORT

- where an internal audit function exists, ensuring co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness; and
- reviewing the Group's financial and accounting policies and practices.

As the Company's shares were only listed on the Stock Exchange on October 13, 2021, the Audit Committee has held one meeting from the date of Listing up to the date of this report to review material controls including the draft audited annual consolidated financial statements and significant issues on the financial reporting, the draft annual results announcement, the draft annual report, and the independence of the audit team of the Company.

### Remuneration Committee

The Remuneration Committee consists of three members, including one executive Director, namely Mr. Yeh Richard and two independent non-executive Directors, namely Mr. Sun Hongbin and Mr. Wang Lei. Mr. Wang Lei is the chairperson of the Remuneration Committee. Dr. Xu Yao-Chang, the chief executive officer and chairman of the Board, has been appointed to fill the vacancy following Mr. Yeh's cessation to act as a member of the Remuneration Committee which will take effect on April 28, 2022.

The main duties of the Remuneration Committee include but not limited to:

- making recommendations to the Board on the Company's policy and structure for all Directors' and senior management of the Company remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- reviewing and approve management's remuneration proposals with reference to the Board's goals and objectives;
- being responsible for either: (i) determining with delegated responsibility, the remuneration packages of individual executive Directors and senior management of the Company; or (ii) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Company including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of non-executive Directors;
- considering salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;
- reviewing and approving the compensation payable to executive Directors and senior management of the Company for any loss or termination of office or appointment in order to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;

## CORPORATE GOVERNANCE REPORT

- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct in order to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- ensuring that no Director or any of his associates is involved in deciding his own remuneration; (i) reviewing the Group's policy on expense reimbursements for the Directors and senior management of the Company.

As the Company's shares were only listed on the Stock Exchange on October 13, 2021, the Remuneration Committee has held one meeting from the Listing Date up to the date of this report. The Remuneration Committee is responsible in making recommendations to the board on the remuneration packages of individual executive directors and senior management.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code.

The remuneration payable to the senior management of the Company (who are not the Directors) is shown in the following table by band:

	2021 Number of Individual(s)	2020 Number of Individual(s)
<b>Annual Remuneration</b>		
HK\$100,001 to HK\$500,000	0	1
HK\$500,001 to HK\$1,000,000	0	1
HK\$6,000,001 to HK\$6,500,000	1	0
HK\$6,500,001 to HK\$7,000,000	2	0
HK\$12,500,001 to HK\$13,000,000	1	0

Further details of the remuneration payable to the Directors and the five highest paid individuals for the year ended December 31, 2021 are set out in note 9 and note 10, respectively, to the Consolidated Financial Statements in this report.

### Nomination Committee

The Nomination Committee consists of three members, including one Executive Director namely Dr. Xu Yao-Chang, and two Independent Non-executive Directors, namely Dr. Sun Piaoyang and Mr. Sun Hongbin. Dr. Xu Yao-Chang is the chairperson of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

## CORPORATE GOVERNANCE REPORT

The main duties of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, as well as formulating, or assisting the Board to formulate, a board diversity policy for the Company;
- identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorship;
- assessing the independence of independent non-executive Directors on an annual basis;
- reviewing annually the time required from non-executive Directors to assess whether the non-executive Directors are spending enough time in fulfilling their duties;
- keeping up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates; and
- formulating, or assisting the Board to formulate, a board diversity policy for the Company.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the relevant criteria as set out in the Company's director nomination policy that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board. The Nomination Committee would consider criteria such as candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

As the Company's shares were only listed on the Stock Exchange on October 13, 2021, the Nomination Committee has held one meeting from the Listing Date up to the date of this report. The structure, size and composition of the Board and the independence of the independent non-executive Directors have been reviewed by the Board and the Board considered that an appropriate balance of diversity perspectives of the Board is maintained for 2021.

# CORPORATE GOVERNANCE REPORT

## Corporate Governance Functions

The Board is responsible for performing the functions set out in the part 2 of the code provision A.2.1 of the CG Code.

From the Listing Date to the date of this report, the Board had reviewed and determined the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## ATTENDANCE RECORDS OF DIRECTORS

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

As the Company was only listed on the Hong Kong Stock Exchange since October 13, 2021, the Company has only held one Board meeting during the period from the Listing Date to the date of this report. 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 the CG Code. The Company will also arrange for the Chairman to have meetings with the independent non-executive Directors so as to comply with the requirement of code provision C.2.7 of the CG Code. During the period from the Listing Date to December 31, 2021, the Chairman held one meeting with the independent non-executive Directors without the presence of the other Directors.

The attendance record of each Director at the Board and Board committee meetings and the general meetings of the Company held during the period from the Listing Date to the date of this report is set out in the table below:

Name of Directors	Attendance/Number of meetings					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual general meeting	Other general meeting
<i>Executive directors</i>						
Dr. Xu Yao-Chang (Chairman and Chief Executive Officer)	1/1	1/1	-	1/1	-	-
Dr. Yu Hongping	1/1	1/1	-	-	-	-
Dr. Chen Zhui	1/1	1/1	-	-	-	-
Mr. Yeh Richard*	1/1	1/1	1/1	-	-	-
<i>Non-executive Directors</i>						
Dr. Xia Gavin Guoyao	1/1	1/1	-	-	-	-
Ms. Tang Yanmin	1/1	1/1	-	-	-	-
<i>Independent non-executive Directors</i>						
Dr. Sun Piaoyang	1/1	1/1	-	1/1	-	-
Mr. Sun Hongbin	1/1	1/1	1/1	1/1	-	-
Mr. Wang Lei	1/1	1/1	1/1	-	-	-

\* Please refer to the note in the "Corporate Information" section on page 2 of this annual report.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROLS

### Risk Management

The Company recognizes that risk management is critical to the success of its business. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company has adopted risk management policies to identify, assess, evaluate and monitor key risks associated with its strategic objectives on an ongoing basis. Our Audit Committee and ultimately our Directors supervise the implementation of our risk management policies. Risks identified by our management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Group and reported to our Directors. The Board reviewed and assessed the adequacy and effectiveness of risk management system of the Group semi-annually.

The following key principles outline our Group's approach to risk management and internal control:

- The Audit Committee and senior management of the Company oversees and manages the overall risks associated with the Group's business operations, including (i) reviewing and approving its risk management policy to ensure that it is consistent with the Group's corporate objectives; (ii) monitoring the most significant risks associated with the Group's business operations and its management's handling of such risks; and (iii) ensuring the appropriate application of the risk management framework across the Group.
- The Chief Financial Officer, Mr. Yeh Richard, has been responsible for (i) reviewing and approving major risk management issues of the Company; (ii) providing guidance on the Company's risk management approach to the relevant departments in the Company; (iii) reviewing the relevant departments' reporting on key risks and providing feedback; (iv) supervising the implementation of the Company's risk management measures by the relevant departments; and (v) reporting to the Audit Committee on the Company's material risks. Following Mr. Yeh's resignation taking effect on April 28, 2022, Dr. Xu Yao-Chang, the chief executive officer and chairman of the Board, will take up the aforementioned responsibilities.
- The relevant departments in the Company, including but not limited to the finance department, the legal department and the human resources department are responsible for developing and implementing the risk management policy and carrying out our day-to-day risk management practice, such as assessing risks on key business operations, advising risk responses and optimizing risk management policies. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments; (iii) continuously monitor the key risks relating to their operation or function; (iv) implement appropriate risk responses where necessary; and (v) develop and maintain an appropriate mechanism to facilitate the application of the Group's risk management framework.

The Company consider that its Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

### Internal Control

The Board is responsible for establishing and ensuring effective internal controls to safeguard the Shareholder's investment at all times. The Board reviewed and assessed the adequacy and effectiveness of internal control system of the Group semi-annually. The Company's internal control policies set out a framework to identify, assess, evaluate and monitor key risks associated with its strategic objectives on an ongoing basis.

The Company has established internal audit function for risk management and internal control systems with relevant policies and procedures that the Company believes are appropriate for our business operations. The Company has adopted various measures and procedures regarding each aspect of its business operation, such as protection of intellectual property, environmental protection, and occupational health and safety. The Company also constantly monitors the implementation of those measures and procedures through its on-site internal control for each stage of the drug development process. The Directors (who are responsible for monitoring the corporate governance of the Group), with help from the Company's legal advisors, will also periodically review its compliance status with all relevant laws and regulations.

The Audit Committee will (i) make recommendations to the Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of the Group.

The Company had engaged a compliance advisor to provide advice to the Directors and management team regarding matters relating to the Listing Rules. The compliance adviser is expected to provide support and advice regarding the requirements of relevant regulatory authorities, including those relating to corporate governance, on a timely basis.

The Company has engaged a PRC law firm to advise it on and keep it abreast of PRC laws and regulations. The Company will continue to arrange various trainings sessions to be provided by external legal advisors from time to time when necessary, and/or any appropriate accredited institution to update the Directors, senior management and relevant employees on the latest PRC laws and regulations.

The Company maintains strict anti-corruption policies on personnel with external communication functions. The Company will also ensure that its commercialization team complies with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities. From the Listing Date up to the date of this report, the Company has regularly reviewed and enhanced its internal control system.

## CORPORATE GOVERNANCE REPORT

The Company has developed its disclosure policy which provides a 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 ensure that unauthorized access and use of inside information are strictly prohibited. The Board confirms its responsibilities for risk management and internal control systems, and for reviewing the effectiveness of such risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failing to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

From the Listing Date and up to the date of this report, the Company has reviewed the effectiveness of the internal audit system and the risk management and the internal control system of the Group, including qualifications and experience of staff in the aforementioned systems, and the adequacy of their training programs and budget. Accordingly, the Company believes that its risk management and internal control systems are effective and adequate. The Company will continue to review its risk management and internal control systems annually.

### DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2021. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the independent auditors' report in this report.

### AUDITORS' REMUNERATION

The remuneration paid or payable to the Company's external auditors of the Group in respect of audit services and non-audit services for the year ended December 31, 2021 is set out below:

Service category	Fees paid and payable
	Year ended December 31, 2021 (RMB million)
Audit Services	2.45
IPO services	3.54
Non-audit Services	
– Taxation	0.18
– Internal control review for the listing	0.50

## JOINT COMPANY SECRETARIES

From the Listing Date up to the date of this report, Ms. Tian Huimin and Ms. Chan Yin Wah were the joint company secretaries of the Company. Mr. Yeh Richard, the executive Director and the chief financial officer of the Company, is the primary corporate contact person at the Group. Following Mr. Yeh's resignation taking effect on April 28, 2022, Dr. Xu Yao-Chang, the chief executive officer and chairman of the Board, will be the primary corporate contact person at the Group. Since the Company was only listed on October 13, 2021, Ms. Tian Huimin was unable to receive not less than 15 hours of the relevant professional training during the period from the Listing Date to December 31 2021 as required by Rule 3.29. Ms. Chan Yin Wah has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year. All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices related matters.

## SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

### Convening Shareholders' General Meetings

A shareholders' annual general meeting is required to be held in each year, with a period not more than 15 months after the holding of the last preceding annual general meeting or not more than 18 months after the date of adoption of the Articles of Association.

Pursuant to Article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, call extraordinary general meetings. Extraordinary general meetings shall also be convened on the written requisition to the Board or the Secretary of the Company of one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.



## CORPORATE GOVERNANCE REPORT

### Putting Forward Proposals at General Meetings

There are no provisions under the Articles of Association or the Companies Law of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as a Director. Shareholders may follow the procedures set out above to convene an extraordinary general meetings for any business specified in such requisition. The contents of such proposals shall fall with the functions and powers of the general meeting, shall feature definite topics and specific issues for resolution, and shall be in compliance with relevant requirements of laws, administrative regulations, listing rules for stock exchanges where the Company's shares are listed and the Articles of Association. For proposal of a person for election as Director, pursuant to Article 16.4 of the Articles of Association, no person shall, unless recommended by the Board for election, be eligible for election to the office as a Director at any general meeting unless a notice in writing by member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected shall have been given to the joint company secretaries of the Company. The minimum length of the period during which such notice(s) are given shall be at least seven days, and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. For procedures of nomination of candidates for directorship by Shareholders, please refer to the website of the Company.

### Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may supervise the operations of the Company, and to make suggestions and enquiries accordingly.

### Contact Details

Shareholders may send their enquiries or requests as mentioned above to to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, by online feedback, a web-based enquiry form ([https://www.computershare.com/hk/en/online\\_feedback](https://www.computershare.com/hk/en/online_feedback)), or calling its hotline at +852 2862 8555, or go in person to its public counter at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/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. For this purpose, the Company has set up a website ([www.abbisko.com](http://www.abbisko.com)), where relevant latest information, the up-to-date state of the Company's business operation and development, the Company's financial information and corporate governance practices and other data are available to the public. The Shareholders may send written enquiries to the Company, for the attention of the Board of Directors by mail to Building 3, No. 898, Halei Road, Zhangjiang Hi-Tech Park Pudong New Area, Shanghai, PRC. The Company endeavours to maintain an ongoing 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.

## Changes to the Articles of Association

The existing Articles of Association were adopted on September 16, 2021 with effect from the Listing Date. From the Listing Date up to the date of this report, no changes were made to the Articles of Association.

The Articles of Association is also available on the Company's website and the Stock Exchange's website.

## Policies relating to Shareholders

The Company has in place a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

## Dividend Policy

The Company has adopted a policy on payment of dividends pursuant to code provision F.1.1 of the CG Code taking into consideration of various elements including but not limited to, among other things, the capital requirements of the Company, financial results and general business conditions of the Company and any other conditions which the Board may deem relevant. The policy sets out the factors in consideration, procedures and methods of the payment of dividends with an objective to provide the Shareholders with continuing, stable and reasonable returns on investment while maintaining the Company's business operation and achieving its long-term development goal. The distribution of dividends will be formulated by our Board, and will be subject to Shareholders' approval.

# INDEPENDENT AUDITOR'S REPORT



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## To the shareholders of Abbisko Cayman Limited

(Incorporated in the Cayman Islands with limited liability)

### OPINION

We have audited the consolidated financial statements of Abbisko Cayman Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 87 to 156, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other 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 2021, 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 (“IASB”) and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountant (“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.

Key audit matter	How our audit addressed the key audit matter
<b>Measurement research and development costs</b>	
<p>The Group of incurred significant research and development (“R&amp;D”) costs of RMB226,126,000 as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021. A large portion of the Group’s R&amp;D costs represent service fees paid to contract research organisations (“CROs”) and contract development manufacture organisations (“CDMO”) (collectively referred to as the “Outsourced Service Providers”).</p> <p>The R&amp;D activities with these Outsourced Service Providers are documented in detailed agreements and are typically performed over an extended period. These expenses are charged to profit or loss based on the progress of the research and development projects.</p> <p>We identified the misstatement of R&amp;D costs as a key audit matter due to the significant amount and the risk of not recording R&amp;D costs incurred in the appropriate financial reporting period.</p> <p>Related disclosures are included in notes 2.4 and 3 to the financial statements.</p>	<p>Our procedures included, among others:</p> <p>1&gt;obtained an understanding, evaluated the design, and tested the operating effectiveness of the controls in relation to the measurement of the R&amp;D costs;</p> <p>2&gt;reviewed the contracts entered with the Outsourced Service Providers, on a sampling basis, and evaluated the completion status of R&amp;D projects based on inquiry with project managers, inspection of supporting documents and external progress reports from the Outsourced Service Providers;</p> <p>3&gt;obtained the external confirmations of the Outsourced Service Providers;</p> <p>4&gt;evaluated the method adopted by the management in setting up the calculation basis for R&amp;D costs and re-calculated the accrued R&amp;D costs using the management’s method.</p>

## **INDEPENDENT AUDITOR'S REPORT**

### **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.

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

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

### **RESPONSIBILITIES OF 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 disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors 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 HKSA's 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.

As part of an audit in accordance with HKSA's, 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.

## INDEPENDENT AUDITOR'S REPORT

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

- 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.

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 SHUN, Lung Wai.

#### **Ernst & Young**

*Certified Public Accountants*

Hong Kong

18 March 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	22,682	–
Cost of sales		–	–
Gross profit		22,682	–
Other income and gains	6	43,587	18,831
Research and development expenses		(226,126)	(132,664)
Administrative expenses		(124,777)	(21,168)
Other expenses		(80)	(1,712)
Fair value losses on convertible redeemable preferred shares		(1,524,320)	(569,588)
Finance costs	8	(959)	(338)
LOSS BEFORE TAX	7	(1,809,993)	(706,639)
Income tax expenses	11	–	–
LOSS FOR THE YEAR		(1,809,993)	(706,639)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		53,268	(2,934)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company		(60,895)	59,461
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		(7,627)	56,527
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,817,620)	(650,112)
Loss attributable to:			
Owners of the parent		(1,809,993)	(706,639)
Total comprehensive loss attributable to:			
Owners of the parent		(1,817,620)	(650,112)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	13		
For loss for the year		RMB7.71	RMB7.12



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	15,209	10,599
Right-of-use assets	15	54,085	4,176
Intangible assets	16	3,051	434
Other non-current assets		805	960
Investment in an associate	17	–	–
<b>Total non-current assets</b>		<b>73,150</b>	16,169
<b>CURRENT ASSETS</b>			
Prepayments and other receivables	18	35,876	32,029
Cash and bank balances	19	2,545,513	617,773
<b>Total current assets</b>		<b>2,581,389</b>	649,802
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	20	64,676	27,443
Lease liabilities	15	8,862	4,306
<b>Total current liabilities</b>		<b>73,538</b>	31,749
<b>NET CURRENT ASSETS</b>		<b>2,507,851</b>	618,053
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,581,001</b>	634,222
<b>NON-CURRENT LIABILITIES</b>			
Convertible redeemable preferred shares	21	–	1,719,635
Lease liabilities	15	44,942	–
Other non-current liabilities	22	–	19,575
<b>Total non-current liabilities</b>		<b>44,942</b>	1,739,210
<b>Net liabilities</b>		<b>2,536,059</b>	(1,104,988)
<b>EQUITY/(DEFICIT)</b>			
Equity attributable to owners of the parent			
Share capital	23	46	6
Treasury shares	23	(5)	–
Other reserves	24	2,536,018	(1,104,994)
<b>Total equity/(deficit)</b>		<b>2,536,059</b>	(1,104,988)

**Dr. Xu Yao-Chang**  
Director

**Mr. Yeh Richard**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

	Attributable to owners of the parent						
	Share capital	Treasury shares	Share option reserve	Share premium	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	6	-	8,914	895	55,083	(1,169,886)	(1,104,988)
Loss for the year	-	-	-	-	-	(1,809,993)	(1,809,993)
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations and the Company	-	-	-	-	(7,627)	-	(7,627)
Total comprehensive income for the year	-	-	-	-	(7,627)	(1,809,993)	(1,817,620)
Issue of shares	5	(5)	-	-	-	-	-
Issue of shares from initial public offering ("IPO")	9	-	-	1,450,825	-	-	1,450,834
Issue of shares from exercise of an over-allotment option	-	-	-	1,146	-	-	1,146
Share issue expenses	-	-	-	(98,043)	-	-	(98,043)
Conversion of convertible redeemable preferred shares to ordinary shares	26	-	-	4,014,771	-	-	4,014,797
Equity-settled share option arrangements	-	-	89,933	-	-	-	89,933
At 31 December 2021	46	(5)	98,847	5,369,594	47,456	(2,979,879)	2,536,059

\* These reserve accounts comprise the consolidated other reserves of RMB2,536,018,000 (2020: RMB (1,104,994,000)) in the consolidated statement of financial position.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

	Attributable to owners of the parent					
	Share capital RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	6	4,765	895	(1,444)	(463,247)	(459,025)
Loss for the year	-	-	-	-	(706,639)	(706,639)
Other comprehensive income for the year	-	-	-	-	-	-
Exchange differences on translation of foreign operations and the Company	-	-	-	56,527	-	56,527
Total comprehensive income for the year	-	-	-	-	-	-
Equity-settled share option arrangements	-	4,149	-	-	-	4,149
At 31 December 2020	6	8,914	895	55,083	(1,169,886)	(1,104,988)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		<b>(1,809,993)</b>	(706,639)
Adjustments for:			
Finance costs	8	<b>959</b>	338
Bank interest income	6	<b>(16,938)</b>	(11,274)
Fair value losses on convertible redeemable preferred shares	7,21	<b>1,524,320</b>	569,588
Investment income from financial assets through profit and loss	6	<b>–</b>	(166)
Covid-19-related rent concessions from lessors	15	<b>–</b>	(1,419)
Depreciation of property, plant and equipment	14	<b>4,179</b>	3,482
Depreciation of right-of-use assets	15	<b>7,003</b>	5,871
Amortisation of intangible assets		<b>704</b>	138
Equity-settled share option expense	25	<b>90,362</b>	4,571
Share issue expenses		<b>29,199</b>	–
Foreign exchange differences, net	7	<b>(6,668)</b>	1,689
		<b>(176,873)</b>	(133,821)
Decrease in prepayments and other receivables	18	<b>(21,175)</b>	(4,124)
Increase in other payables and accruals	20	<b>28,307</b>	15,092
<b>Net cash flows used in operating activities</b>		<b>(169,741)</b>	(122,853)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income from financial assets			
at fair value through profit or loss	6	<b>–</b>	166
Interest received from bank		<b>19,691</b>	5,291
Purchases of items of property, plant and equipment		<b>(9,014)</b>	(3,462)
Purchases of intangible assets		<b>(3,321)</b>	(572)
Proceeds from maturity of financial assets			
at fair value through profit or loss		<b>–</b>	46,539
Purchase of financial assets at fair value through profit or loss		<b>–</b>	(46,539)
Advances to related parties	28	<b>–</b>	(7,351)
Repayment of the amount due from related parties		<b>9,057</b>	–
Advances to shareholders	28	<b>–</b>	(27)
Repayment of the amount due from shareholders		<b>66</b>	–
Increase in time deposits with original maturity of more than three months		<b>(1,476,204)</b>	–
<b>Net cash flows used in investing activities</b>		<b>(1,459,725)</b>	(5,955)

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal portion of lease payments	26	(7,414)	(4,747)
Interest portion of lease payments	15	(959)	(338)
Repurchase of share options		(429)	(422)
Proceeds from IPO		1,451,980	–
Share issue expenses		(117,936)	–
Proceeds from issue of convertible redeemable preferred shares		776,617	511,397
Net cash flows from financing activities	26	2,101,859	505,890
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of the year		617,773	285,637
Effect of foreign exchange rate changes, net		(26,309)	(44,946)
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS</b>			
		1,063,857	617,773

# NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 28 March 2018. The registered address of the Company is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were involved in the research and development of pharmaceutical products.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") effective from 13 October 2021.

In the opinion of the Company's directors (the "Directors"), the holding company and the ultimate holding company of the Company is Yao Chang Family Holding Limited, which was incorporated in the Cayman Islands on 20 April 2021. Yao Chang Family Holding Limited is ultimately controlled by Dr. Xu Yao-Chang, the chairman and the chief executive officer of the Company.

### Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Abbisko Hongkong Limited	Hong Kong 13 April 2018	Hong Kong Dollars ("HKD") 10,000	100%	–	Investment holding
Abbisko Therapeutics Co., Ltd. <sup>1,3</sup> (上海和譽生物醫藥科技有限公司)	the People's Republic of China ("PRC")/ Mainland China 12 April 2016	RMB800,000,000	–	100%	Research and development in areas of biomedical and biotechnology, technical services and technical consultation
Wuxi Abbisko Biomedical Technology Co., Ltd. <sup>1,3</sup> (無錫和譽生物醫藥科技有限公司)	the People's Republic of China ("PRC")/ Mainland China 28 July 2020	United States Dollars ("USD")20,000,000	–	100%	Research and development

# NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 1. CORPORATE INFORMATION (continued)

### Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Abbisko Therapeutics Australia Pty Ltd.	Australia 25 September 2020	Australian Dollars ("AUD") 100	-	100%	Research and development
Beijing Qianyu Therapeutics Co. Ltd. <sup>1,2</sup> (北京千譽生物醫藥科技有限公司)	the People's Republic of China ("PRC")/ Mainland China 24 November 2021	RMB10,000,000	-	100%	Research and development

- 1 The English names of these companies represent the best effort made by the Directors to translate the Chinese names as these companies have not been registered with any official English names.
- 2 This subsidiary was established by the Group in 2021.
- 3 These subsidiaries were registered as wholly-foreign-owned enterprises under PRC law.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements 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 2021. 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).

## 2.1 BASIS OF PREPARATION (continued)

### Basis of consolidation (continued)

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.

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 9, IAS 39, IFRS 7,  
IFRS 4 and IFRS 16  
Amendment to IFRS 16

*Interest Rate Benchmark Reform – Phase 2*

Covid-19-Related Rent Concessions beyond  
30 June 2021 (early adopted)



## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The adoption of the amendments had no impact on the Group’s financial statements for the year ended 31 December 2021.

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2020 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. As there are no rent concessions during the year, the adoption of the amendments had no impact on the Group’s financial statements for the year ended 31 December 2021.

## 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 the consolidated financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework<sup>1</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
IFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to IFRS 17	<i>Insurance Contracts<sup>2,4</sup></i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>2</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>2</sup></i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>2</sup></i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>1</sup></i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract<sup>1</sup></i>
Annual Improvements to IFRS Standards 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41<sup>1</sup></i>
Amendment to IAS 1	<i>Classification of Liabilities at Current or Non-current<sup>3</sup></i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information<sup>3</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the amendments to IFRS 17 issued in June 2020, the effective date of IFRS 17 was deferred to 1 January 2023, and IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

# NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. As the convertible redeemable preferred shares were automatically converted into common shares upon listing, management expects that the amendments to IAS 1 will not have a significant effect on the Group's financial performance and financial position.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

*Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16. The amendment is not expected to have any significant impact on the Group's financial statements.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Subsidiaries

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).

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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 investments in associates and joint ventures are 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 associates and joint ventures is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or 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 its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture 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 an associate or 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*.

# NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. 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.

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, investment properties and non-current assets), 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 the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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 the statement of profit or loss in the period in which it arises.



# NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

## 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 the statement of 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 plant and equipment to its residual value over its estimated useful life. The principal annual rates used and estimated useful lives for this purpose are as follows:

	Principal annual rates	Estimated useful lives
Electronic equipment	19%	5 years
Office equipment	19%	5 years
R&D equipment	19%	5 years
Motor vehicles	19%	5 years
Leasehold improvement	20%	5 years

Where parts of an item of 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 each financial year end.

An item of 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 the statement of 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 and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of plant and equipment when completed and ready for use.

# NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 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 each financial year end.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software for research and development activities	1-3 years
Software for management activities	10 years

The useful life of the software for R&D activities is estimated based on the authority period of the software, while the useful life of the software for management activities is estimated based on management's judgement.

### Research and development expenses

All research costs are charged to the statement of 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.

#### *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 recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leases (continued)

#### *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:

Property, office premises and plant	1 to 5 years
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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

For the year ended December 31, 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leases (continued)

#### *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 machinery and equipment (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 and laptops that are 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, fair value through other comprehensive income (“FVOCI”), 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 trade 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.

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.

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (Continued)

#### *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 the statement of profit or loss when the asset is derecognised, modified or impaired.

#### *Financial assets at fair value through other comprehensive income (debt instruments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

#### *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.

# NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (continued)

#### *Financial assets at fair value through profit or loss*

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 the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also 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.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

#### **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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derecognition of financial assets (continued)

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 recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability 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 recognizes 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.

#### *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.



## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

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

#### Impairment of financial assets (continued)

##### *General approach (continued)*

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.

Debt investments at fair value through other comprehensive income and 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

#### 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 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 and other payables and interest-bearing bank and other borrowings.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial liabilities (Continued)

#### *Subsequent measurement*

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

#### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

#### *Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings 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 the statement of 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.

### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability 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 the statement of profit or loss.

# NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, 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 on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### 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 the statement of profit or loss.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the statement of profit or loss is recognised outside the statement of 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 each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income tax (Continued)

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability 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 joint ventures, 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.

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 liability 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 joint ventures, 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 each 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 each 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 each 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.

# NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### Revenue recognition

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

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.

The revenue from a license is recognised over time if all of the following criteria are met:

- (a) the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights
- (b) the rights granted by the licence directly expose the customer to any positive or negative effects of the entity's activities identified in (a); and
- (c) those activities do not result in the transfer of a good or a service to the customer as those activities occur

Otherwise, revenue is recognised at a point in time when the customer obtains the control of the license.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (Continued)

#### *Other 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.

#### Share-based payments

The Company operates a share option 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 as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 25 to the consolidated 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 the statement of 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.

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.

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

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

#### Share-based payments (continued)

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.

#### 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. These subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

#### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 12 to the consolidated financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies

The consolidated 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 the statement of 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 recognizes 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, joint ventures and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities 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 weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.



# NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated 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*

Development expenses incurred on the Group's drug product pipelines are 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, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the reporting period, all expenses incurred for research and development activities were expensed when incurred.

#### *Estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty as 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.

#### *Fair value of convertible redeemable preferred shares measured at FVTPL*

The fair value of the convertible redeemable preferred shares measured at FVTPL is determined using the valuation techniques, including the discounted cash flow method, the back-solve method and equity allocation model. Such valuation is based on key parameters about discounts for lack of marketability and volatility, which are subject to uncertainty and might materially differ from the actual results. The fair value of convertible redeemable preferred shares at 31 December 2021 and 31 December 2020 was nil and RMB1,719,635, respectively. Further details are included in note 21 to the consolidated financial statements.

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

#### Estimation uncertainty (continued)

##### *Share-based payments*

The Group has set up the equity share option plan for the Company's directors and the Group's employees. The fair value of the options is determined by the binomial model at the grant dates.

Estimating fair value for share-based payment transactions requires the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatilizing and dividend yield and making assumptions about them.

For the fair value measurement of equity-settled transactions with employees at the grant date, the Group uses a binomial model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 25.

##### *Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

### 4. OPERATING SEGMENT INFORMATION

#### Operating segment information

For management purposes, the Group has only one reportable operating segment, which is the development of innovative medicines. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

#### Geographical information

Since nearly all of the Group's non-current assets were located in Mainland China, no geographical information in accordance with IFRS 8 *Operating Segments* is presented.

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 5. REVENUE

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	22,682	–

#### Disaggregated revenue information

For the year ended 31 December 2021

	License fee income RMB'000
<b>Type of goods or services</b>	
License fee income	22,682
<b>Geographical market</b>	
Mainland China	22,682
<b>Timing of revenue recognition</b>	
License fee income at a point in time	22,682

During the year ended 31 December 2021, the Group recorded one-time license fee income of RMB22,682,000, which was generated from an exclusive licensing agreement with Sperogenix (Shanghai) MedTech Co., Ltd.

### 6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2021 RMB'000	2020 RMB'000
<b>Other income</b>		
Bank interest income	16,938	11,274
<b>Other gains</b>		
Government grants	14,081	7,302
Investment income from financial assets at FVTPL	–	166
Gain on disposal of an associate	5,900	–
Foreign exchange gains	6,668	–
Others	–	89
	26,649	7,557
	43,587	18,831

\* The government grants mainly represent subsidies received from the local governments for the purpose of supporting on research and clinical trial activities, allowance for new drug development and funds for talents. There were no unfulfilled conditions or contingencies relating to these grants received during the year.

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 7. LOSS BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Depreciation of items of property, plant and equipment	14	4,179	3,482
Depreciation of right-of-use assets	15	7,003	5,871
Amortisation of intangible assets	16	842	138
Research and development expenses excluding depreciation and amortisation		218,617	125,498
Auditor's remuneration		2,450	50
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):			
Wages and salaries		65,644	36,683
Pension scheme contributions (defined contribution scheme)*		9,841	3,635
Equity-settled share option expense		35,376	3,788
		110,861	44,106
Share issue expenses		29,198	–
Foreign exchange differences, net	6	(6,668)	1,689
Fair value losses on convertible redeemable preferred shares		1,524,320	569,588
Gain on disposal of an associate	6	5,900	–

\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

### 8. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	959	338

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

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

Directors' and chief executive's remuneration for the year, disclosed pursuant to 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 as follows:

	2021 RMB'000	2020 RMB'000
Fees	162	128
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind*	16,802	5,635
Pension scheme contributions	51	–
Equity-settled share option expense	54,557	783
	71,572	6,546

\* The bonuses paid or receivable by the directors and chief executive of the Company are not discretionary or based on the Company's, the Group's or any member of the Group's performance.

During the year, certain directors were granted restricted share units, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 25 to the financial statements. The fair value of such restricted share units, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

#### (a) Independent non-executive directors

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

	2021 RMB'000
Mr. Sun Piaoyang (i)	–
Mr. Sun Hongbin (ii)	81
Mr. Wang Lei (iii)	81
	162

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

# NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

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

	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity- settled share option expense RMB'000	Total RMB'000
<b>2021</b>					
<b>Executive directors:</b>					
Dr. Yu Hongping	–	2,923	17	14,118	17,058
Dr. Chen Zhui	–	3,123	17	14,118	17,258
Mr. Yeh Richard (iv)	–	5,279	17	8,727	14,023
		11,325	51	36,963	48,339
<b>Non-executive directors:</b>					
Mr. Shen Jingkang (v)	–	–	–	–	–
Mr. Chen Kan (vi)	–	–	–	–	–
Ms. Miao Jingwen (vii)	–	–	–	–	–
Ms. Yang Ling (viii)	–	–	–	–	–
Dr. Xia Gavin Guoyao	–	–	–	–	–
Ms. Tang Yanmin (ix)	–	–	–	–	–
<b>Chief executive:</b>					
Dr. Xu Yao-Chang	–	5,477	–	17,594	23,071
	–	16,802	51	54,557	71,410
<b>2020</b>					
<b>Executive directors:</b>					
Dr. Yu Hongping	–	1,573	–	261	1,834
Dr. Chen Zhui	–	1,573	–	261	1,834
		3,146		522	3,668
<b>Non-executive directors:</b>					
Mr. Shen Jingkang	128	–	–	–	128
Dr. Xia Gavin Guoyao	–	–	–	–	–
Mr. Hu Xubo	–	–	–	–	–
Mr. Wu Aimin	–	–	–	–	–
Ms. Miao Jingwen	–	–	–	–	–
Mr. Chen Kan	–	–	–	–	–
<b>Chief executive:</b>					
Dr. Xu Yao-Chang	–	2,489	–	261	2,750
	128	5,635	–	783	6,546

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

- (i) Mr. Sun Piaoyang was appointed as an independent non-executive director of the Company on 30 September 2021.
- (ii) Mr. Sun Hongbin was appointed as an independent non-executive director of the Company on 30 September 2021.
- (iii) Mr. Wang Lei was appointed as an independent non-executive director of the Company on 30 September 2021.
- (iv) Mr. Yeh Richard was appointed as a Director of the Company on 5 January 2021. On April 27, 2022, Mr. Yeh tendered his resignation with effect from April 28, 2022.
- (v) Mr. Shen Jingkang was appointed as a non-executive director of the Company on 22 October 2018 and resigned as a non-executive director on 10 June 2021.
- (vi) Mr. Chen Kan was appointed as a non-executive director of the Company on 21 February 2020 and resigned as a the non-executive director on 10 June 2021.
- (vii) Ms. Miao Jingwen was appointed as a non-executive director of the Company on 21 February 2020 and resigned as a the non-executive director on 10 June 2021.
- (viii) Ms. Yang Ling was appointed as a non-executive director of the Company on 5 January 2021 and resigned as a the non-executive director on 10 June 2021.
- (ix) Ms. Tang Yanmin was appointed as a non-executive director of the Company on 10 June 2021.

### 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2020: three directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining one (2020: two) highest paid employee who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, bonuses, allowances, and benefits in kind*	3,917	2,436
Pension scheme contributions	112	–
Equity-settled share option expenses	6,347	1,545
	<b>10,376</b>	3,981

\* The aggregate of bonuses paid or receivable by the Company's five highest paid employees are not discretionary or based on the Company's, the Group's or any member of the Group's performance for the financial year.

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 10. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2021	2020
HKD1,000,001 to HKD1,500,000	–	1
HKD3,000,001 to HKD3,500,000	–	1
HKD12,500,001 to HKD13,000,000	1	–
	1	2

During the year and in prior years, share options were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 25 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

### 11. 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

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

#### Hong Kong

The subsidiary incorporated in Hong Kong are subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

#### Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income.



## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 11. INCOME TAX (continued)

#### Australia

No provision for Australia income tax has been made as the Group had no assessable profits derived from or earned in Australia during the year. The subsidiary incorporated in Australia is subject to income tax at the rate of 30% on the estimated assessable profits arising in Australia during the year.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2021 RMB'000	2020 RMB'000
Loss before tax	(1,809,993)	(706,639)
Tax at the statutory tax rate	(69,963)	(34,669)
Income not subject to tax	(10)	(19)
Additional deductible allowance for qualified research and development costs	(28,588)	(17,366)
Expenses not deductible for tax	363	128
Temporary difference not recognised	22,770	2,108
Tax losses not recognised	75,428	49,818
Tax charge at the Group's effective rate	–	–

The Group had accumulated tax losses in Mainland China of RMB707,791,000 as at 31 December 2021 (2020: RMB429,042,000), which will expire in five to ten years for offsetting against future taxable profits of the companies in which the losses arose:

	2021 RMB'000	2020 RMB'000
Expire in 2026	10,034	10,034
Expire in 2027	40,722	40,722
Expire in 2028	81,191	81,191
Expire in 2029	113,384	113,384
Expire in 2030	183,711	183,711
Expire in 2031	278,749	–
	707,791	429,042

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 11. INCOME TAX (continued)

The Group also had accumulated tax losses in overseas subsidiaries of RMB71,406,000 as at 31 December 2021 (2020: RMB45,567,000), which will be carried forward indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilised.

### 12. DIVIDENDS

No dividend was paid or declared by the Company during the year.

### 13. 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 of 234,883,376 (2020: 99,192,020, after adjusting for the effect of the Share Subdivision) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of the share options and redeemable convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

	2021	2020
	RMB'000	RMB'000
<b>Loss</b>		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	<b>(1,809,993)</b>	(706,639)
	<b>Numbers of shares</b>	
	<b>2021</b>	2020
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<b>234,883,376</b>	99,192,020

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 14. PROPERTY, PLANT AND EQUIPMENT

	Electronic equipment RMB'000	Office equipment RMB'000	R&D equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Total RMB'000
<b>31 December 2021</b>						
<b>At 1 January 2021:</b>						
Cost	483	133	17,301	393	2,056	20,366
Accumulated depreciation	(218)	(72)	(7,855)	(256)	(1,366)	(9,767)
Net carrying amount	265	61	9,446	137	690	10,599
At 1 January 2021, net of accumulated depreciation	265	61	9,446	137	690	10,599
Additions	752	213	5,285	851	1,688	8,789
Depreciation provided during the year	(111)	(55)	(3,555)	(75)	(383)	(4,179)
At 31 December 2021, net of accumulated depreciation	906	219	11,176	913	1,995	15,209
<b>At 31 December 2021:</b>						
Cost	1,235	346	22,586	1,244	3,744	29,155
Accumulated depreciation	(329)	(127)	(11,410)	(331)	(1,749)	(13,946)
Net carrying amount	906	219	11,176	913	1,995	15,209
<b>31 December 2020</b>						
<b>At 1 January 2020:</b>						
Cost	299	133	15,654	393	1,385	17,864
Accumulated depreciation	(153)	(47)	(4,771)	(181)	(1,133)	(6,285)
Net carrying amount	146	86	10,883	212	252	11,579
At 1 January 2020, net of accumulated depreciation	146	86	10,883	212	252	11,579
Additions	184	–	1,647	–	671	2,502
Depreciation provided during the year	(65)	(25)	(3,084)	(75)	(233)	(3,482)
At 31 December 2020, net of accumulated depreciation	265	61	9,446	137	690	10,599
<b>At 31 December 2020:</b>						
Cost	483	133	17,301	393	2,056	20,366
Accumulated depreciation	(218)	(72)	(7,855)	(256)	(1,366)	(9,767)
Net carrying amount	265	61	9,446	137	690	10,599

As at 31 December 2021 and 2020, there were no pledged property, plant and equipment.

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 15. LEASES

#### The Group as a lessee

The Group has lease contracts for various items of properties used in its operations. Leases of properties generally have lease terms between 1 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Property, office premises and plant RMB'000
<b>As at 31 December 2021</b>	
At 1 January 2021	4,176
Additions	56,912
Depreciation charge	(7,003)
As at 31 December 2021	54,085
<b>As at 31 December 2020</b>	
As at 1 January 2020	8,476
Additions	1,571
Depreciation charge	(5,871)
As at 31 December 2020	4,176

#### (b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2021 RMB'000	2020 RMB'000
<b>Carrying amount at 1 January</b>	4,306	8,901
New leases	56,912	1,571
Accretion of interest recognised during the year	959	338
Covid-19-related rent concessions from lessors	–	(1,419)
Lease payment	(8,373)	(5,085)
<b>Carrying amount at the end of the year/period</b>	53,804	4,306
Analysed into:		
Current portion	8,862	4,306
Non-current portion	44,942	–

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 15. LEASES (continued)

The Group as a lessee (continued)

(b) *Lease liabilities (continued)*

The maturity analysis of lease liabilities is as follows:

	2021			2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Lease liabilities	4.75-5.5	2022	8,862	4.75	2021	4,306
<b>Non-current</b>						
Lease liabilities	5.5	2023-2027	44,942	4.75	-	-

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

(c) *The amounts recognised in profit or loss in relation to leases are as follows:*

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	959	338
Depreciation charge of right-of-use assets	7,003	5,871
Covid-19-related rent concessions from lessors	-	(1,419)
<b>Total amount recognised in profit or loss</b>	<b>7,962</b>	<b>4,790</b>

(d) The total cash outflow for leases is disclosed in notes 26(c), respectively, to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 16. OTHER INTANGIBLE ASSETS

	Patent and software RMB'000	Total RMB'000
<b>31 December 2021</b>		
Cost at 1 January 2021, net of accumulated amortisation	434	434
Additions	3,321	3,321
Amortisation provided during the year	(704)	(704)
At 31 December 2021	3,051	3,051
<b>31 December 2020</b>		
Cost at 1 January 2020, net of accumulated amortisation	–	–
Additions	572	572
Amortisation provided during the year	(138)	(138)
At 31 December 2020	434	434
<b>At 31 December 2020</b>		
Cost	572	572
Accumulated amortisation	(138)	(138)
Net carrying amount	434	434

### 17. INVESTMENT IN AN ASSOCIATE

The Group invested in Shanghai Yanjian New Drug R&D Co., Ltd (“Yanjian”) in 2017 at an aggregate purchase price of RMB5,000,000, representing 20.3168% equity interest in Yanjian. The investment is accounted for under the equity method of accounting because the Group has significant influence over Yanjian by way of representation on Yanjian’s board of directors and participation in the decision-making process. The carrying amount of the investment has been decreased to nil since 2018 because Yanjian was keeping making loss. On 6 April 2021, the group disposed all its equity interest in Yanjian at an aggregate price of RMB5,900,000.

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 18. PREPAYMENTS AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Prepayments to suppliers	9,393	4,020
Amounts due from related parties	–	9,057
Amounts due from shareholders	–	66
Deposits and other receivables	26,483	18,886
	<b>35,876</b>	32,029

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

### 19. CASH AND BANK BALANCES

	2021 RMB'000	2020 RMB'000
Cash and bank balances	2,545,513	617,773
Less:		
Bank deposits with original maturity of more than three months when acquired (i)	1,481,656	–
Cash and cash equivalents	1,063,857	617,773

(i) They represent time deposits with initial terms of over three months when acquired in commercial banks with annual return rates ranging from 0.54% to 2.85% (2020: nil). None of these deposits are either past due or impaired. None of these deposits are pledged.

	2021 RMB'000	2020 RMB'000
Denominated in:		
RMB	718,249	34,925
USD	1,825,043	582,848
HKD	1,352	–
AUD	869	–
Cash and bank balances	2,545,513	617,773

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 19. CASH AND BANK BALANCES (continued)

The 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.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

### 20. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Payroll payable	22,303	8,294
Payables of construction and purchase of equipment	18	398
Other tax payables	1,296	403
Share issue expenses payables	9,306	–
Other payables	31,753	18,348
	64,676	27,443

Other payables and accruals are unsecured, non-interest-bearing and repayable on demand. The carrying amounts of financial liabilities included in other payables and accruals as at the end of each of the reporting periods approximated to their fair values due to their short-term maturities.

### 21. CONVERTIBLE REDEEMABLE PREFERRED SHARES

As one of the steps of the Reorganisation, pursuant to option agreements ("Series A Option Agreements") entered into among others, the Company and certain of its subsidiaries and the then Series A investors ("Series A Investors") on 28 June 2018, the Company issued share options to the then Series A Investors or its designated entity to subscribe for a total of 9,806,078 Series A-1 preferred shares ("Series A-1 Preferred Shares") of the Company and an aggregate of 4,218,393 Series A-2 preferred shares ("Series A-2 Preferred Shares").

Pursuant to a series B share purchase agreement and other relevant documents entered into among others, the Company and certain of its subsidiaries, and the Series B investors ("Series B Investors") on 7 January 2019, the Company issued a total of 6,305,966 Series B preferred shares ("Series B Preferred Shares") at a purchase price of approximately USD6.66 per share for a total consideration of USD42,000,000 (equivalent to RMB284,173,040).



## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 21. CONVERTIBLE REDEEMABLE PREFERRED SHARES (continued)

Pursuant to a series C share purchase agreement entered into among others, the Company and certain of its subsidiaries, and the Series C investors (“Series C Investors”) on 11 February 2020 (“Series C Share Purchase Agreement”) and a series C share subscription agreement (“Series C Share Subscription Agreement”) entered into among others, the Company and certain of its subsidiaries, and certain of the Series C Investors, the Company issued 8,462,592 Series C preferred shares (“Series C Preferred Shares”) at a purchase price of approximately USD7.09 per share for a total consideration of USD60,000,000 (equivalent to RMB421,561,864) under the Series C Share Purchase Agreement and 1,410,432 Series C Preferred Shares at a purchase price of approximately USD7.09 per share for a total consideration of USD10,000,000 (equivalent to RMB70,260,311) under the Series C Share Subscription Agreement.

Pursuant to a series D share purchase agreement entered into among others, the Company and certain of its subsidiaries, and the Series D investors (“Series D Investors”) on 23 December 2020, the Company issued a total of 8,600,768 Series D preferred shares (“Series D Preferred Shares”) to the following investors at a purchase price of approximately USD14.301049 per share for a total consideration of USD123,000,000 (equivalent to RMB796,191,738).

For illustration purpose, the Series D, Series C, Series B, Series A-1 and Series A-2 Investors are referred to as holders of Preferred Shares (“Holders of Preferred Shares”).

The key terms of Series A-1, Series A-2, Series B, Series C and Series D Preferred Shares (“Preferred Shares”) are as follows:

#### LIQUIDATION

##### *Liquidation Preference*

Upon any liquidation, dissolution or winding up of the Company and/or any other group companies, either voluntary or involuntary, all assets and funds of the Company legally available for distributions to the members of the Company shall be made in the following manner:

- (a) Before any distribution or payment shall be made to the holders of any Series C Preferred Shares, Series B Preferred Shares, Series A-1 Preferred Shares, Series A-2 Preferred Shares, Ordinary Shares or any other equity securities of the Company, an amount equal to one hundred and twenty percent (120%) of the Series D Issue Price and all dividends declared but unpaid with respect thereto, shall be paid to each holder of the Series D Preferred Shares with respect to each Series D Preferred Share then held by such holder (the “Series D Liquidation Preference”). If, upon any liquidation, dissolution, or winding up, the assets of the Company are insufficient to make payment in full on all Series D Preferred Shares, then such assets shall be distributed among the holders of Series D Preferred Shares ratably in proportion to the full amounts to which they would otherwise be respectively entitled thereon.

## 21. CONVERTIBLE REDEEMABLE PREFERRED SHARES (continued)

### LIQUIDATION (continued)

#### *Liquidation Preference (continued)*

- (b) After distribution or payment in full of the Series D Liquidation Preference distributable or payable on the Series D Preferred Shares pursuant to Section (a), before any distribution or payment shall be made to the holders of any Series B Preferred Shares, Series A-1 Preferred Shares, Series A-2 Preferred Shares, Ordinary Shares or any other equity securities of the Company, an amount equal to one hundred percent (100%) of the Series C Issue Price and all dividends declared but unpaid with respect thereto, shall be paid to each holder of the Series C Preferred Shares with respect to each Series C Preferred Share then held by such holder (the “Series C Liquidation Preference”). If, upon any liquidation, dissolution, or winding up, the assets of the Company are insufficient to make payment in full on all Series C Preferred Shares, then such assets shall be distributed among the holders of Series C Preferred Shares ratably in proportion to the full amounts to which they would otherwise be respectively entitled thereon.
- (c) After distribution or payment in full of the Series D Liquidation Preference and the Series C Liquidation Preference distributable or payable on the Series D Preferred Shares and the Series C Preferred Shares pursuant to Section (a) and Section (b), before any distribution or payment shall be made to the holders of any Series A-1 Preferred Shares, Series A-2 Preferred Shares, Ordinary Shares or any other equity securities of the Company, an amount equal to one hundred percent (100%) of the Series B Issue Price and all dividends declared but unpaid with respect thereto, shall be paid to each holder of the Series B Preferred Shares with respect to each Series B Preferred Share then held by such holder (the “Series B Liquidation Preference”). If, upon any liquidation, dissolution, or winding up, the assets of the Company are insufficient to make payment in full on all Series B Preferred Shares, then such assets shall be distributed among the holders of Series B Preferred Shares ratably in proportion to the full amounts to which they would otherwise be respectively entitled thereon.
- (d) After distribution or payment in full of the Series D Liquidation Preference, the Series C Liquidation Preference and the Series B Liquidation Preference distributable or payable on the Series D Preferred Shares, the Series C Preferred Shares and Series B Preferred Shares pursuant to Section (a), Section (b) and Section (c), before any distribution or payment shall be made to the holders of any Ordinary Shares or any other equity securities of the Company, an amount equal to one hundred percent (100%) of the applicable Series A-1 Issue Price and Series A-2 Issue Price and all dividends declared and unpaid with respect thereto per Series A-1 Preferred Shares and Series A-2 Preferred Shares, shall be paid to each holder of the Series A-1 Preferred Shares and Series A-2 Preferred Shares with respect to each Series A-1 Preferred Shares and/or Series A-2 Preferred Shares then held by such holder (the “Series A Liquidation Preference”). If, upon any liquidation, dissolution, or winding up, the assets of the Company are insufficient to make payment in full on all Series A-1 Preferred Shares and Series A-2 Preferred Shares, then such assets shall be distributed among the holders of Series A-1 Preferred Shares and Series A-2 Preferred Shares ratably in proportion to the full amounts to which they would otherwise be respectively entitled thereon.

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 21. CONVERTIBLE REDEEMABLE PREFERRED SHARES (continued)

#### LIQUIDATION (continued)

##### *Liquidation Preference (continued)*

- (e) After distribution or payment in full of the Series D Liquidation Preference, the Series C Liquidation Preference, the Series B Liquidation Preference and the Series A Liquidation Preference distributable or payable on the Preferred Shares pursuant to Section (a) to Section (d), the remaining assets of the Company available for distribution to members shall be distributed ratably among the holders of issued and outstanding Ordinary Shares and the holders of issued and outstanding Preferred Shares in proportion to the number of issued and outstanding Ordinary Shares held by them (with issued and outstanding Preferred Shares treated on an as-converted but otherwise non-diluted basis).

#### CONVERSION

##### *Right to Convert Preferred Shares*

Unless converted earlier pursuant to Automatic Conversion, each Preferred Share shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share and after such share has been fully paid, into such number of fully paid and non-assessable Ordinary Shares as determined by dividing the applicable Issue Price by the applicable Conversion Price (as defined below), determined as hereinafter provided, in effect at the time of the conversion. The price at which Ordinary Shares shall be issuable upon conversion of any Preferred Share shall initially be the applicable Issue Price per Preferred Share (the "Conversion Price"). The conversion price is initially the Subscription Price of Holders of Preferred Shares, resulting in an initial conversion ratio of 1:1, and shall be subject to adjustment from time to time, including but not limited to share dividends, subdivisions, combinations or consolidation of ordinary shares, reclassifications, exchange and substitution, and adjustment upon issuance of new securities for a consideration per share less than the Conversion Price.

##### *Automatic Conversion*

The Preferred Shares will automatically be converted into Ordinary Shares, at the then applicable Conversion Price, upon the consummation of a Qualified IPO. In the event of the automatic conversion of the Preferred Shares, the person(s) entitled to receive the Ordinary Shares issuable upon such conversion of Preferred Shares shall not be deemed to have converted such Preferred Shares until immediately prior to the closing of such Qualified IPO.

## 21. CONVERTIBLE REDEEMABLE PREFERRED SHARES (continued)

### REDEMPTION

#### *Redemption Events*

At any time and from time to time following the occurrence of any of the following events, at the election of any holder of Preferred Shares, the Company shall redeem all or any portion of the issued and outstanding Preferred Shares as requested and held by such holder of Preferred Shares at the Redemption Price set forth in the section “Redemption Price”:

- (a) the Group Companies fails to consummate a Qualified IPO on or prior to the date of the fifth (5th) anniversary of the Closing;
- (b) any other Preferred Shares of the Company become redeemable; or
- (c) any material breach by any Group Company or the Founders of the terms of the Transaction Agreements (as defined in the Share Purchase Agreement) and such breach fails to be cured within ninety (90) days upon receipt of a written notice specifying the material breach.

#### *Redemption Price*

The redemption price for each Preferred Share (the “Redemption Price”) shall be: (i) with respect to the Series D Preferred Share, equal to the Series D Issue Price, plus an amount accruing thereon daily at a compound interest rate of eight percent (8%) per annum, from the Closing to the date on which the applicable redemption price is fully paid, plus all declared but unpaid dividends thereon; (ii) with respect to the Series C Preferred Share, equal to the Series C Issue Price, plus an amount accruing thereon daily at a compound interest rate of eight percent (8%) per annum, from 21 February 2020 to the date on which the applicable redemption price is fully paid, plus all declared but unpaid dividends thereon (for avoidance of doubt, for the Series C Preferred Shares purchased by Qiming at the Additional Closing, such interest shall accrue from the Additional Closing to the date on which the applicable redemption price is fully paid, plus all declared but unpaid dividends thereon); (iii) with respect to the Series B Preferred Share, equal to 1.5 times of the Series B Issue Price, plus all declared but unpaid dividends thereon; and (iv) with respect to the Series A Preferred Share, equal to 1.5 times of the applicable Series A Issue Price, plus all declared but unpaid dividends thereon.

#### *Presentation and classification*

The Group has designated host debt and conversion derivative of Preferred Shares as financial liabilities measured at fair value through profit or loss, and presented as convertible redeemable preferred shares in the consolidated statements of financial position. Management considered that fair value change in the Preferred Shares attributable to changes of own credit risk is not significant.

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 21. CONVERTIBLE REDEEMABLE PREFERRED SHARES (continued)

#### REDEMPTION (continued)

##### *Presentation and classification (continued)*

The movements of the convertible redeemable preferred shares are set out as follows:

	<b>RMB'000</b>
At 1 January 2021	1,719,635
Issuance of Series D Preferred Shares	796,192
Fair value changes of Series A-1 and A-2 Preferred Shares	728,174
Fair value changes of Series B Preferred Shares	285,449
Fair value changes of Series C Preferred Shares	415,477
Fair value changes of Series D Preferred Shares	95,220
Exchange differences of preferred shares	(25,350)
Conversion to ordinary shares	(4,014,797)
At 31 December 2021 and 1 January 2022	–
At 31 December 2019 and 1 January 2020	758,009
Issuance of Series C Preferred Shares	491,822
Fair value changes of Series A-1 and A-2 Preferred Shares	329,311
Fair value changes of Series B Preferred Shares	81,020
Fair value changes of Series C Preferred Shares	159,257
Exchange differences of preferred shares	(99,784)
At 31 December 2020 and 1 January 2021	1,719,635

The Group has used the back-solve method to determine the underlying equity value of the Company and adopted the equity allocation model to determine the fair value of the Preferred Shares as at 31 December 2020.

Key valuation assumptions used to determine the fair value of Preferred Shares as at 31 December 2020 are as follows:

	2020
Risk-free interest rate	0.44%
Discounts for lack of marketability (“DLOM”)	21%
Volatility	53.30%

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 21. CONVERTIBLE REDEEMABLE PREFERRED SHARES (continued)

#### REDEMPTION (continued)

##### *Presentation and classification (continued)*

The Group estimated the risk-free interest rate based on the yield of the US Government Bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of the put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on the annualised standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

On 13 October 2021, the Company was successfully listed on the Main Board of the Stock Exchange and made an offering of 140,848,000 shares at a price HKD12.46 per share. All Preferred Shares were converted into ordinary shares upon completion of the IPO on 13 October 2021. The fair value of each Preferred Share on the conversion date is the offer price in the global offering.

The completion of the successful IPO has triggered the automatic termination of all the special rights granted to the Holders of Preferred Shares.

### 22. OTHER NON-CURRENT LIABILITIES

	2021 RMB'000	2020 RMB'000
Prepayments of Series D Investors	–	19,575

The Company received RMB19,575,000 on 31 December 2020 from Hankang Biotech Fund II, L. P., one of the Series D Investors.

### 23. SHARE CAPITAL AND TREASURY SHARES

	2021 USD'000	2020 USD'000
Issued and fully paid :		
702,578,350 (2020: 9,919,202) Ordinary shares	7	1
Equivalent to RMB'000	46	6

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 23. SHARE CAPITAL AND TREASURY SHARES (continued)

A summary of movements in the Company's paid-in capital is as follows:

	Number of shares in issue	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Total RMB'000
At 31 December 2020	9,919,202	6	–	895	901
Issue of shares (i)	7,449,604	5	(5)	–	–
Conversion of convertible redeemable preferred shares to ordinary shares (ii)	38,804,229	26	–	4,014,771	4,014,797
Share Subdivision (iii)	505,557,315	–	–	–	–
Issue of Ordinary Shares from IPO (iv)	140,736,000	9	–	1,450,825	1,450,834
Issue of shares from exercise of an over-allotment option (v)	112,000	–	–	1,146	1,146
Share issue expenses	–	–	–	(98,043)	(98,043)
At 31 December 2021	<b>702,578,350</b>	<b>46</b>	<b>(5)</b>	<b>5,369,594</b>	<b>5,369,635</b>

- (i) Pursuant to a board resolution dated 10 June 2021, 7,449,604 ordinary shares (equivalent to 74,496,040 shares after adjusting for the effect of the Share Subdivision) were allotted and issued and held by the Trustee on trust through Computershare Hong Kong Trustees Limited, Abbisko Galaxy Myth Limited and Abbisko Glorious Ode Limited as reserve for grant of Share Incentive under the Share Incentive Plan. The shares held in the trust are accounted for as treasury shares of the Company. Further details are included in note 25 to the financial statements.
- (ii) All convertible redeemable preferred shares were automatically converted into ordinary shares on a one for one basis upon the successful IPO of the Company on 13 October 2021. As a result, the financial liabilities for convertible redeemable preferred shares were derecognised and recorded as share capital and share premium.
- (iii) Pursuant to the written resolution of the shareholders of the Company passed on 15 September 2021, each ordinary share in the share capital of the Company with a par value of USD0.0001 each (whether issued or unissued) will be subdivided into ten shares with a par value of USD0.00001 upon completion of the IPO.
- (iv) In connection with the Company's IPO on 13 October 2021, 140,736,000 ordinary shares were issued and allotted at an offer price of HKD12.46 per share for a total gross cash consideration of HKD1,735,570,560 (equivalent to RMB1,450,825,221).
- (v) In connection with the exercised over-allotment option, 112,000 ordinary shares were issued and allotted at an offer price of HKD12.46 per share on 10 November 2021.

## 24. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 89 to 90 of the financial statements.

### (i) Share premium

The share premium account represents the amount paid by shareholders for capital injection in excess of its nominal value and proceeds received from IPO less related costs.

### (ii) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised or be transferred to retained profits should the related options expire or be forfeited.

## 25. SHARE-BASED PAYMENTS

### 2019 Share Incentive Plan

In July 2019, the Company adopted the Share Incentive Plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Eligible participants of the Share Incentive Plan may include any employees and directors of the Company and its subsidiaries. The maximum aggregate number of shares that may be issued under this plan is 83,602,800 Ordinary Shares (taking into account the effect of Share Subdivision). Unless otherwise cancelled or amended, the Share Incentive Plan will remain in force for 10 years from that date.

The Board shall have the authority to approve the 2019 Plan and the separate programs under the 2019 Share Incentive Plan and the shareholders shall have the power to approve and determine the maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the 2019 Share Incentive Plan.

### (a) Share options

The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one to four years and ends on a date which is not later than ten years from the date of offer of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.



## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 25. SHARE-BASED PAYMENTS (continued)

#### 2019 Share Incentive Plan (continued)

##### (a) Share options (continued)

The following share options were outstanding under the Share Incentive Plan during the years ended 31 December 2021 and 2020:

	Weighted average exercise price RMB per share	Number of options
At 1 January 2021	9.80	1,315,821
Granted during the year	14.50	1,730,200
Forfeited during the year	3.98	(45,322)
Share Subdivision	–	27,006,291
At 31 December 2021	1.26	30,006,990
At 1 January 2020	9.86	1,680,854
Granted during the year	14.50	49,000
Forfeited during the year	10.60	(414,033)
At 31 December 2020	9.80	1,315,821

No share options were exercised during the years ended 31 December 2021 and 2020.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows (taking into account the effect of Share Subdivision):

#### 2021

Number of options '000	Exercise price RMB per share	Exercise period
5,879,380	0.01-0.2	1-12-19 to 1-12-29
6,335,610	1.34-2.38	1-12-21 to 1-12-29
490,000	1.45	1-12-21 to 1-12-30
15,492,000	1.45	1-6-22 to 1-6-31
1,810,000	1.45	1-9-22 to 1-9-31
30,006,990		

## 25. SHARE-BASED PAYMENTS (continued)

### 2019 Share Incentive Plan (continued)

#### (a) Share options (continued)

#### 2020

Number of options '000	Exercise price RMB per share	Exercise period
620,255	0.1-2	1-12-19 to 1-12-29
646,566	13.4-23.8	1-12-21 to 1-12-29
49,000	14.5	1-12-21 to 1-12-30
1,315,821		

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year was RMB72,441,145 (2020: RMB1,855,000). The Group recognised share option expenses of RMB31,055,009, during the year (2020: RMB4,571,000).

The fair value of the equity-settled share options granted during the year was estimated as at the dates of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2021	2020
Dividend yield (%)	0	0
Expected volatility (%)	52.1-55.6	57.1
Risk-free interest rate (%)	1.58-1.82	1.09
Exercise multiple	2.2	2.2-2.8
Weighted average share price (HKD per share)	10.24	-

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the options granted was incorporated into the measurement of fair value.

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 25. SHARE-BASED PAYMENTS (continued)

#### 2019 Share Incentive Plan (continued)

##### (b) Restricted share units

The purpose of granting the restricted share units (“RSUs”) under the Share Incentive Plan is to incentivise the Directors and experts for their contribution to the Group and 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.

Unless otherwise cancelled or amended, the exercise period of the RSUs shall commence after a vesting period of one to four years and ends on a date which is not later than ten years from the date of offer of the RSUs).

The following RSUs were outstanding under the Scheme during the year ended 31 December 2021:

	Weighted average exercised price RMB per share	Number of RSUs
At 1 January 2021	Nil	–
Granted during the year	Nil	3,818,480
Share Subdivision	Nil	34,366,320
At 31 December 2021	Nil	38,184,800

No RSUs were exercised during the year ended 31 December 2021.

The exercise prices and exercise periods of the RSUs outstanding as at the end of the reporting period are as follows:

#### 2021

Number of RSUs '000	Exercise price RMB per share	Exercise period
37,054,800	Nil	1-12-22 to 1-6-31
880,000	Nil	1-12-22 to 1-9-31
250,000	Nil	1-12-22 to 1-12-31
38,184,800		

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 25. SHARE-BASED PAYMENTS (continued)

#### 2019 Share Incentive Plan (continued)

##### (b) Restricted share units (continued)

The fair value of the RSUs granted during the year was RMB204,945,140, and the Group recognised a share-based payment expense of RMB59,307,750 during the year.

The fair value of the RSUs granted during the year was measured as at the date of grant using the fair value of the Company's ordinary shares. The following table lists the inputs to the model used to determine the fair value of the Company's ordinary shares before the completion of IPO:

	2021
Dividend yield (%)	0
Risk-free interest rate (%)	0.87
Discounts for lack of marketability ("DLOM") (%)	17.00
Expected volatility (%)	44.66

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the RSUs granted was incorporated into the measurement of fair value.

### 26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Major non-cash transactions

During the year, the Group had non-cash additions to equity of RMB4,014,797,000 due to the conversion of convertible redeemable preferred shares to ordinary shares as described in note 21.

During the year, the Group had non-cash additions to right-of-use assets of RMB56,912,000 (2020: RMB1,571,000) and non-cash additions to lease liabilities of RMB56,912,000 (2020: RMB1,571,000), in respect of lease arrangements for property, office premises and plant.

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

	Lease liabilities RMB'000	Other payables and accruals RMB'000	Other non-current liabilities RMB'000	Convertible redeemable preferred shares RMB'000
At 1 January 2021	4,306	–	19,575	1,719,635
<b>Changes from financing cash flows:</b>				
Lease payments	(8,373)	–	–	–
Payment of share issue expenses	–	(117,936)	–	–
Issue of convertible redeemable preferred shares	–	–	(19,575)	796,192
Total changes from financing cash flows	(8,373)	(117,936)	(19,575)	796,192
<b>Other changes:</b>				
New leases	56,912	–	–	–
Interest expenses	959	–	–	–
Foreign exchange movement	–	–	–	(25,350)
Share issue expenses	–	127,242	–	–
Fair value loss on convertible redeemable preferred shares	–	–	–	1,524,320
Conversion to ordinary shares	–	–	–	(4,014,797)
Total other changes	57,871	127,242	–	(2,515,827)
At 31 December 2021	53,804	9,306	–	–
At 1 January 2020	8,901	–	–	758,009
<b>Changes from financing cash flows:</b>				
Increase in an amount due to preferred share investors	–	–	19,575	–
Issue of convertible redeemable preferred shares	–	–	–	491,822
Lease payment	(5,085)	–	–	–
Total changes from financing cash flows	(5,085)	–	19,575	491,822
<b>Other changes:</b>				
New leases	1,571	–	–	–
Interest expenses	338	–	–	–
Covid-19-related rent concessions from lessors	(1,419)	–	–	–
Foreign exchange movement	–	–	–	(99,784)
Fair value losses on convertible redeemable preferred shares	–	–	–	569,588
Total other changes	490	–	–	469,804
At 31 December 2020	4,306	–	19,575	1,719,635

# NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 26. 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:

	2021 RMB'000	2020 RMB'000
Within financing activities	8,737	5,085

## 27. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for Plant and machinery	2,245	1,104
	2,245	1,104

## 28. RELATED PARTY TRANSACTIONS

### (a) Outstanding balances with related parties:

	2021 RMB'000	2020 RMB'000
Other receivables:		
Due from shareholders:		
Gold Canary Investment Limited	—	22
Panorama HY Investment Limited	—	22
ANJA Holding Limited	—	22
	—	66
Due from related parties:		
Dr. Xu Yao-Chang	—	8,861
Dr. Chen Zhui	—	196
	—	9,057

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 28. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group:

	2021 RMB'000	2020 RMB'000
Salaries, bonuses, allowances, and benefits in kind	26,169	8,609
Pension scheme contributions	328	–
Equity-settled share option expenses	71,541	2,328
Total compensation paid to key management personnel	98,038	10,937

Further details of directors' and the chief executive's emoluments are included in note 9 to the consolidated financial statements.

### 29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

#### Financial assets

	Financial assets at amortised cost RMB'000
Financial assets included in other receivables	9,557
Cash and bank balances	2,545,513
	2,555,070

#### Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	–	41,077	41,077
	–	41,077	41,077

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 29. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2020

#### Financial assets

	Financial assets at amortised cost RMB'000
Financial assets included in other receivables	28,009
Cash and cash equivalents	617,773
	645,782

#### Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Convertible redeemable preferred shares	1,719,635	–	1,719,635
Other non-current liabilities	–	19,575	19,575
Financial liabilities included in other payables and accruals	–	18,746	18,746
	1,719,635	38,321	1,757,956

### 30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash-equivalents, financial assets included in deposits and other receivables, financial liabilities included in other payables and accruals and other non-current liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The Directors review the results of the fair value measurement of financial instruments periodically for financial reporting.



## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair value of the convertible redeemable preferred shares measured at FVTPL is determined using the valuation techniques, including the back-solve method and equity allocation method, and is within Level 3 fair value measurement.

#### Unobservable inputs and sensitivity analysis of Level 3 assets and liabilities

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020.

Increase/(decrease) in fair value		Significant unobservable inputs
		2020 RMB'000
Risk-free interest rate	1%/(1%)	(712)/728
DLOM	1%/(1%)	(4,847)/4,847
Volatility	1%/(1%)	(215)/214

#### Liabilities measured at fair value

As at 31 December 2020

	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Convertible redeemable preferred shares	–	–	1,719,635	1,719,635

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and other payables, 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 Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from changes in exchange rates.

The following table demonstrates the sensitivity at each reporting date to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in loss before tax RMB'000	Increase/ (decrease) in equity RMB'000
<b>31 December 2021</b>			
If RMB weakens against USD	5	113,634	113,634
If RMB strengthens against USD	(5)	(113,634)	(113,634)
<b>31 December 2020</b>			
If RMB weakens against USD	5	29,142	29,142
If RMB strengthens against USD	(5)	(29,142)	(29,142)

#### Credit risk

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. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets included in deposits and other receivables and other assets, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's other receivables are widely dispersed in different sectors and industries.

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### 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 except for convertible redeemable preferred shares (please refer to note 21) as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

#### 2021

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Financial liabilities in other payables and accruals	–	41,077	–	–	41,077
Lease liabilities	–	2,260	7,200	54,076	63,536
	–	43,337	7,200	54,076	104,613

#### 2020

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Other non-current liabilities	–	–	–	19,575	19,575
Financial liabilities in other payables and accruals	–	18,746	–	–	18,746
Lease liabilities	–	1,626	2,750	–	4,376
	–	20,372	2,750	19,575	42,697

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### 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 adjust the dividend payment to shareholders, 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 during the years ended 31 December 2021 and 31 December 2020.

### 32. EVENTS AFTER THE REPORTING PERIOD

On 1 March 2022, the Group granted 450,000 RSUs which shall be vested at an exercise price of nil to certain eligible individuals under the 2019 Share Incentive Plan

### 33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	866,319	469,915
Total non-current assets	866,319	469,915
CURRENT ASSETS		
Prepayments and other receivables	14,104	10,128
Cash and bank balances	2,250,815	493,913
Total current assets	2,264,919	504,041
CURRENT LIABILITIES		
Other payables and accruals	26,310	113
Total current liabilities	26,310	113
NET CURRENT ASSETS	2,238,609	503,928
NON-CURRENT LIABILITIES		
Convertible redeemable preferred shares	–	1,719,635
Other non-current liabilities	–	19,575
Total non-current liabilities	–	1,739,210
Net liabilities	3,104,928	(765,367)
EQUITY/(DEFICIT)		
Equity attributable to owners of the parent		
Share capital	46	6
Other reserves	3,004,882	(765,373)
Total equity/(deficit)	3,104,928	(765,367)

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

### 33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

A summary of the Company's reserves is as follows

	Attributable to owners of the parent					TOTAL RMB'000
	Share Capital RMB'000	Share Option Reserves RMB'000	Share Premium RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	
At 1 January 2021	6	8,914	895	53,485	(828,667)	(765,367)
Loss for the year	-	-	-	-	(1,527,482)	(1,527,482)
Other comprehensive income for the year:						
Exchange differences on translation of the Company	-	-	-	(60,895)	-	(60,895)
Total comprehensive income for the year	-	-	-	(60,895)	(1,527,482)	(1,588,377)
Issue of shares	5	-	-	-	-	5
Issue of shares from initial public offering ("IPO")	9	-	1,450,825	-	-	1,450,834
Issue of shares from exercise of an over-allotment option	-	-	1,146	-	-	1,146
Share Issue Expenses	-	-	(98,043)	-	-	(98,043)
Conversion of convertible redeemable preferred shares to ordinary shares	26	-	4,014,771	-	-	4,014,797
Equity-settled share option arrangements	-	89,933	-	-	-	89,933
At 31 December 2021	46	98,847	5,369,594	(7,410)	(2,356,149)	3,104,928
At 1 January 2020	6	4,765	895	(5,976)	(268,684)	(268,994)
Loss for the year	-	-	-	-	(559,983)	(559,983)
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	-	-	-	59,461	-	59,461
Total comprehensive income for the year						
Equity-settled share option arrangements	-	4,149	-	-	-	4,149
At 31 December 2020	6	8,914	895	53,485	(828,667)	(765,367)

### 34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 March 2022.