乐普生物
LEPU BIOPHARMA

樂普生物科技股份有限公司
LEPU BIOPHARMA CO.,LTD.

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

Stock Code: 2157

2022
Annual Report

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Dr. Pu Zhongjie (蒲忠傑) *(Chairman)*
Dr. Sui Ziye (隋滋野) *(Chief Executive Officer)*
Dr. Hu Chaohong (胡朝紅) *(Co-Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS

Mr. Lin Xianghong (林向紅)
Mr. Yang Hongbing (楊紅冰)
Ms. Pu Jue (蒲珏)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhou Demin (周德敏)
Mr. Yang Haifeng (楊海峰)
Mr. Fengmao Hua (華風茂)

SUPERVISORS

Mr. Xu Yang (徐揚)
Mr. Yang Ming (楊明)
Mr. Wang Jiwei (王徫緯)

AUDIT COMMITTEE

Mr. Fengmao Hua (華風茂) *(Chairman)*
Mr. Yang Haifeng (楊海峰)
Ms. Pu Jue (蒲珏)

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Yang Haifeng (楊海峰) *(Chairman)*
Mr. Fengmao Hua (華風茂)
Dr. Pu Zhongjie (蒲忠傑)

NOMINATION COMMITTEE

Mr. Zhou Demin (周德敏) *(Chairman)*
Mr. Yang Haifeng (楊海峰)
Dr. Pu Zhongjie (蒲忠傑)

STRATEGY COMMITTEE

Dr. Pu Zhongjie (蒲忠傑) *(Chairman)*
Dr. Sui Ziye (隋滋野)
Mr. Zhou Demin (周德敏)

JOINT COMPANY SECRETARIES

Ms. Li Yunyi (李昀軼)
Ms. Lai Siu Kuen (黎少娟) *(FCG, HKFCG)*

AUTHORISED REPRESENTATIVES

Dr. Pu Zhongjie (蒲忠傑)
Ms. Lai Siu Kuen (黎少娟) *(FCIS, HKFCG)*

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CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I would like to first express my sincere gratitude to all Shareholders for their continued trust and support.

Lepu Biopharma is innovation-driven and dedicated to discovering, developing, and commercializing first-in-class and best-in-class drug candidates in anti-tumor targeted therapy and oncology immunotherapy. Since its inception, the Company has been dedicated to promoting the technological advancement of innovative ADCs in China, establishing an advanced and systematic ADC technology development platform, and developing more optimal and innovative drugs to better address the unmet significant clinical needs in oncology therapeutics. The Company continuously builds its own commercialization capabilities and constantly pursues strong transformation from core technology to drugs and industrialization.

Lepu Biopharma has harvested a number of achievements in 2022. During the year, we have received recognition from the capital market and completed the IPO of our H Shares and our listing on the Stock Exchange on February 23, 2022. Further to our listing, our shares was included into the Hang Seng Family of Indexes and the Hong Kong Stock Connect in September and within the year, we have also initiated preparation for our listing application on the Sci-Tech Innovation Board. Concurrently in 2022, we achieved breakthroughs in drug commercialization and we are gradually charging towards the harvest period of our ADC pipeline. We are hereby pleased to present the Company's annual report for the year ended December 31, 2022 to share our operating results for 2022 with our Shareholders.

I. Achieving Breakthroughs in Commercialization

Achieved significant progress in Pucotenlimab. We have obtained marketing approval for our product candidate in the treatment of MSI-H/dMMR solid tumors and melanoma in July and September 2022, respectively. It is the first product of the Company obtaining marketing approval and such milestone officially initiated the Company's commercialization pathway. The Company held its marketing initiation ceremony and initiated sales of its first product in November 2022.

Implemented overseas business development for CMG901 (a Claudin 18.2-targeted ADC). More recently in February 2023, KYM, a joint venture formed by the Company and Keymed, entered into an exclusive license agreement with AstraZeneca, pursuant to which, AstraZeneca will be granted an exclusive global license for research, development, registration, manufacturing and commercialization of CMG901 subject to the terms to the license agreement. KYM shall receive an upfront payment of US$63 million with the potential for additional payments up to US$1,125 million subject to achievement of certain development, regulatory and commercial milestones. In addition, KYM is entitled to receive tiered royalties on net sales from AstraZeneca.

II. Embarking onto the Harvest Stage of our ADC Pipeline

MRG003, an EGFR-targeted ADC, entered registrational clinical studies in several indications. We strategically focused on our clinical studies of MRG003 for advanced NPC and advanced HNSCC, which have demonstrated promising efficacy. Leveraging on the encouraging clinical data, MRG003 has been granted ODD from the FDA and BTD from the CDE for the treatment of R/M NPC in September 2022. In January 2023, the CDE approved the registrational Phase IIb clinical study for MRG003 in NPC. In October 2022, the CDE also approved the Phase III clinical study for MRG003 in HNSCC.

The registrational clinical study of MRG002, an HER2-targeted ADC, achieved pleasant progress. We have completed patient enrollment for the registrational Phase II clinical trial of MRG002 in HER2 over-expressing BC and expect to file NDA in 2023. Meanwhile, leveraging on the encouraging clinical data obtained, the CDE also approved the Phase III clinical study of MRG002 in UC in September 2022.

Several other innovative ADC products under the phase I clinical trials showed encouraging preliminary clinical data. The Company has been conducting the phase I/II clinical study of MRG004A, a TF-targeted ADC, and the first-patient-in was achieved in October 2022. The clinical study has by far observed efficacy signal on PC and TNBC. The Company will continue to explore the potential clinical value of MRG004A. At the same time, the Company is conducting a Phase Ib dose expansion study of MRG001, a CD20-targeted ADC, in non-Hodgkin's lymphoma patients. In addition, CMG901 is the first clinically advanced CLDN 18.2-targeted ADC to have received IND clearance both in China and the U.S. and was co-developed by the Company and Keymed through a joint venture. CMG901 has been granted the Fast Track Designation and ODD from the FDA in April 2022 for the treatment of relapsed/refractory GC/GEJ and obtained BTD from the CDE in September 2022 for the same indication. The Company has been conducting a Phase Ia trial of CMG901 for advanced solid tumors and the candidate so far showed a favorable safety and tolerability profile.

III. Expediting our Advancement in Oncolytic Virus and Combination Therapies

CG0070 is an oncolytic adenovirus for the treatment of BCG failed bladder cancer patients and is currently in Phase III clinical study conducted by our partner, CG Oncology, in the U.S. The Company in-licensed CG0070 from CG Oncology and was granted the rights to develop, manufacture and commercialize it in greater China including Mainland China, Hong Kong and Macau. Currently, the Company is initiating a Phase I clinical trial in China. The Company also received an IND approval from the CDE for the clinical trial of a combination therapy with CG0070 and Pucotenlimab in the treatment of BCG-failed NMIBC patients in January 2023.

The Company is conducting a Phase I clinical study on a combination therapy with MRG003 and Pucotenlimab in the treatment of patients with EGFR-positive solid tumors and first-patient-in was achieved in July 2022. The Company has observed encouraging preliminary data from the study. Meanwhile, for the Phase I clinical study of MRG002 and Pucotenlimab combination therapy in HER2-positive solid tumors, the first patient was enrolled in August 2022, and the Company has observed encouraging preliminary data.

IV. Deploying New Innovative Targets and Innovation Platforms

The innovative linker-payload platform for ADC of the Company achieved preliminary results. MRG006A, a candidate molecular with global first-in-class potential, has entered the IND-enabling study stage. Meanwhile, CTM012, a new-generation T-cell agonistic antibody with first-in-class potential on the antibody R&D platform, has completed leading candidates selection.

V. Construction of our Own Manufacturing Capacities

The Company has been building the phase one of its manufacturing facilities in the Shanghai Biotech Park, which has a designed total capacity of 12,000L and of which the first production line with a capacity of 6,000L is currently under construction. With the Shanghai Biotech Park as its base, the Company will expand its production capability on ADC commercialization with the gradual approval of its ADC pipelines to further increase the production cost efficiency of its commercialized products. In October 2022, our research and development center in the Shanghai Biotech Park was put into operation.

FUTURE OUTLOOK

2023 represents the sixth year in the development pathway of the Company, which means we will embark on our next five-year journey and we wish to advance together with all Shareholders. We will maintain a rapid growth momentum, seize development opportunities and strive to promote technological progress in innovative ADC in China to better address the unmet clinical needs of cancer patients and continue to create social and commercial value.

Looking forward to 2023 and in terms of our R&D pipeline, we will continue to focus on accelerating the development of our two key ADC products, MRG002 and MRG003, to their respective next milestones. We will use our best endeavours to push MRG002 to NDA stage and accelerate the MRG003 registrational clinical studies. For our other innovative ADC pipeline products, we will continue to explore the potential clinical value of MRG004A and advance MRG006A, a candidate molecular with global FIC potential, to IND application.

In 2023, we will also boost our commercialization and marketing efforts and vigorously expand the market footprint and brand recognition of the Company in China based on breakthroughs in the commercialization of Pucotenlimb Injection, our first marketed product. We will also further expand our commercialization team and leverage their expertise and industry connections, as well as their solid understanding of the Chinese market environment, to foster the Company's brand image and boost market knowledge of its product through various methods, such as academic promotion, KOL engagement and medical education. We believe that these enhancement of our efforts on market outreach would increase the market share and sales of our commercialized product, thereby laying a solid market and channel foundation for the future commercialization of our ADC pipeline products in the future.

Concurrently, on the international front, we will step up our efforts for expansion into overseas markets. As our ADC platform has been endorsed by multinational companies, we expect other ADC products of the Company to receive other promising business development opportunities. We will continue to seek the opportunities for potential business development cooperation with business partners globally.

Lepu Biopharma Co., Ltd.
Dr. Pu Zhongjie
Chairman and Executive Director

April 26, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

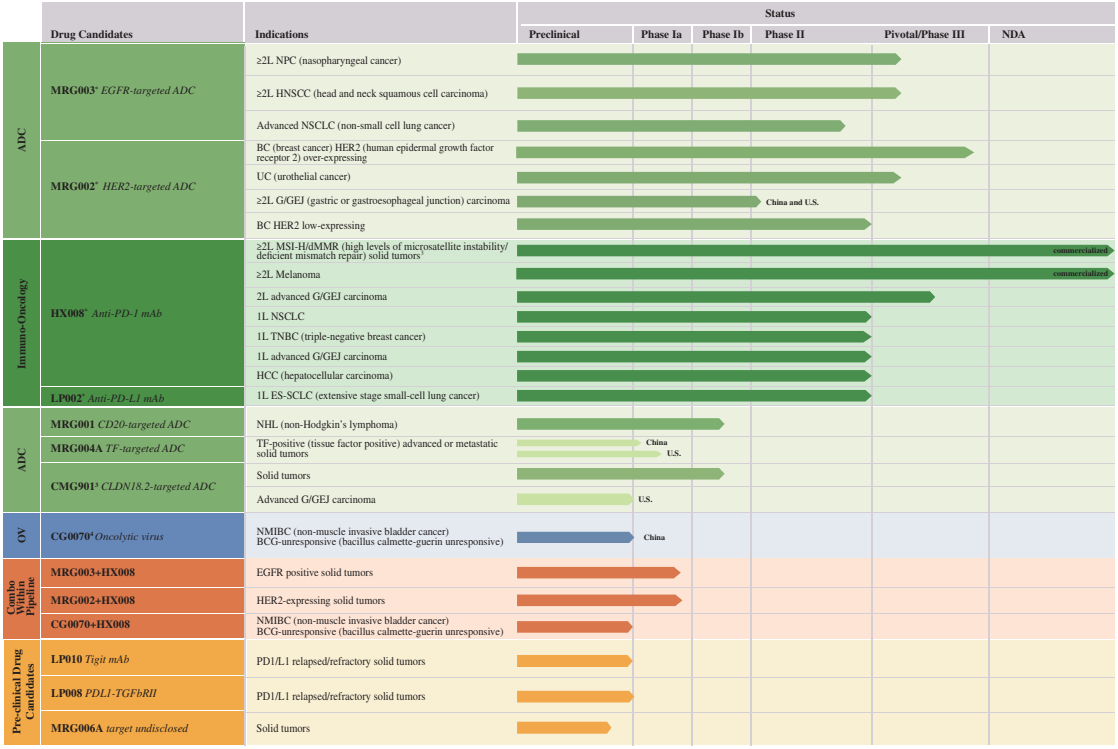
OVERVIEW

We are an innovation-driven biopharmaceutical company focusing on oncology therapeutics, in particular, drug candidates in anti-tumor targeted therapy and oncology immunotherapy, with a strong China foundation and global vision. Since our inception, we are dedicated to promoting the technological advancement of innovative ADCs in China, establishing an advanced and systematic ADC technology development platform, and developing more optimal and innovative drugs to better serve the unmet medical needs of cancer patients. We endeavor to continuously develop a market-differentiating pipeline by combining in-house research and development and strategic collaborations, strengthen our in-house manufacturing capabilities and commercialize our pipeline products in China through dedicated sales and marketing forces and internationally via partnerships. Since our inception, we have established an integrated end-to-end platform across drug discovery, clinical development, CMC and GMP-compliant manufacturing, encompassing all critical functions of the biopharmaceutical value chain, and are building dedicated sales and marketing forces.

We have strategically designed our pipeline with a range of oncology products. For clinical-stage candidates, we have (i) one clinical/commercialization-stage drug candidate; (ii) seven clinical-stage drug candidates, including one co-developed through a joint venture; and (iii) three clinical-stage combination therapies of our candidates. One of our drug candidates has obtained marketing approval with respect to two of its targeted indications, with clinical trials for other indications ongoing. Among the seven clinical-stage drug candidates, five are targeted therapeutics and two are immunotherapeutics, with one being an immune checkpoint drug and the other one being an oncolytic virus drug. We have initiated multiple clinical trials, amongst which two are ongoing in the U.S., and five have entered the stage of registrational trials in the PRC. MRG003 was granted ODD from FDA and BTD from CDE. MRG002 was granted ODD from FDA. CMG901 was granted the Fast-Track Designation and ODD from FDA, and obtained BTD from CDE.

PRODUCT PIPELINE

The following chart illustrates our pipeline and summarizes the development status of our clinical-stage and pre-clinical drug candidates:



Notes:

1. * denotes the Core Products.

2. Unless otherwise stated, the progress shown under the "Status" column refers to the clinical development progress of the relevant drug candidate and combination therapy in China.

3. In February 2023, KYM has entered into a global exclusive out-license agreement with AstraZeneca AB to grant an exclusive global license for research, development, registration, manufacturing and commercialization of CMG901 to AstraZeneca AB. Please refer to section headed "Key Events after the Reporting Period" in this annual report.

4. The clinical trial of CG0070 in the U.S. is conducted by CG Oncology, a third-party business partner with whom we have a licensed-in arrangement to develop, manufacture and commercialize CG0070 in Mainland China.

BUSINESS REVIEW

For the year ended December 31, 2022 and up to the date of this annual report, the Group has made the following significant progress:

HX008

– HX008 is a humanized IgG4 mAb against human PD-1, which can antagonize the PD-1 signal to restore the capability of the immune cells to kill cancer cells through blocking PD-1 binding to their ligands PD-L1 and PD-L2.

– In July and September 2022, the NMPA granted conditional marketing approval for HX008 for the treatment of MSI-H/dMMR and inoperable or metastatic melanoma, respectively, and no material unexpected or adverse changes have occurred since the respective dates of issue of the conditional marketing approval from the NMPA. We then initiated the marketing and commercialization process and achieved sales of RMB15.6 million for the Reporting Period. Furthermore, in January 2022, we obtained IND clearance for HX008 in the U.S.

  o **MSI-H/dMMR solid tumors:** NMPA granted conditional marketing approval for HX008 for the treatment of MSI-H/dMMR in China in July 2022. We are conducting an open label, multi-center and randomized Phase III clinical trial in first-line MSI-H/dMMR metastatic colorectal cancer as a confirmatory clinical study.

  o **Melanoma:** NMPA granted conditional marketing approval for HX008 for the treatment of inoperable or metastatic melanoma in China in September 2022. We are conducting an open label, multi-center and randomized Phase III clinical trial in first-line treatment of subjects with stage IV (M1c) melanoma as a confirmatory clinical study.

  o **GC/GEJ in second-line therapy:** We are conducting a multi-center, randomized, double-blinded and placebo-controlled Phase III clinical study of HX008 in combination therapy with irinotecan. As of December 31, 2022, patient enrollment is ongoing.

  o **Other indications:** We are in the follow-up period for various Phase II clinical trials of HX008 in NSCLC, TNBC and HCC.

– **Warning: There is no assurance that the HX008 (for treatment of other indications) will ultimately be successfully developed and marketed by the Company. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

MRG003

– MRG003 is an ADC comprised of an EGFR-targeted mAb conjugated with the potent microtublin disrupting payload MMAE via a vc linker. It binds specifically with high affinity to human EGFR on the surface of tumor cells, releases the potent payload upon internalization and lysosomal protease cleavage of the linker and results in tumor cell death.

– We are strategically focusing on clinical investigations for HNSCC and NPC, which have demonstrated promising efficacy and indicated potential to serve the particularly significant unmet medical needs. CDE has granted MRG003 BTD for the treatment of NPC in September 2022. In the same month, MRG003 has been granted ODD from the FDA for the treatment of NPC. In October 2022, we have obtained approval of a Phase III clinical study of MRG003 in HNSCC.

  o **NPC:** We are conducting an open-label, single-arm, multi-center Phase II clinical study of MRG003. We have completed patient enrollment of IIa stage in March 2022 and have entered the follow-up period. We have observed encouraging data. Such data of Phase II clinical study of MRG003 for the treatment of NPC was disclosed on the annual conference of CSCO 2022. As of August 24, 2022, the ORR was 47.4% and DCR was 79.0%. For 2.0mg/kg dose group, the ORR was 39.3% and DCR was 71.4%. The PFS and three-month PFS ratio in this group was 6.3 month and 62.3%. For 2.3mg/kg dose group, the ORR was 55.2% and DCR was 86.2%. The three-month PFS ratio in this group was 88.7%. Based on the promising data of MRG003 on NPC, CDE has granted MRG003 BTD for the treatment of NPC in September 2022. In the same month, MRG003 has been granted ODD from the FDA for the treatment of NPC.

  o **HNSCC:** We are conducting an open-label, single-arm, multi-center Phase II clinical study of MRG003. We have completed patient enrollment in February 2022 and have entered the follow-up period with promising data. Based on the Phase I and Phase II data, CDE has approved MRG003 in a Phase III clinical study of HNSCC in October 2022.

  o **NSCLC:** We are conducting Phase II clinical trials in patients with advanced NSCLC.

– For development progress of MRG003 after the Reporting Period, please refer to section headed "Key Events after the Reporting Period" below.

– **Warning: There is no assurance that the MRG003 will ultimately be successfully developed and marketed by the Company. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

MRG002

– MRG002 is an innovative ADC targeting HER2, a molecular target abnormally overexpressed in many cancer types including BC, UC, GEJ and GC. Our clinical development strategy for MRG002 in China aims at realizing the efficacy potential of MRG002 in various prevalent malignancies, especially for second – or later-line systemic therapy of BC, UC and GC/GEJ. We are currently conducting clinical trials in aforementioned indications, including a registrational Phase II clinical trial in HER2 over-expressing BC and we are also conducting a Phase III clinical study in UC. In August 2022, MRG002 for the treatment of GC/GEJ cancer has been granted ODD from the FDA.

  o **HER2 over-expressing BC:** We are currently conducting a registrational Phase II clinical trial for MRG002 in HER2 over-expressing BC in China and have observed encouraging data.

  o **UC:** We are conducting an open label, single-arm, multi-center Phase II trial of MRG002 in HER2-positive inoperable locally advanced or metastatic HER2-expressing UC (including bladder, renal pelvis, ureter and urethral orifice) with prior treatment of first-line systemic chemotherapy. We have completed patient enrollment in February 2022 and have entered the follow-up period with encouraging data observed. Such data was disclosed on the annual conference of CSCO 2022. As of October 12, 2022, for the ITT population, the investigator-assessed ORR rate was 56.1%, CR was 7.3%, and DCR was 87.8%, with a median PFS of 6.4 months. On the other hand, the ORR rate in the sub group that failed platinum-containing chemotherapy and PD-(L)1 treatment was 57.1%. The median PFS in this subgroup was 7.0 months. Based on such encouraging data, we have obtained an approval of Phase III clinical study from CDE in September 2022.

  o **GC/GEJ:** We are conducting an open-label, multi-center Phase II study of MRG002 in HER2-positive/low-expressing GC/GEJ patients in China with enrollment ongoing as of December 31, 2022. In the U.S., the patient enrollment for Phase I/II clinical trials for MRG002 in HER2-positive, locally advanced or metastatic GC/GEJ is ongoing as of December 31, 2022. In August 2022, MRG002 has been granted the ODD from the FDA for the treatment of GC/GEJ.

  o **HER2 low-expressing BC:** We are conducting an open-label, multi-center Phase II clinical trial in HER2 low-expressing BC. The patient enrollment has completed and we have entered the follow-up period.

– For development progress of MRG002 after the Reporting Period, please refer to section headed "Key Events after the Reporting Period" below.

– **Warning: There is no assurance that the MRG002 will ultimately be successfully developed and marketed by the Company. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

LP002

- LP002 is a humanized anti-PD-L1 mAb with unique targeted epitope, which employs IgG1 isotype with aglycosylated mutation. It has demonstrated favorable safety and efficacy in clinical trials, which serves as the basis for the further development of combination therapies with immunotherapy.

    - **ES-SCLC:** We have completed the patient enrollment for a single-arm, open-label Phase II clinical study of LP002 in combination therapy with carboplatin and etoposide in July 2022. It has entered the follow-up period and encouraging data have been observed. Based on such encouraging efficacy data in ES-SCLC clinical study, we have obtained approval from the NMPA regarding potentially initiating a Phase III clinical trial.

- **Warning: There is no assurance that the LP002 will ultimately be successfully developed and marketed by the Company. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

Combination Therapies Involving our Product Candidates

- **MRG003+HX008:** We obtained the IND approval in January 2022. We are conducting a Phase I trial of combination therapy with MRG003 and HX008 in the treatment of patients with EGFR positive solid tumors with FPI in July 2022. We have observed encouraging preliminary data.

- **MRG002+HX008:** We are conducting a Phase I clinical study of MRG002 and HX008 combination therapy in HER2-expressing solid tumors. We have observed encouraging preliminary data.

- For development progress of combination therapies involving our product candidates after the Reporting Period, please refer to section headed "Key Events after the Reporting Period" below.

Other Clinical-stage Drug Candidates

- **MRG001:** MRG001 is a clinically advanced CD20-targeted ADC to address medical needs of B-cell NHL patients with either primary drug resistance to rituximab or acquired drug resistance to the combination therapy of rituximab and standard chemotherapies. We are conducting a Phase Ib dose expansion study of MRG001 in China.

- **MRG004A:** MRG004A is a novel TF-targeted site-specifically conjugated ADC. We are currently conducting the dose escalation trial in the U.S. and we are conducting an open-label, multi-center Phase I/II clinical trials in China with FPI in October 2022. We have observed efficacy signal on PC and TNBC and will continue to explore the potential clinical value of MRG004A.

– **CMG901:** CMG901 is a CLDN 18.2-targeting ADC comprising a CLDN 18.2-specific antibody, a cleavable linker and a toxic payload, MMAE. It is the first CLDN 18.2 ADC to have received IND clearance both in China and the U.S. CLDN 18.2 is selectively and widely expressed in GC, PC and other solid tumors, which makes it an ideal tumor target for therapeutic development. It is being co-developed by us and Keymed through a joint venture, KYM. We have completed the patient enrollment of dose-escalation stage of a Phase I clinical trial of CMG901 and we have observed encouraging preliminary data. Furthermore, we also initiated the dose-expansion stage of a Phase I clinical trial of CMG901 in subjects with solid tumors in China in May 2022. CMG901 has been granted the Fast Track Designation and ODD from the FDA in April 2022 for the treatment of GC/GEJ. Furthermore, CMG901 obtained BTD from CDE in September 2022 for the same indication. For details of the data of the Phase Ia clinical study of CMG901, please refer to section headed "Key Events after the Reporting Period" below.

– **CG0070:** CG0070 is an oncolytic adenovirus for the treatment of BCG unresponsive bladder cancer patients and is currently in Phase III clinical study conducted by our partner, CG Oncology, in the U.S. We in-licensed CG0070 from CG Oncology and were granted the rights to develop, manufacture and commercialize it in greater China including Mainland China, Hong Kong and Macau. We are initiating a Phase I clinical trial in China as of December 31, 2022.

– **Warning: There is no assurance that the MRG001, MRG004A, CMG901 and CG0070 will ultimately be successfully developed and marketed by the Company. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

Manufacturing Facilities

We have been operating a 2,000L GMP-compliant bioreactor production line at our Beijing manufacturing plant, and during the Reporting Period, it mainly supported the production of clinical samples. We have also been building a manufacturing facility for oncolytic virus products in Beijing with a designed capacity of 200L.

During the Reporting Period, we have also been building the phase one of the manufacturing facilities in the Shanghai Biotech Park, which has a designed total capacity of 12,000L and of which the first production line with capacity of 6,000L is under construction. In October 2022, our research and development center in Shanghai Biotech Park was put into operation.

Commercialization

After obtaining marketing approval of PUYOUHENG (Pucotenlimb Injection) in the second half of 2022, we have initiated the marketing and commercialization process in November 2022 and we have already generated revenue in the amount of RMB15.6 million from its sales by December 31, 2022.

We are building up a highly efficient sales and market team based on our commercialized product, PUYOUHENG (Pucotenlimb Injection). Our commercialization team is mainly responsible for developing strategies for product promotion, product positioning and brand management, establishing a good brand image in the market through academic promotion activities and product education to increase product awareness among leading physicians and patient population. On sales channel establishment, we actively develop cooperative relationships with various business channel partners. As of December 31, 2022, we have already established sales channels covering 18 provinces and 38 cities, and we will further expand and deepen our sales network.

Proposed Issue of A Shares and Listing on the Sci-Tech Innovation Board of the Shanghai Stock Exchange

On September 1, 2022, the Company announced that it proposed to apply to the relevant PRC regulatory authorities for the allotment and issuance of not more than 414,861,209 A Shares, and proposed to apply to the Shanghai Stock Exchange for the listing and trading of A Shares on the Sci-Tech Board of the Shanghai Stock Exchange. On September 23, 2022, the Shareholders considered and approved the issuance of no more than 414,861,209 A Shares and the application to the Shanghai Stock Exchange for the listing of A Shares on the Sci-Tech Board and relevant matters in the 2022 first extraordinary general meeting, the 2022 first class meeting of H Shareholders and the 2022 first class meeting of Domestic Shareholders. The proposed issuance of A Shares is subject to, amongst other things, approval from the Shanghai Stock Exchange and registration with the China Securities Regulatory Commission.

KEY EVENTS AFTER THE REPORTING PERIOD

Development Progress of our Drug Candidates After the Reporting Period

- **MRG003:** we have obtained approval for the registrational Phase IIb clinical study for MRG003 in NPC from CDE in January 2023, and we are conducting the clinical study with FPI in April 2023. We are also conducting a multi-center and randomized Phase III clinical trial of MRG003 in HNSCC with FPI in April 2023.

- **MRG002:** In January 2023, we have completed patient enrollment for the registrational Phase II clinical trial of MRG002 in HER2 over-expressing BC in China. We expect to file NDA in 2023. We are conducting an open-label, multi-center Phase III clinical trial in UC in 2023 and with FPI in April 2023.

- **CMG901:** Phase Ia trial of CMG901 was conducted for advanced solid tumors. CMG901 showed a favorable safety and tolerability profile in this trial. Recently, Phase Ia trial data has been presented as a poster at 2023 American Society of Clinical Oncology Gastrointestinal Cancers Symposium (ASCO GI 2023). As of August 4 2022, in CLDN18.2-positive GC/GEJ patients, ORR and DCR were 75.0% and 100%, respectively. Among them, in dose group of 2.6mg/kg, 3.0mg/kg and 3.4 mg/kg, ORR was 100%.

- **Combination therapy of CG0070 with HX008:** We received an IND approval from the NMPA for a Phase I trial of combination therapy with CG0070 and HX008 in the treatment of patients with BCG-unresponsive NMIBC in January 2023. We plan to initiate a Phase I/II clinical study of CG0070 and HX008 combination therapy in BCG – unresponsive NMIBC.

Exclusive License Agreement with AstraZeneca for CMG901

On February 23, 2023, KYM, a joint venture formed by us and Keymed, entered into a global exclusive out-license agreement (the "**License Agreement**") with AstraZeneca to develop and commercialize CMG901, pursuant to which AstraZeneca will be granted an exclusive global license for research, development, registration, manufacturing, and commercialization of CMG901, and shall be responsible for all costs and activities associated with the further development and commercialization of CMG901 except as otherwise agreed. According to the License Agreement and subject to the terms and conditions thereof, KYM shall receive an upfront payment of US$63 million with the potential for additional payments up to US$1,125 million subject to achievement of certain development, regulatory and commercial milestones. KYM is also entitled to receive tiered royalties on net sales from AstraZeneca.

For details of the exclusive license agreement, please refer to the Company's announcement dated February 23, 2023.

THE IMPACT OF COVID-19

Despite the outbreak of COVID-19 during the year of 2022, the management of the Company expected that clinical trials in and outside Mainland China was not significantly affected. Based on the information available as of the date of this annual report, the Company believes that the outbreak of COVID-19 would not result in a material disruption to the Group's business operations or cause a material impact on the financial position or financial performance of the Group.

Since the end of 2022, with the continuous optimization of the pandemic prevention policy and the implementation of a series of policies of "strengthening confidence, stabilizing economy and promoting development", the Company believes the impact of COVID-19 to the Group's business operations would be further reduced and would not cause a material impact on the financial position or financial performance of the Group.

FUTURE DEVELOPMENT

The Company is an innovation-driven biopharmaceutical company focusing on oncology therapeutics, dedicated to promoting the technological advancement of innovative ADCs in China to better serve the unmet medical needs of cancer patients. We strive to develop and broaden our product pipeline by combining our in-house research with development and strategic collaborations. Looking forward to 2023, we will accelerate the development of our two key ADC products, MRG003 and MRG002, to the next milestones. We will make our best efforts on pushing MRG002 to NDA stage and accelerating the MRG003 registrational clinical studies to prepare for NDA application. We will continue to explore the potential clinical value of MRG004A.

In 2023, we will be working to deepen our efforts on marketing and commercialization and to actively expand our market footprint and product recognition within China. We will expand our commercialization team by recruiting talents with the appropriate skills and expertise in commercialization of pharmaceutical products, and leveraging the expertise and industry connections of our commercialization team and our solid understanding of the Chinese market environment, we will seek to foster our brand's image and market knowledge of our product through various methods, such as academic promotion, KOL engagement and medical education. We believe that these enhancement of our efforts on market outreach would translate into better market access, increased market share and increased sales of our commercialized product and our brand in general, thereby laying a solid market and channel foundation for the future commercialization of our ADC product pipeline.

On the international front, we will step up our efforts for expansion in the global market. As our ADC platform has been endorsed by multi-national companies, we expect our other ADC products to have more promising business development opportunities. We will continue to approach multiple overseas companies and seek the chance for potential business development cooperation.

FINANCIAL REVIEW

Revenue

For the Reporting Period, we have recorded a revenue of RMB15.6 million (2021: nil) due to the successful commercialization of HX008. Before that, the Group had not commercialized any products and therefore had not generated any revenue from sales of products.

Other Income

The Group's other income primarily consist of (i) government grants to support our research and development activities; (ii) research and development service income; and (iii) sales of raw materials.

Our other income increased from RMB10.6 million in 2021 to RMB11.3 million in 2022, primarily due to an increase in subsidies received from the government.

Selling and Marketing Expenses

For the Reporting Period, the Group has recorded selling and marketing expenses of RMB1.7 million (2021: nil). This is mainly because the Group has commercialized HX008 during the year and therefore has conducted selling and marketing activities.

Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses (mainly including wages, salaries and bonuses and share-based payment expenses) relating to our administrative staff; (ii) depreciation and amortization expenses, primarily representing depreciation expenses for right-of-use assets and property, plant and equipment; (iii) listing expenses; and (iv) others, mainly representing utilities as well as traveling and transportation expenses.

Our administrative expenses decreased from RMB156.2 million in 2021 to RMB138.8 million in 2022, primarily due to a decrease in our employee benefit expenses in relation to our administrative staff from RMB87.8 million to RMB60.2 million resulting from a decrease in the share-based payment expenses.

Research and Development Expenses

Our research and development expenses primarily consist of (i) clinical trial and CMC expenses; (ii) pre-clinical study costs; (iii) depreciation and amortization expenses for property, plant and equipment as well as amortization expenses for intangible assets such as intellectual properties; (iv) employee benefit expenses (mainly including wages, salaries and bonuses and share-based payment expenses) relating to our research and development staff; and (v) raw materials and consumables used, primarily representing expenses for procuring raw materials and consumables used in pre-clinical studies and clinical trials. Our research and development expenses decreased from RMB791.2 million in 2021 to RMB524.3 million in 2022. The following table sets forth the components of our research and development expenses for the years indicated.

	Year ended 31 December			
	2022		2021	
	RMB'000	**%**	RMB'000	%
Clinical trial and CMC expenses	**204,991**	**39.1**	339,472	42.9
Employee benefit expenses	**127,211**	**24.3**	168,406	21.3
Pre-clinical study costs	**71,211**	**13.6**	136,784	17.3
Depreciation and amortization	**72,705**	**13.9**	77,612	9.8
Raw material and consumables used	**34,235**	**6.5**	51,139	6.5
Others	**13,932**	**2.6**	17,797	2.2
Total	**524,285**	**100**	791,210	100

(i) Clinical trial and CMC expenses decreased by RMB134.5 million, mainly due to the prioritization of resources on drug candidates and indications which the Company considers to have the most potential;

(ii) Employee benefits expenses decreased by RMB41.2 million, mainly due to the decrease in share-based payment expenses;

(iii) Pre-clinical study costs decreased by RMB65.6 million, mainly due to some of our drug candidates progressing beyond pre-clinical study stage, hence lowering pre-clinical study costs;

(iv) Depreciation and amortization expenses decreased by RMB4.9 million, mainly due to a decrease in our right-of-use assets;

(v) Raw material and consumable expenses decreased by RMB16.9 million, mainly due to a decrease in the use of raw materials for our research and development activities; and

(vi) Other expenses decreased by RMB3.9 million, mainly due to a decrease in utilities and other miscellaneous expenses.

Fair Value Changes on Financial Liabilities at Fair Value through Profit or Loss

We had fair value changes on financial liabilities at fair value through profit or loss of RMB76.3 million in 2021 and of RMB62.8 million in 2022. Our financial liabilities include financial liabilities at fair value through profit or loss, representing the variable part of the consideration arisen from the acquisition of 40% equity interests of Taizhou Hanzhong from non-controlling interest, being 4.375% of future annual net sales revenue of relevant PD-1 products.

The following table sets forth a breakdown of our fair value changes on financial liabilities at fair value through profit or loss for the years indicated.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Fair value losses on financial liabilities at fair value through profit or loss		
– Fair value through profit or loss	**(62,816)**	(76,285)

Finance Income and Finance Costs

Our finance income primarily represents our bank interest income and foreign exchange gains. Our finance costs primarily consist of interest costs on lease liabilities and borrowings. Our finance income increased from RMB4.1 million in 2021 to RMB45.9 million in 2022, mainly due to foreign exchange gains from the proceeds from the Global Offering for the year ended December 31, 2022. Our finance costs increased from RMB5.7 million in 2021 to RMB8.6 million in 2022, due to an increase in interest costs on borrowings.

Income Tax Expenses

For the years ended December 31, 2021 and 2022, the Group's income tax expenses were nil.

Loss for the Year

Based on the factors described above, the Group's loss decreased from RMB1,028.9 million in 2021 to RMB699.4 million in 2022.

Liquidity and Financial Resources

We have incurred net losses and negative cash flows from operations since inception. Our primary use of cash is to fund our research and development activities. For the year ended December 31, 2022, our net cash used in operating activities was RMB480.9 million. As of December 31, 2022, we had cash and cash equivalent of RMB669.4 million, an increase of RMB514.2 million from RMB155.2 million as of December 31, 2021, primarily due to the combination effect of an increase of fund raised in our financing activities and a decrease in our research and development expenses.

The main sources of the Group's liquidity are equity financing and bank borrowings.

Our bank borrowings are divided into secured loans and unsecured loans. As of December 31, 2022, the Group's bank borrowings amounted to RMB650.0 million, among which unsecured and unguaranteed bank borrowings amounted to RMB329.6 million in total with interest at fixed and floating interest rates. Such borrowing will be repayable within one year.

As of December 31, 2022, the Group's secured and unguaranteed bank borrowings amounted to RMB320.4 million in total which bear interest at floating interest rates. Such bank borrowings are repayable by instalments and will mature in September 2027, and are secured by the Group's land use rights and construction-in-progress.

As of December 31, 2022, we had utilized RMB688.8 million from our banking facilities and RMB486.6 million remained unutilized under our banking facilities.

On February 23, 2022, the Company issued 126,876,000 new H Shares at HK$7.13 per H Share through the Global Offering on the Stock Exchange, raising net proceeds of approximately HK$876.3 million after the deduction of listing expenses.

On March 17, 2022 as part of the Global Offering, the over-allotment option was exercised partially and the Company issued a total of 899,000 H Shares at HK$7.13 per H Share, raising net proceeds of approximately HK$6.2 million after the deduction of listing expenses.

After the deduction of listing expenses, the total net proceeds from the Global Offering (including the partial exercise of the over-allotment option) was approximately HK$882.5 million.

Gearing Ratio

The gearing ratio is calculated using the Group's liabilities divided by its assets. As of December 31, 2022, the Group's gearing ratio was 64.39% (December 31, 2021: 59.32%).

Significant Investments, Material Acquisitions and Disposal

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

Future Plans for Material Investments and Capital Assets

As of December 31, 2022, the Group did not have any future plans for material investments and capital assets.

Capital Commitments

As of December 31, 2021 and 2022, the Group had capital commitments for property, plant and equipment of RMB164.7 million and RMB482.0 million, respectively, reflecting the capital expenditure our Group contracted at the end of year but not yet incurred.

Contingent Liabilities

As of December 31, 2022, the Group did not have any contingent liabilities.

Charges on Group Assets

Save as disclosed in this annual report, as of December 31, 2022, the Group did not have any charges over its assets.

Foreign Exchange Exposure

Our financial statements are expressed in RMB, but certain of our Group's subsidiaries in the PRC are exposed to foreign exchange risk arising from recognized financial liabilities denominated in foreign currencies. We currently do not have a foreign currency hedging policy. However, our management manages foreign exchange risk by performing regular reviews and will consider hedging significant foreign currency exposure should the need arise.

Employees and Remuneration

As of December 31, 2022, the Group had a total of 396 employees. The total remuneration cost for 2022 was RMB188.3 million, as compared to RMB256.2 million for 2021, primarily due to a decrease in the share-based payment expenses.

To maintain the quality, knowledge and skill levels of our workforce, the Group provides regular and specialized trainings tailored to the needs of our employees in different departments, including regular training sessions conducted by senior employees or third-party consultants covering various aspects of our business operations, for our employees to stay up to date with both industry developments and skills and technologies. The Group also organizes workshops from time to time to discuss specific topics.

We provide various incentives and benefits to our employees. We offer competitive remuneration packages to our employees to effectively motivate our business development team. We participate in various social security plans (including housing provident fund, pension insurance, medical insurance, maternity insurance and work-related injury insurance and unemployment insurance) for our employees in accordance with applicable PRC laws.

USE OF PROCEEDS FROM THE LISTING

On the Listing Date, the Company's shares were listed on Stock Exchange, and on March 17, 2022, the over-allotment option granted as part of the Global Offering was partially exercised and the Company has allotted and issued 899,000 H Shares. The net proceeds received by the Group from the initial public offering of the Company (after deducting underwriting fee and relevant listing expenses and taking into account the net proceeds from the over-allotment option) amounted to approximately HK$810.42 million (equivalent to approximately RMB657.61 million).

The net proceeds from the Listing (pro-rata adjustment based on the actual net proceeds) have been and will be used in accordance with the purposes set out in the Prospectus. The following table sets forth the planned use of the net proceeds and the actual use as at December 31, 2022:

Proposed use	Percentage of total net proceeds	Allocation of net proceeds (RMB million)	Utilized amount as at December 31, 2022 (RMB million)	Unutilized amount as at December 31, 2022 (RMB million)
a) To fund our Core Products	68.51%	450.57	84.38	366.19
• To be used for MRG003	23.00%	151.28	32.01	119.27
– To fund the clinical development and preparation for registration filings of MRG003	19.27%	126.75	24.19	102.56
– To fund the manufacturing of MRG003	3.73%	24.53	7.82	16.71
• To be used for MRG002	22.01%	144.74	34.75	109.99
– To fund the clinical development and preparation for registration filings of MRG002	18.65%	122.66	27.31	95.35
– To fund the manufacturing of MRG002	3.36%	22.08	7.44	14.64
• To be used for HX008	16.17%	106.30	14.38	91.92
– To fund the clinical development and preparation for registration filings of HX008	7.46%	49.06	10.83	38.23
– To fund the manufacturing of HX008	6.22%	40.89	3.55	37.34
– To fund the commercialization of HX008	2.49%	16.35	–	16.35
• To fund the clinical development and preparation for registration filings of LP002	1.24%	8.18	1.17	7.01
• To be used to fund the planned clinical development and other development activities of the combination therapies of HX008 and LP002 with our other products	6.09%	40.07	2.07	38.00

Proposed use	Percentage of total net proceeds	Allocation of net proceeds (RMB million)	Utilized amount as at December 31, 2022 (RMB million)	Unutilized amount as at December 31, 2022 (RMB million)
b) To fund our other key clinical-stage drug candidates and our key pre-clinical drug candidates	6.35%	41.70	16.69	25.01
• Ongoing pre-clinical studies and planned clinical trials for the pre-clinical drug candidates in our pipeline	0.62%	4.09	3.16	0.93
• To fund the clinical development and preparation for registration filings of CG0070	1.87%	12.27	0.31	11.96
• To fund the clinical development and preparation for registration filings of MRG001	1.87%	12.27	3.11	9.16
• To fund the clinical development and preparation for registration filings of MRG004A	1.87%	12.27	10.11	2.16
• To fund, through our contribution to KYM, the clinical development and preparation for registration filings of CMG901	0.12%	0.80	–	0.80
c) To acquire potential technologies and assets and expand our pipeline of drug candidates and to fulfill our continuous payment obligation under our acquisition of HX008 from HanX	15.79%	103.85	10.00	93.85
d) For general corporate purposes	9.35%	61.49	36.86	24.63
Total	100%	657.61	147.93	509.68

The unutilized amount of net proceeds is expected to be used by December 31, 2023

DIRECTORS

Executive Directors

Dr. Pu Zhongjie (蒲忠傑) aged 60, is the founder and Controlling Shareholder of the Group, serving as our executive Director and the chairman of our Board, director and the chairman of the board of Taizhou Aoke, director of Miracogen Shanghai and executive director of Lepu Beijing.

In addition to his position in our Group, Dr. Pu has consecutively held positions with Lepu Medical as its director, chief technology officer, general manager, vice chairman of the board and chairman of the board since June 1999 and is currently the chief technology officer and chairman of the board of Lepu Medical. Dr. Pu also serves as an executive director of Beijing Tiandi Harmony Technology Co., Ltd. (北京天地和協科技有限公司), a wholly owned subsidiary of Lepu Medical engaging in the medical device business since November 1999.

Further, Dr. Pu has been serving as an executive director and the general manager of Beijing Puping Tiancheng Investment Management Consulting Co., Ltd. (北京普平天成投資管理顧問有限公司) ("**Puping Tiancheng**"), a company ultimately owned by Dr. Pu as to 100% and licensed to conduct investment consulting business. In addition, Dr. Pu has also been serving as an executive director and the general manager of Huarui Zongheng (Beijing) Technology Co., Ltd. (華瑞縱橫(北京)科技有限公司), a limited liability company incorporated in the PRC and wholly owned by Dr. Pu Zhongjie since November 2013, an executive director and the general manager of Beijing Houde Yimin since May 2014, an executive director and the general manager of Ningbo Houde Yimin since March 2017, an executive director and the general manager of Ningbo Houde Yimin Investment Management Co., Ltd. (寧波厚德義民投資管理有限公司), a company wholly owned by Beijing Houde Yimin, since March 2017, and an independent director of Beijing Jinyi Culture Development Joint Stock Company (北京金一文化發展股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002721), from June 2019 to December 2020. Prior to establishing the Group, Dr. Pu served as deputy general manager of technology department of U.S. WP Medical Technologies, Inc. from November 1998 to June 1999.

Dr. Pu obtained a bachelor's degree in mechanical engineering in metal materials from Xi'an Jiaotong University (西安交通大學) in the PRC in 1983, a master's degree in metal materials from Xi'an Jiaotong University (西安交通大學) in the PRC in 1985, and a doctoral degree in metal materials from Central Iron & Steel Research Institute (鋼鐵研究總院) in the PRC in July 1990.

Dr. Sui Ziye (隋滋野), aged 43, is our executive Director and the chief executive officer of our Company, a director of Miracogen Shanghai, a director of Taizhou Aoke, an executive director of CtM Bio, and the general manager of Lepu Beijing. In addition, Dr. Sui also serves as a director of Hangzhou HealSun, a company owned by us as to 23.2%, since March 2020. In addition, from June 2018 to August 2022, Dr. Sui served as a non-executive director of Star Combo Pharma Limited, a company listed on the Australian Stock Exchange (stock code: S66). Dr. Sui has nearly ten years of managerial experience in the pharmaceutical sector.

Prior to joining our Group, Dr. Sui held several positions in Lepu Medical and its subsidiaries, including an international sales & marketing manager and a vice president of Lepu Medical from April 2007 to January 2020, a CEO of Comed BV from March 2012 to May 2015, a CEO of Beijing Lepu Hushengtang Technology Co., Ltd. (北京樂普護生堂網絡科技有限公司) from April 2015 to December 2019, an executive director of Beijing Star GK Medical Device Co., Ltd. (北京思達醫用裝置有限公司) from October 2017 to January 2020, the chairman of the board of Zhongcheng Healthcare Industrial (Hainan) Co., Ltd. (中鍼健康產業(海南)股份有限公司), previously known as Hainan Mingshengda Pharmaceutical Co., Ltd. (海南明盛達藥業有限公司), from June 2015 to January 2020 and a director of Beijing Quinovare Medical Technology Co., Ltd. (北京快舒爾醫療技術有限公司) from September 2016 to July 2020.

Dr. Sui obtained a bachelor's degree in medical science from Peking University (北京大學) in the PRC in July 2001 and a doctoral degree from University of Rochester in the U.S. in March 2007.

Dr. Hu Chaohong (胡朝紅), aged 57, is our executive Director and co-chief executive officer of our Company, chairman of the board and general manager of Miracogen Shanghai, a company founded by Dr. Hu in 2014, and director of Innocube Limited, a wholly owned subsidiary of the Company. Dr. Hu has around twenty years of experience in development of therapeutic antibodies, antibody drug conjugates and vaccines.

Prior to founding Miracogen Shanghai, Dr. Hu served as a director of the Bioassay Development and Process Analytics department at Seagen Inc. (previously known as Seattle Genetics Inc.), a company listed on the Nasdaq Stock Exchange (stock code: SGEN), from June 2007 to October 2013, the head of Molecular Biology and Clinical Immunology department of GlaxoSmithKline plc, a company listed on the New York Stock Exchange (stock code: GSK), from January 2006 to May 2007, the research scientist and director of Molecular Biology and Clinical Immunology department of ID Biomedical Corporation, previously known as ID Vaccine Corporation, a company listed on the Nasdaq Stock Exchange (stock code: IDBE) and delisted in 2005, from October 1997 to December 2005, a postdoctoral fellow of the University of Washington from September 1992 to October 1997.

Dr. Hu obtained a bachelor's degree in biochemistry from Wuhan University (武漢大學) in the PRC in July 1986 and a doctoral degree in science from Institute of Biophysics, Chinese Academy of Sciences (中國科學院生物物理研究所) in July 1991. Dr. Hu was awarded the second prize of National Natural Science Award (國家自然科學二等獎) by the State Council of the PRC (國務院) in 1995.

Non-executive Directors

Mr. Lin Xianghong (林向紅), aged 52, is our non-executive Director. In addition to his position in our Group, Mr. Lin has been serving as the chairman of the board and a member of investment committee of Suzhou Equity Investment Fund Management Co., Ltd. (蘇州股權投資基金管理有限公司) since December 2017, the chairman of the board and a member of investment committee of Kaiyuan Guochuang Capital Management Co., Ltd. (開元國創資本管理有限公司) since March 2017, the chairman of the board, director and chief executive officer of Suzhou Private Capital Investment since April 2016, and the non-executive director of CStone Pharmaceuticals, a company listed on the Stock Exchange (stock code: 2616), since November 2020. Prior to that, Mr. Lin served as (a) the president and chairman of the board of Suzhou Yuanhe Holding Co., Ltd. (蘇州元禾控股有限公司) from September 2007 to March 2016, (b) the president and chairman of the board of Zhongxin Suzhou Industrial Park Venture Capital Co., Ltd. (中新蘇州工業園區創業投資有限公司) from November 2001 to September 2007, and (c) the deputy manager of finance department and general manager of investment department of Zhongxin Suzhou Industrial Park Development Co., Ltd. (中新蘇州工業園區開發有限公司) from April 2000 to February 2004.

Mr. Lin obtained a bachelor's degree in auditing from Xi'an Jiaotong University (西安交通大學) in the PRC in July 1992, a master's degree in agricultural economic management from Suzhou University (蘇州大學) in the PRC in June 1999, and a doctoral degree in management of science and engineering from Xi'an Jiaotong University (西安交通大學) in the PRC in September 2009. In addition, Mr. Lin obtained the qualification of auditor from National Audit Office of PRC (中華人民共和國審計署) in November 1995, and was certified as a public accountant by the Ministry of Finance of the PRC in June 1997, and a senior economist by the Human Resources and Social Security Department of Jiangsu Province (江蘇省人力資源和社會保障廳) in October 2012.

Mr. Lin also holds various industry positions, including a member of First Technology Innovation Consultation Committee of Shanghai Stock Exchange (上海證券交易所第一屆科技創新諮詢委員會) from April 2019 to April 2021, a member of Venture Capital Committee of Asset Management Association of China (中國證券投資基金業協會創業投資基金專業委員會) since June 2015.

Mr. Yang Hongbing (楊紅冰), aged 54, is our non-executive Director. In addition to his position in our Group, Mr. Yang is the co-founder of Shenzhen Shiyu and has been serving as the chairman of the board of Shenzhen Shiyu since December 2017, the chairman of the board of Suzhou Shiyu Investment Management Co., Ltd. (蘇州拾玉投資管理有限公司), a company wholly owned by Shenzhen Shiyu, since October 2018, executive director of Qingdao Shiyu Health Technology Co., Ltd. (青島拾玉健康科技有限公司) since March 2020, and director of Zhejiang Ciji Hospital Management Co., Ltd. (浙江慈繼醫院管理有限公司). Prior to that, Mr. Yang served as (a) a manager of the sales department and subsequently general manager of Gloria Pharmaceutical Co., Ltd. (哈爾濱譽衡藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002437), from September 2004 to December 2017 and (b) a deputy general manager of Shaanxi Dongsheng Pharmaceutical Co., Ltd. (陝西東盛醫藥有限責任公司) from May 2001 to August 2004.

Mr. Yang serves as a non-executive director of Gloria Pharmaceutical (Guangzhou) Co., Ltd. (廣州譽衡生物科技有限公司), a company with PD-1 products business. Since Mr. Yang is not involved in the daily management and operation of our Company and Gloria Pharmaceutical (Guangzhou) Co., Ltd., the directorship held by Mr. Yang would not give rise to any material competition issue under Rule 8.10 of the Listing Rules. Mr. Yang obtained a bachelor's degree in management from Northwest University (西北大學) in the PRC in July 1991 and an EMBA from China International Business School (中國國際工商學院) in the PRC in October 2011.

Ms. Pu Jue (蒲珏), aged 34, is our non-executive Director. In addition to her position in our Group, she leads international business development for Lepu Medical since April 2015, with successful investments including Viralytics Limited (acquired by Merck in February 2018).

Ms. Pu serves as a director of Rgenix Inc. which develops leading immunotherapy cancer treatment agents, since October 2018 and a director of CG Oncology which develops oncolytic virus for the treatment of bladder cancer, since March 2019. As Ms. Pu is not involved in the daily management and operation of our Company as a non-executive Director, and of Rgenix Inc. and CG Oncology as an investor board representative, the directorships held by Ms. Pu would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

Ms. Pu obtained bachelor's degrees in both economics and engineering from the Wharton School of the University of Pennsylvania in the U.S. in May 2012 and a master's degree in material engineering from Stanford University in the U.S. in June 2013. Ms. Pu is the daughter of Dr. Pu Zhongjie.

Independent Non-executive Directors

Mr. Zhou Demin (周德敏), aged 56, is our independent non-executive Director. In addition to his position in our Group, Mr. Zhou served consecutively as professor, deputy dean and now dean of Peking University School of Pharmaceutical Sciences since September 2008 and is an independent director of North China Pharmaceutical Co., Ltd. (華北製藥集團有限責任公司), a company listed on the Shanghai Stock Exchange (stock code: 600812) since May 2019.

Mr. Zhou obtained a bachelor's degree in chemistry and a doctoral degree in science from Peking University Health Science Centre (北京醫科大學) in the PRC in July 1990 and June 1996 respectively.

Mr. Yang Haifeng (楊海峰), aged 46, is our independent non-executive Director. In addition to his position in our Group, Mr. Yang is the head of managing committee of Silkroad Law Firm (錦路律師事務所) since June 2011. Prior to that, Mr. Yang served as a director of legal and risk department of CCB International Asset Management Limited (建銀國際資產管理有限公司) from July 2009 to June 2011, and a legal manager of Simmons (英國西盟斯律師事務所香港辦公室) from October 2004 to July 2009.

Mr. Yang obtained a bachelor's degree in law from Peking University (北京大學) in the PRC in July 2000 and a master's degree in law from Northwestern University in the U.S. in June 2004. Mr. Yang was admitted to practice law in the PRC in January 2019 and New York law in the U.S. in August 2007.

Mr. Fengmao Hua (華風茂), aged 54, is our independent non-executive director. In addition to his position at our Group, Mr. Hua serves as the chairman of the Board of China Finance Strategies Investment Holdings Limited since August 2014 and served as the chief executive officer of Chempartner Pharmatech Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 300149) from July 2021 to October 2022. Mr. Hua has more than 15 years of experience in investment banking industry. Mr. Hua previously worked at a number of investment banking firms where he was mainly responsible for corporate finance, public offering, reorganization, merger and acquisitions as well as other financial consulting work, the details of which are set forth below:

- from July 2003 to October 2005, Mr. Hua held various positions in CLSA Capital Market Limited;
- from April 2008 to August 2014, Mr. Hua served as the managing director of investment banking department and the managing director in the private equity department in BOCOM International Holdings Company Limited;
- from July 2018 to June 2021, Mr. Hua served as an executive director and the chief financial officer of Viva Biotech Holdings, a company listed on the Stock Exchange (stock code: 1873);
- since July 2021, Mr. Hua has served as an independent non-executive director of Biocytogen Pharmaceuticals (Beijing) Co., Ltd., a company listed on the Stock Exchange (stock code: 2315);

- since December 2021, Mr. Hua has served as an independent non-executive director of Sirnaomics Ltd., a company listed on the Stock Exchange (stock code: 2257); and

- since December 2021, Mr. Hua has served as an independent non-executive director of Ferretti S.p.A., a company listed on the Stock Exchange (stock code: 9638).

Mr. Hua obtained his bachelor's degree in English from Shanghai International Studies University (上海外國語大學) in the PRC in July 1989. He obtained his master's degree in Business Administration from the International University of Japan in June 1997 in Japan.

SUPERVISORS

Mr. Xu Yang (徐揚), aged 55, is a Supervisor of our Company. In addition to his position in our Group, Mr. Xu is a director of Lepu Medical since January 2014 and a founding partner of Chong Guang Law Office (北京市重光律師事務所) since May 2005. Prior to that, Mr. Xu served as (i) an independent director of NAURA Technology Group Co., Ltd. (北方華創科技集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002371), from September 2010 to October 2016, and (ii) an independent director of Sino-air Transportation Co., Ltd. (中外運空運發展股份有限公司), a company previously listed on the Shanghai Stock Exchange (stock code: 600270) and delisted by way of merger and absorption in December 2018, from October 2005 to April 2012.

Mr. Xu obtained a bachelor's degree in law from Peking University (北京大學) in the PRC in July 1991. Mr. Xu was admitted to practice law in the PRC in June 1994.

Mr. Yang Ming (楊明), aged 57, is a Supervisor of our Company. Mr. Yang joined our Group in December 2020 and has been serving as our Supervisor since then. In addition to his position in our Group, Mr. Yang is the vice president of research and development department of Lepu Medical since January 2013 and had held various positions in Lepu Medical, including the manager of clinical registration department from January 2007 to December 2012, the manager of marketing department from October 2005 to December 2006, and the manager of technology quality department from June 2002 to September 2005. Prior to that, Mr. Yang served as a technician of No. 725 Institution of China State Shipbuilding Corporation Limited (中國船舶重工集團公司第七二五研究所) until May 2002.

Mr. Yang obtained a bachelor's degree in metal physics from Wuhan University (武漢大學) in the PRC in July 1988. He was qualified as a researcher of biologics material and medical device of China State Shipbuilding Corporation Limited (中國船舶重工集團公司) in March 2010. Mr. Yang has been a member of the second council of China Society for Drug Regulation (中國藥品監督管理研究會) since October 2020.

Mr. Wang Jiwei (王倚緯), aged 36, is an employee representative Supervisor of our Company. Mr. Wang also serves as an administrator of the clinical department of our Company since May 2018. Prior to joining our Group, Mr. Wang served as an operator at the manufacturing product line of Lepu Medical from May 2011 to April 2018.

Mr. Wang obtained his associate's degree in E-commerce from Beijing Vocational College of Labour and Social Security (北京勞動保障職業學院) in the PRC in July 2010.

SENIOR MANAGEMENT

Dr. Sui Ziye (隋滋野) is an executive Director and chief executive officer of our Company. See "Executive Directors" in this section for the biographical details of Dr. Sui.

Dr. Hu Chaohong (胡朝紅) is an executive Director and co-chief executive officer of our Company. See "Executive Directors" in this section for the biographical details of Dr. Hu.

Dr. Qin Minmin (秦民民), aged 66, is the chief technology officer of our Company and senior vice president of Miracogen Shanghai responsible for CMC. Dr. Qin has over twenty years of experience in biopharma research and development and is an expert in the fields of recombinant protein, fusion protein, mAb, bispecific antibody and antibody drug conjugate.

Prior to joining our Group, Dr. Qin served as (a) a senior vice president and head of CMC department of HBM Holdings Limited (和鉑醫藥控股有限公司), a company listed on the Stock Exchange (stock code: 02142), from March 2018 to April 2019, (b) a vice president of Wuxi Biologics (Cayman) Inc. (藥明生物技術有限公司), a company listed on the Stock Exchange (stock code: 02269), from August 2017 to March 2018, (c) a chief science officer of Jiangsu Pacific Meinuoke Pharmaceutical Co., Ltd. (江蘇太平洋美諾克生物藥業有限公司) from October 2016 to July 2017, (d) a chief technology officer as well as a senior vice president of Zhejiang Teruisi Pharmaceutical Co., Ltd. (浙江特瑞思藥業股份有限公司) from September 2015 to October 2016, (e) a chief technology officer of Shanghai JMT-Bio, Inc. from September 2012 to September 2015, (f) a senior director of Five Prime Therapeutics, a company listed on the Nasdaq Stock Exchange (stock code: FPRX), from January 2005 to August 2012, and (g) various positions, including senior director of process development, in BioMarin Pharmaceutical Inc., a company listed on the Nasdaq Stock Exchange (stock code: BMRN), from May 1997 to October 2004.

Dr. Qin obtained a bachelor's degree in agriculture from Northwest Agriculture and Forest University (西北農林科技大學), previously known as Northwest Agriculture College (西北農學院), in the PRC in December 1981, a doctoral degree from University of Wisconsin Madison in the U.S. in May 1991, and a completed a post-doctoral research from the University of California Berkeley in the U.S. in April 1997.

Dr. Qin is an adjunct professor of Xi'an Jiaotong University (西安交通大學) from June 1, 2016 to June 1, 2021. Dr. Qin was awarded Rusty Award from Five Prime Therapeutics in both 2010 and 2011.

Dr. Fang Lei (方磊), aged 40, is the vice president of our Company and the general manager of CtM Bio. Dr. Fang has more than ten years of experience in oncology clinical drug development and is an expert in immunology, development strategy and early-stage clinical trials for innovative drugs and translational medical science.

Prior to joining our Group, Dr. Fang served as a director and then executive director of research and development department of I-Mab Shanghai, a subsidiary ultimately and wholly owned by I-Mab, a company listed on the New York Stock Exchange (stock code: IMAB), from September 2016 to April 2020, a director of Third Venture Biopharma (Nanjing) Co., Ltd. (南京三境生物科技有限公司), the predecessor of I-Mab, from March 2015 to August 2016, and consecutively as a research fellow and scientist of GSK (Shanghai) Drug Development Co., Ltd. (葛蘭素史克(上海)醫藥研發有限公司) from June 2010 to February 2015.

Dr. Fang obtained a bachelor's degree in biotechnology from Hebei University (河北大學) in the PRC in June 2004 and a doctoral degree in cell biology from Chinese Academy of Sciences (中國科學院). Dr. Fang received an R&D's Exceptional Science Award (卓越科學成就獎) from GSK (Shanghai) Drug Development Co., Ltd. in 2013.

Ms. Li Maggie Geman (李歌曼), aged 57, is the vice president of our Company and the vice general manager of the regulatory affairs department of Miracogen Shanghai. Ms. Li has more than ten years of experience in regulatory affairs and drug registration in biopharmaceutics and oncology.

Prior to joining our Group, Ms. Li served as (a) a senior regulatory affairs specialist of Acucela Inc. from April 2013 to March 2014 and (b) a senior regulatory affairs specialist of Seattle Genetics Inc. from September 2009 to April 2013.

Ms. Li obtained a bachelor's degree in chemical pharmaceuticals from Shengyang Pharmaceutical University (瀋陽藥科大學), previously known as Shenyang Pharmaceutical School (瀋陽藥學院), in the PRC in July 1988 and a master's degree in healthcare administration from University of Washington in the U.S. in June 2006.

Ms. Li completed the certificate program in clinical trials of University of Washington in July 2007 and received the regulatory affairs certification accredited by the U.S. Regulatory Affairs Professionals Society in April 2008.

Ms. Li Yunyi (李昀軼), aged 43, is the chief financial officer and Board secretary of our Company. Prior to joining our Group, Ms. Li served as the deputy financial director of Lepu Medical from May 2016 to October 2020. From September 2013 to December 2015, Ms. Li served as an executive director of debt capital market of Credit Suisse Founder Securities Limited (瑞信方正證券有限責任公司). From June 2008 to August 2013, Ms. Li served consecutively as associate, senior associate, vice president of fixed income team of investment banking department of China International Capital Corporation Limited (中國國際金融有限公司), a company listed on the Stock Exchange (stock code: 03908) and Shanghai Stock Exchange (stock code: 601995). From July 2001 to May 2008, Ms. Li served as the manager of investment banking and marketing development department of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), a company listed on the Stock Exchange (stock code: 01359).

Ms. Li obtained a bachelor's degree in international finance from Beihang University (北京航空航天大學) in the PRC in July 2001 and a master's degree in applied finance from Macquarie University in November 2007.

Dr. Li Hu (李虎) resigned as the vice president of our Company with effect from February 2023 due to personal reasons. He has confirmed that he has no disagreement with the Board and there is no other matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company or the Stock Exchange. The Company confirms that the research and development related matters of the Group are all in an orderly manner and the departure of Dr. Li will not have any adverse effect on the operations of the Group.

Dr. Tan Qian (譚茜) has resigned as the vice president of the Company with effect from October 2022 due to personal reasons. She has confirmed that she has no disagreement with the Board and there is no other matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company or the Stock Exchange. The Company confirms that the research and development related matters of the Group are all in an orderly manner and the departure of Dr. Tan will not have any adverse effect on the operations of the Group.

JOINT COMPANY SECRETARIES

Ms. Li Yunyi (李昀軼) is the chief financial officer and the secretary to the Board, and was appointed as the joint company secretary of our Company on April 18, 2021 with her appointment taking effect on the Listing Date. See "Senior Management" above for the biographical details of Ms. Li.

Ms. Lai Siu Kuen (黎少娟) is the joint company secretary of our Company and was appointed on April 18, 2021 with her appointment taking effect on the Listing Date. Ms. Lai is a director of the corporate services of Tricor Services Limited, a global professional services firm. She has over 20 years of professional and in-house experience in the company secretarial field. Prior to joining Tricor Services Limited, she was an associate director of other professional service providers. She obtained a bachelor's degree in accountancy from The Hong Kong Polytechnic University in November 1997. She is a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

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

GLOBAL OFFERING

The Company was incorporated in the PRC with limited liability on January 19, 2018 and converted into a joint stock company with limited liability on December 16, 2020. Its H Shares were listed and traded on the Main Board of the Stock Exchange on February 23, 2022, on which 126,876,000 H Shares were allotted and issued at the final offer price of HK$7.13 per H Share. On March 17, 2022, the over-allotment option granted as part of the Global Offering was partially exercised and the Company has allotted and issued 899,000 H Shares. The Prospectus has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lepubiopharma.com).

PRINCIPAL BUSINESS

We are a biopharmaceutical company focusing on anti-tumor targeted therapy and oncology immunotherapy. Since inception, we are dedicated to promoting the technological advancement of innovative ADCs in China, establishing an advanced and systematic ADC technology development platform, and developing more optimal and innovative drugs to better address the unmet significant clinical needs in oncology therapeutics.

The activities and particulars of the Company's principal subsidiaries are shown under note 37 to financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

RESULTS AND BUSINESS REVIEW

The results of the Group for the year ended December 31, 2022 are set out in the section headed "Chairman's Statement" of this annual report and the consolidated statement of comprehensive loss of the Group on page 112 of this annual report.

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this annual report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Management Discussion and Analysis – Key Events after the Reporting Period" in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks Relating to the Research and Development, Manufacturing and Commercialisation of our Drug Candidates

- 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 clinical development, obtain regulatory approvals or achieve commercialization for our drug candidates, or if we experience significant delays or cost overruns in doing any of the foregoing, our business and competitive position could be materially and adversely affected.

- Clinical drug development involves a lengthy and expansive process with an uncertain outcome, and we may encounter unexpected difficulties executing our clinical trials. Results of earlier studies and trials may not be predictive of future trial results.

- If our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or may ultimately be unable to complete, the development and commercialization of our drug candidates.

- We face intense competition and rapid technological change and the possibility that our competitors may develop products and therapies that are similar, more advanced, or more effective than ours, or launch biosimilar products and therapies ahead of us, which may adversely affect our financial condition and our ability to successfully commercialize our drug candidates.

Risks Relating to Regulatory Approvals and Government Regulation

- All material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated, and the approval process is usually lengthy, costly and unpredictable. Any failure to comply with existing or future regulations and industry standards or any adverse actions by drug approval authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects.

- The regulatory approval processes of the NMPA, the FDA and other comparable regulatory authorities are lengthy, time-consuming and inherently unpredictable. If we are unable to obtain without undue delay any regulatory approvals for our drug candidates in our targeted markets, our business may be subject to actual or perceived harm.

- We may seek approvals from the NMPA, the FDA or other comparable regulatory authorities for an expedited review process for our drug candidates or for the use of data from registrational trials through accelerated development pathways, failure to obtain which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks Relating to our Operations

- We have recorded net cash outflow from operating activities since our inception, and we may need to obtain additional financing to fund our operations. If we are unable to obtain such financing, we may be unable to complete the development and commercialization of our major drug candidates.

- We may be subject to disasters, health epidemics, acts of war, terrorism, business disruptions and other force majeure events, which may have a material adverse effect on our business, financial condition and results of operations.

- There are uncertainties regarding the interpretation and enforcement of Chinese laws, rules and regulations.

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales attributable to the Group's five largest customers and the largest customer accounted for 35.28% and 14.96%, respectively, of the Group's total sales for the Reporting Period.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 23.41% and 6.19%, respectively, of the Group's total purchases for the Reporting Period.

Save as disclosed above, none of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had a material interest in the Group's five largest customers or suppliers during the Reporting Period.

DIVIDENDS

The Directors do not recommend payment of a final dividend for the Reporting Period. There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

DIVIDEND POLICY

No dividends was declared or paid by the Company or other entities comprising the Group during the Reporting Period. The Company has adopted a policy on payment of dividends, please refer to the section headed "Corporate Governance Report – Dividend Policy" of this annual report for details.

We currently expect to retain all future earnings for use in operation and expansion of our business, and do not expect to declare or pay any dividends in the foreseeable future. Any future declarations and payments of dividends will be at the absolute discretion of our Directors and subject to the Articles and the PRC Company Law, and will depend on the actual/projected financial performance of the Group, operational capital need, cash flow, future expansion plans, current and future liquidity condition, internal and external circumstances that may impact upon the Company's business or financial performance or condition, and other factors which our Directors consider relevant. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. As confirmed by the Company's PRC Legal Adviser, according to the relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of the net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Reporting Period are set out in note 25 to financial statements.

SHARE SCHEME

During the Reporting Period up to and including the Latest Practicable Date, the Company did not adopt any share schemes under Chapter 17 of the Listing Rules.

BORROWINGS

Particulars of bank loans and other borrowings of the Group as of December 31, 2022 are set out in the section headed "Management Discussion and Analysis" in this annual report and note 30 to financial statements.

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 page 115 of this annual report. Details of the movement in the reserves of the Company during the Reporting Period is set out in note 41 to the consolidated financial statements on page 189 of this annual report.

As of December 31, 2022, the Group had distributable reserve accounting to approximately RMB1,573 million.

FINANCIAL SUMMARY AND FINANCIAL STATEMENTS

A summary of the Group's results, assets and liabilities for the last four financial years (prepared in accordance with IFRS) are set out on page 190 of this annual report. This summary does not form part of the audited consolidated financial statements.

The results of the Group for the year ended December 31, 2022 and the state of the Group's financial position as at that date are set out in the consolidated financial statements on pages 112 to 114 of this annual report.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors who held office during the Reporting Period and up to the date of this annual report were:

Executive Directors

Dr. PU Zhongjie
Dr. SUI Ziye
Dr. HU Chaohong

Non-executive Directors

Mr. LIN Xianghong
Mr. YANG Hongbing
Ms. PU Jue

Independent non-executive Directors

Mr. ZHOU Demin
Mr. YANG Haifeng
Mr. Fengmao HUA

Supervisors

Mr. XU Yang
Mr. YANG Ming
Mr. WANG Jiwei

Details of Directors and Supervisors are set out in "Biographies of Directors, Supervisors and Senior Management" of this annual report. Save as disclosed in that section, up to the date of this annual report, there were no changes to information which are required to be disclosed by Directors and Supervisors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTION, ARRANGEMENT OR CONTRACT

On February 5, 2022, the Company has entered into a cornerstone investment agreement with King Star Med LP, a close associate of Mr. Lin Xianghong (our non-executive Director), with respect to its subscription of Shares as a cornerstone investor in the Global Offering. For details, please refer to the disclosure made in the Prospectus.

Save as the Procurement Framework Agreement disclosed under the section headed "Directors' Report – Connected Transactions" of this annual report, the Group has not entered into any transaction agreement or contract of significance in which the Group's Directors and Supervisors have direct or indirect material interests during the Reporting Period (other than the service contracts and employment agreements of Directors and senior management).

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the Procurement Framework Agreement disclosed under the section headed "Directors' Report – Connected Transactions" of this annual report, the Controlling Shareholder does not have or had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period (other than the service contract and employment agreement of Director and senior management).

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

Save as disclosed in the section headed "Biographies of Directors, Supervisors and Senior Management" in this annual report and save for their respective interests in the Group, none of the Directors, Supervisors and the Controlling Shareholder were interested in any business which competes or is likely to compete with the businesses of the Group during the Reporting Period.

From time to time, the Company's 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 neither controlling shareholders of the Company nor members of its executive management team, the Company is of the view that their interests in such companies as directors would not render the Company incapable of carrying on its business independently from the other companies in which they may hold directorships from time to time.

EMOLUMENTS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

The Remuneration and Appraisal Committee determines or makes recommendation to the Board (as case may be) on the remuneration and other benefits payable to the Directors and Supervisors by the Group. The Remuneration and Appraisal Committee regularly oversees the remuneration of all Directors and Supervisors to ensure that their remuneration and compensation are at an appropriate level. The Group maintains competitive remuneration packages with reference to the industry standard and according to the business development of the Group and determines remuneration of the Directors and Supervisors based on their respective qualifications, experience and contributions, to attract and retain its Directors and Supervisors as well as to control costs.

Details of emoluments of Directors, Supervisors and the top five highest paid individuals are set out in note 39 and note 9 to financial statements. For the year ended December 31, 2022, none of the Directors has waived or agreed to waive any emoluments.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2022, the interests and short positions of the Directors, Supervisors, and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

Interests of our Directors in the Shares or Underlying Shares of the Company

Long position in the Shares as at December 31, 2022

Name of Director	Class of Shares	Nature of Interest	Number of Shares or underlying Shares	Approximate percentage in relevant class of Shares [1]	Approximate percentage of shareholding [1]
Dr. Pu Zhongjie[2]	H Shares	Interests in controlled corporation	658,591,549	41.03%	39.69%
Dr. Hu Chaohong[3]	H Shares	Interests in controlled corporation	138,978,106	8.66%	8.37%
Ms. Pu Jue[4]	H Shares	Interests in controlled corporation	90,000,000	5.61%	5.42%
Mr. Lin Xianghong[5]	H Shares	Beneficiary of a discretionary trust	20,900,000	1.30%	1.26%

Notes:

(1) The calculation is based on the total number of 1,659,444,838 issued, including 1,605,176,474 H Shares and 54,268,364 Domestics Shares issued as at December 31, 2022.

(2) Ningbo Houde Yimin directly holds 433,239,436 H Shares as beneficial owner, and Ningbo Houde Yimin is held as to 100% by Beijing Houde Yimin, which is in turn held as to 100% by Dr. Pu Zhongjie, an executive Director and the chairman of the Board. In addition, Lepu Medical directly holds 225,352,113 H Shares as beneficial owner, and Dr. Pu Zhongjie is the actual controller of Lepu Medical. Dr. Pu Zhongjie is therefore deemed to be interested in the 433,239,436 H Shares and the 225,352,113 H Shares held by Ningbo Houde Yimin and Lepu Medical, respectively.

(3) Miracogen HK directly holds 138,978,106 H Shares as beneficial owner, and Miracogen HK is held as to 100% by Miracogen Inc., which is in turn held as to 100% by Dr. Hu Chaohong, an executive Director and a co-chief executive officer of the Company. Dr. Hu Chaohong is therefore deemed to be interested in the 138,978,106 H Shares held by Miracogen HK.

(4) Shanghai Lvyuan directly holds 90,000,000 H Shares as beneficial owner, and Shanghai Lvyuan is held as to 100% by Cereblue Limited, which is in turn held as to 100% by Ms. Pu Jue, an non-executive Director. Ms. Pu Jue is therefore deemed to be interested in the 90,000,000 H Shares held by Shanghai Lvyuan.

(5) King Star Med LP directly holds 20,900,000 H Shares as beneficial owner, and the general partner and manager of King Star Med LP, namely King Star Med Management Limited and King Star Consulting Limited, are both indirectly held by Ace Treasure Trust and Superb Outcome Trust (the "Trusts") as to 40% and 30%, respectively. Mr. Lin Xianghong, a non-executive Director, is the settlor, the protector and one of the beneficiaries of the Trusts. Under the SFO, as settlor and beneficiary of such Trusts, Mr. Lin Xianghong is deemed to be interested in the H Shares held by King Star Med LP.

Interests of our Directors in the Shares or Underlying Shares of Associated Corporations

Hangzhou HealSun Biopharma Co., Ltd.

Long position in the shares as at December 31, 2022

Name of Director	Class of Shares	Nature of Interest	Amount of registered capital subscribed (RMB)	Approximate percentage of shareholding
Mr. Lin Xianghong[6]	Domestic Shares	Interests in controlled corporation	933,333	5.41%

Notes:

(6) Suzhou Yipu No. 2 Venture Investment Limited Partnership* 蘇州翼樸二號創業投資合夥企業(有限合夥) ("**Yipu LP**") directly holds 933,333 shares in Hangzhou HealSun Biopharma Co., Ltd., a company owned by us as to 20.68% and is an associated corporation of the Company under Part XV of the SFO. The general partner of Yipu LP is Suzhou Yipu No. 2 Zhechuang Management Consultation Limited Partnership* 蘇州翼樸二號喆創管理諮詢合夥企業(有限合夥), in which Mr. Lin Xianghong, one of the non-executive Directors, holds 50% interests in. Mr. Lin Xianghong is therefore deemed to be interested in the shares in Hangzhou HealSun Biopharma Co., Ltd. held by Yipu LP.

Save as disclosed above, so far as the Directors are aware, as at December 31, 2022, none of the Directors, Supervisors, or chief executives of the Company had any interests and/or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Company, as at December 31, 2022, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

Long position in the Shares as at December 31, 2022

Name of Shareholder	Class of Shares	Nature of Interest	Number of Shares or underlying Shares	Approximate percentage in relevant class of Shares [1]	Approximate percentage of shareholding [1]
Mr. Su Rongyu	H Shares	Beneficial interest	100,000,000	6.23%	6.03%
Ms. Hao Chunmei [2]	H Shares	Interests of spouse	100,000,000	6.23%	6.03%
Kington Capital No. 1 Equity Investment Partnership (Limited Partnership)*	H Shares	Beneficial interest	39,436,621	2.46%	2.38%
蘇州翼樸一號股權投資合夥企業(有限合夥) ("**Kington Capital**")	Domestic Shares	Beneficial interest	39,436,620	72.67%	2.38%
Suzhou Yipu No. 1 Chuangzhe Management Consultation Limited Partnership* 蘇州翼樸一號創喆管理諮詢合夥企業(有限合夥) [3]	H Shares	Interest in controlled corporation	39,436,621	2.46%	2.38%
	Domestic Shares	Interest in controlled corporation	39,436,620	72.67%	2.38%
Suzhou Suzi Investment Limited Partnership* 蘇州蘇梓投資合夥企業(有限合夥) ("**Suzhou Suzi**")	H Shares	Beneficial interest	9,859,155	0.61%	0.59%
	Domestic Shares	Beneficial interest	9,859,155	18.17%	0.59%
Suzhou Zisu Investment Consultation Limited Partnership* 蘇州梓蘇投資諮詢合夥企業(有限合夥) [4]	H Shares	Interest in controlled corporation	9,859,155	0.61%	0.59%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Shanghai Qianyu Equity Investment Fund Management Co., Ltd.* 上海前宇股權投資基金管理有限公司[4]	H Shares	Interest in controlled corporation	9,859,155	0.61%	0.59%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%

Name of Shareholder	Class of Shares	Nature of Interest	Number of Shares or underlying Shares	Approximate percentage in relevant class of Shares [1]	Approximate percentage of shareholding [1]
Suzhou Yumeng Investment Management Co., Ltd.* 蘇州宇夢投資管理有限公司[4]	H Shares	Interest in controlled corporation	9,859,155	0.61%	0.59%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Qian Xin (錢鑫) [4]	H Shares	Interest in controlled corporation	9,859,155	0.61%	0.59%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Yinhua Changan Capital Management (Beijing) Co., Ltd.* 銀華長安資本管理(北京)有限公司[4]	H Shares	Interest in controlled corporation	9,859,155	0.61%	0.59%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Yinhua Fund Management Co., Ltd.* 銀華基金管理股份有限公司[4]	H Shares	Interest in controlled corporation	9,859,155	0.61%	0.59%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Southwest Securities Co., Ltd. (西南證券有限責任公司) [4]	H Shares	Interest in controlled corporation	9,859,155	0.61%	0.59%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%

Name of Shareholder	Class of Shares	Nature of Interest	Number of Shares or underlying Shares	Approximate percentage in relevant class of Shares [1]	Approximate percentage of shareholding [1]
Suzhou Kington Equity Investment Fund Management Co., Ltd. (蘇州翼樸股權投資基金管理有限公司) [5]	H Shares	Interest in controlled corporation	49,295,776	3.07%	2.97%
	Domestic Shares	Interest in controlled corporation)	49,295,775	90.84%	2.97%
Suzhou Private Capital Investment Holdings Co., Ltd. (蘇州民營資本投資控股有限公司) [6]	H Shares	Interest in controlled corporation	49,295,776	3.07%	2.97%
	Domestic Shares	Interest in controlled corporation	49,295,775	90.84%	2.97%
Shanghai Healthcare Capital Partnership (Limited Partnership) (上海生物醫藥產業股權投資基金合夥企業(有限合夥)) ("**SHC**")	H Shares	Beneficial interest	10,962,335	0.68%	0.66%
	Domestic Shares	Beneficial interest	3,654,111	6.73%	0.22%
Shanghai Healthcare Capital Investment Fund Co., Ltd. (上海生物醫藥產業股權投資基金管理有限公司) [7]	H Shares	Interest in controlled corporation	10,962,335	0.68%	0.66%
	Domestic Shares	Interest in controlled corporation	3,654,111	6.73%	0.22%

Notes:

(1) The calculation is based on the total number of 1,659,444,838 Shares issued, including 1,605,176,474 H Shares and 54,268,364 Domestic Shares issued as at December 31,2022.

(2) Ms. Hao Chunmei is the spouse of Mr. Su Rongyu, and is therefore deemed to the interested in the H Shares beneficially held by Mr. Su Rongyu.

(3) Suzhou Yipu No. 1 Chuangzhe Management Consultation Limited Partnership is the general manager of Kington Capital and therefore is deemed to be interested in our Shares held by Kington Capital.

(4) Suzhou Zisu Investment Consultation Limited Partnership is the general partner of Suzhou Suzi, with Suzhou Kington Equity Investment Fund Management Co., Ltd. being its general partner and Shanghai Qianyu Equity Investment Fund Management Co., Ltd. being its limited partners holding 50% partnership interest. Suzhou Kington Equity Investment Fund Management Co., Ltd. is wholly owned by Suzhou Private Capital Investment Holdings Co., Ltd. Shanghai Qianyu Equity Investment Fund Management Co., Ltd. is owned as to 60% by Suzhou Yumeng Investment Management Co., Ltd., a company owned by Qian Xin as to 99.50%.

Yinhua Changan Capital Management (Beijing) Co., Ltd. is the limited partner of Suzhou Suzi holding 69.47% partnership interest, which in turn is wholly owned by Yinhua Fund Management Co., Ltd. Southwest Securities Co., Ltd. owns 44.1% equity interest in Yinhua Fund Management Co., Ltd..

Therefore, each of Suzhou Zisu Investment Consultation Limited Partnership, Suzhou Kington Equity Investment Fund Management Co., Ltd., Shanghai Qianyu Equity Investment Fund Management Co., Ltd., Suzhou Yumeng Investment Management Co., Ltd., Qian Xin, Yinhua Changan Capital Management (Beijing) Co., Ltd., Yinhua Fund Management Co., Ltd. and Southwest Securities Co., Ltd. is deemed to be interested in our Shares held by Suzhou Suzi.

(5) Suzhou Kington Equity Investment Fund Management Co., Ltd. is the general partner of Suzhou Yipu No. 1 Chuangzhe Management Consultation Limited Partnership and Suzhou Zisu Investment Consultation Limited Partnership, therefore deemed to be interested in our Shares held by Kington Capital and Suzhou Suzi.

(6) Suzhou Private Capital Investment Holdings Co., Ltd. holds 100% equity interest in Suzhou Kington Equity Investment Fund Management Co., Ltd. and is therefore deemed to be interested in our Shares held by Kington Capital and Suzhou Suzi.

(7) Shanghai Healthcare Capital Investment Fund Co., Ltd. is the general partner of SHC and therefore is deemed to be interested in our Shares held by SHC.

Save as disclosed above, as at December 31, 2022, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period or at the end of the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the 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 equity or debt securities of the Company or any other body corporate, or had exercised any such right.

PERMITTED INDEMNITY

The Company has purchased appropriate liability insurance for its Directors and Supervisors which provides proper protection for the Directors and Supervisors.

CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules.

The following transactions constitute continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules:

1. Procurement Framework Agreement

Our Company has entered into a procurement of products and services framework agreement on December 16, 2021 with Lepu Medical (the "**Procurement Framework Agreement**"), pursuant to which Lepu Medical and its subsidiaries and associates (excluding our Group) (the "**Lepu Medical Connected Persons**") shall supply to our Group (i) raw materials and supplementary materials for clinical trials, (ii) biological sample test services for clinical trials, (iii) employee body check services and other products for employees welfare; and (iv) other services. Lepu Medical is our substantial shareholder and our Controlling Shareholder is its actual controller.

The initial term of the Procurement Framework Agreement commenced on the Listing Date and will expire on December 31, 2023. The Company and the relevant Lepu Medical Connected Person(s) will enter into separate individual agreements or purchase orders which will set out the specific terms and conditions in accordance with the principles set out in the Procurement Framework Agreement.

We have been procuring the aforementioned products and services from the Lepu Medical Connected Persons prior to the Listing, and will continue to procure such products and services from the Lepu Medical Connected Persons for clinical trials and employee welfare as the Lepu Medical Connected Persons have been providing us with such products and services with standard and quality commensurate with our requisite safety and quality standard. As such, The Directors consider that Lepu Medical Connected Persons are familiar with our safety and quality standard and will be able to satisfy our demand efficiently and reliably with minimal disruption to our Group's operations and internal procedures.

Pricing

Procurement of (i) raw materials and supplementary materials for clinical trials and (ii) biological sample test services for clinical trials will be priced with reference to market prices of comparable products and services, while the procurement fee for body check services will be charged based on the number of our employees enrolled. Our Group implements various internal approval and monitoring procedures, including obtaining quotations on an as-needed basis from other independent suppliers of similar products and services and consider various assessment criteria (including price, quality, suitability, payment terms, and time required for the provision and delivery of the products and services) before entering into any new procurement arrangement with Lepu Medical Connected Persons, and comparing such quotes obtained with the offer from Lepu Medical Connected Persons.

Annual caps and actual amount

The actual transaction amount for the Reporting Period for transactions covered under the Procurement Framework Agreement was RMB65,843.10, and the annual caps for the years ending December 31, 2022 and December 31, 2023 are RMB5,220,000 and RMB4,650,000, respectively.

2. Technology Service Framework Agreement

Our Company has entered into a technology service framework agreement on December 16, 2021 with Hubei Waterstone (the "**Technology Service Framework Agreement**"), pursuant to which Hubei Waterstone shall provide technology services including CMC and other services to us. Hubei Waterstone is controlled as to 32.13% by Mr. Zhang Faming, a former director of Miracogen Shanghai, our wholly-owned subsidiary. Mr. Zhang Faming ceased to be a director of Miracogen Shanghai in October 2021.

The initial term of the Technology Service Framework Agreement commenced on the Listing Date and will expire on December 31, 2023. The Company and Hubei Waterstone will enter into separate individual agreements or purchase orders which will set out the specific terms and conditions in accordance with the principles set out in the Technology Service Framework Agreement.

We have outsourced CMC services to Hubei Waterstone prior to the Listing. CMC services are essential to the development of our drug candidates especially when they enter the clinical trial phase and such CMC services require sophisticated knowledge and experience that are better handled by service providers with such capabilities. It is a common industry practice for biopharmaceutical companies to engage third party service providers to provide assistance for clinical trials. The Directors consider that Hubei Waterstone, a reputable CMC service provider, can provide CMC services that satisfy our needs.

Pricing

Service fees will be charged at rates no less favorable than rates at which our Company pays Independent Third Parties for comparable transactions and will be determined by our Company and Hubei Waterstone through arm's length negotiation based on a number of factors applicable to all service providers, including but not limited to nature, complexity and value of tasks completed by Hubei Waterstone at each stage under each work order and the then prevailing market rates by obtaining and comparing against fee quotes provided by other companies.

Annual caps and actual amount

The actual transaction amount for the Reporting Period for transactions covered under the Technology Services Framework Agreement was RMB2,732,603.77, and the annual caps for the years ending December 31, 2022 and December 31, 2023 are RMB8,200,000 and RMB3,200,000, respectively.

Confirmations

The Company has confirmed that the execution and enforcement of the implementation agreement under the continuing connected transactions set out above has followed the pricing policies of such continuing connected transactions.

Save for the information disclosed above, during the Reporting Period, the Group did not enter into any other transactions which constituted connected transactions or continuing connected transactions that were subject to annual review and reporting requirements under Chapter 14A of the Listing Rules, and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that such transactions were:

(i) entered into in the ordinary and usual course of business of the Group;

(ii) conducted either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

PricewaterhouseCoopers, the Company's auditor, was engaged to report on the transactions and conducted its engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers has issued a report to the Board and confirm that nothing has come to their attention that would cause them to believe that:

a. the above continuing connected transactions have not been approved by the Board;

b. the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; or

c. with respect to the above continuing connected transactions, the aggregate amount of each of the above continuing connected transactions exceeded the annual cap as set by the Company.

MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in the section headed "Directors' Report – Connected Transactions" in this annual report, the related party transactions as set out in note 38 to financial statements were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company since the Listing and up to December 31, 2022.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Reporting Period or subsisted at the end of the Reporting Period.

PRE-EMPTIVE RIGHTS AND TAX RELIEF

There is no provision for the pre-emptive rights in the Articles or under the laws of the PRC, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

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

SUFFICIENT PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the Latest Practicable Date, the Company has maintained the public float as required under the Listing Rules.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at December 31, 2022 are set out in note 37 to financial statements.

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 during the Reporting Period.

DONATIONS

During the Reporting Period, the Group made charitable donations of approximately RMB1,392,540 (2021: RMB1,050,000).

COMPLIANCE WITH LAWS AND REGULATIONS

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

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2022. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2022.

ENVIRONMENTAL POLICY AND PERFORMANCE

We are committed to operating our business in a manner that protects environment and providing our employees with a healthy and safe workplace. We have implemented a set of policies on environment protection, employee welfare and corporate governance consistent with industry standards and in compliance with the requirements of the Listing Rules.

In order to ensure that our operations are in compliance with the applicable laws and regulations, we have implemented group-wide environmental, health and safety policies and standard operating procedures, mainly comprising of management systems and procedures relating to wastewater generation and treatment, management of process safety and hazardous substances, employee health and safety requirements, third-party safety management and emergency planning and response. In particular, our environmental, health and safety protection measures include: (i) strict compliance with the GMP qualification requirements and relevant pollutant emissions standards during our production process to reduce pollutant emissions of air and wastewater; (ii) implementation of safety guidelines with respect to employee health and safety, environmental protection and operational and manufacturing safety in laboratories and manufacturing facilities, and closely monitor internal compliance with these guidelines; (iii) storage of hazardous substances in special warehouse and contract with qualified third parties for the disposal of hazardous materials and waste on a quarterly basis; and (iv) conducting periodic environmental evaluations on exhaust gas detection and emissions, hazardous waste disposals, noise emissions, and waste water detection and emissions to make sure all operations are in compliance with the applicable laws and regulations.

In addition, we have implemented measures to identify and address potential risks relating to the environment. These measures include continuous employee trainings to enhance our employees' awareness of environment issues and skills to comply with safety and operation standards, requirements that all our employees operating specialized equipment must have the requisite certifications, timely provision of protection equipment to our employees, periodic inspection of our operational facilities, special health examinations for employees who may have contact with hazards, medical examination for employees and establishment of procedures to appropriately handle work safety incidents.

We have security officers at our engineering department and other departments that are related to safety and environment protection. These security officers formed our group level environment, health and safety ("**EHS**") management team and are in charge of the implementation of relevant policies and procedures and routine inspections. Upon identification of any EHS risks, our EHS management team will conduct investigation, compose risk assessment report and emergency response plan, and make filings with local governmental authority if required under local laws and regulations, and take all applicable measures to reduce the impact of such risks or incidents.

CORPORATE GOVERNANCE

The Board is of opinion that the Company had adopted, applied and complied with the code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules during the year under review. Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section of this annual report.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

AUDITORS

The consolidated financial statements of the Group for the year ended December 31, 2022 have been audited by PricewaterhouseCoopers who will retire at the AGM. PricewaterhouseCoopers, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company will be proposed at the AGM.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on June 15, 2023. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course. For the purposes of determining the Shareholders' eligibility to attend, speak and vote at the AGM, the Register of Members will be closed as appropriate as set out below:

FOR DETERMINING THE ENTITLEMENT TO ATTEND AND VOTE AT THE AGM

The Register of Members will be closed from May 16, 2023 to June 15, 2023, both days inclusive, during which period no transfer of Shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on June 15, 2023.

By order of the Board of
Lepu Biopharma Co., Ltd.
Dr. Pu Zhongjie
Chairman and Executive Director

Shanghai, the PRC
April 26, 2023

REPORT OF THE SUPERVISORY COMMITTEE

WORKS OF THE SUPERVISORY COMMITTEE IN 2022

In 2022, the Supervisory Committee of the Company conscientiously performed its supervising responsibilities on a good faith basis in strict compliance with the relevant requirements of applicable laws and regulations, including the Company Law, and the Articles, by obtaining an understanding of the Company's production and operational conditions, financial position, operational decision making and investment and financing plans and supervising the performance of duties by the Directors and senior management of the Company, to safeguard the legitimate rights and interests of the Company and the Shareholders as a whole and strictly and effectively monitor the operational compliance of the Company.

For the year ended December 31, 2022, the Supervisory Committee of the Company held a total of 3 meetings. All the Supervisors have conducted their work and performed their duties and obligations with due diligence in accordance with the requirements of normative documents such as the Rules of Procedure of the Supervisory Committee. During the Reporting Period, no incidence of Directors or senior management prejudicing the Company's interests or violating the laws, regulations or the Articles was noted by the Supervisory Committee. The Company operates well in compliance with the law and has established sound financial policies and internal control and risk management systems.

2023 WORK PLAN

In 2023, the Supervisory Committee will continue to strictly comply with the requirements of the law and regulations and the internal rules and systems of the Company to perform all its duties with due diligence and actively review each resolution and oversee the performance of duties by the Directors and senior management of the Company. The Supervisory Committee will enhance its communication with the Board and the management, pay attention to the building of the Company's risk management and internal control systems and promote the improvement of the corporate governance structure and the operational compliance of the Company.

By order of the Supervisory Committee of

Lepu Biopharma Co., Ltd.
Mr. Xu Yang
Chairman of the Supervisory Committee

Shanghai, the PRC
April 26, 2023

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Company's corporate governance report in this annual report.

CORPORATE GOVERNANCE PRACTICES

The Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Group is committed to achieve high standards of corporate governance with a view to safeguard the interests of the Shareholders as a whole.

The Company's H shares have been listed on the Stock Exchange since February 23, 2022 and the CG Code has become applicable to the Company since the Listing Date. The Company has adopted the CG Code as its own code of corporate governance since the Listing Date and has adopted whistleblowing and anti-corruption policies and systems in accordance with Code Provisions D.2.6 and D.2.7 of the CG Code.

The Company has complied with all applicable code provisions as set out in the CG Code (as it was applicable to corporate governance reports during the Reporting Period) for the period from the Listing Date up to and including December 31, 2022.

BOARD OF DIRECTORS

Composition of the Board

The Company is committed to the view that the Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As at the date of this annual report, the Board consists of three executive Directors, namely Dr. Pu Zhongjie (chairman of the Board), Dr. Sui Ziye (Chief Executive Officer), and Dr. Hu Chaohong (Co-Chief Executive Officer), three non-executive Directors, namely Ms. Pu Jue, Mr. Yang Hongbing, Mr. Lin Xianghong, and three independent non-executive Directors, namely Mr. Zhou Demin, Mr. Yang Haifeng and Mr. Fengmao Hua.

Their biographical details are set out in the "Biographies of Directors, Supervisors and Senior Management" section of this report. The overall management and supervision of the Company's operation and the function of formulating overall business strategies were vested in the Board. Dr. Pu Zhongjie is the father of Ms. Pu Jue. Other than that, there is no family or blood relationship among members of the Board.

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

Chairman and Chief Executive Officer

Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

During the Reporting Period, in line with the recommendations under the Listing Rules, the roles and functions of the chairman of the Board and the chief executive officer of the Company were taken up by different individuals, and their respective duties were clearly defined.

During the Reporting Period, Dr. Pu Zhongjie held the position of the chairman of the Board, and Dr. Sui Ziye and Dr. Hu Chaohong held the positions as the chief executive officer and co-chief executive officer, respectively, of the Company, responsible for the daily operation and management of the Company.

Directors' Responsibilities

The Board takes the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company.

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

Delegation by the Board

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

Directors' Responsibilities for Financial Statements

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

Independent Non-Executive Directors

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

The Company has multiple mechanisms in place to ensure independent views and input are available to the Board. When reviewing the structure, size and composition of the Board, the Nomination Committee puts emphasis on whether the composition of Executive and Non-Executive Directors (including INEDs) is balanced and ensures that there is a strong independent element on the Board. The INEDs each focuses on the business, finance and legal aspects and should be of sufficient calibre and number for their views to carry weight. The INEDs also provide their independent views on matters such as connected transactions. All Directors (including INEDs) are given opportunities to include matters in the agenda for regular Board meetings. Upon a reasonable request of any Director, the Board should resolve to provide separate independent professional advice, at the Company's expense, to the Director(s) to assist such Director(s) or the Board in performing duties to the Company. If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a Board meeting rather than a written resolution. INEDs who, and whose associates, have no material interest in the transaction should be present at that Board meeting. Besides, any controversial matter is required to be discussed at a Board meeting rather than being dealt with by a written resolution so as to ensure that Directors (including INEDs) are given opportunities to exchange their views instantly with each other. The Chairman at least annually holds a meeting with the INEDs without the presence of other Directors. The Board considers that the implementation of above mechanisms is effective.

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

Mr. Zhou Demin and Mr. Yang Haifeng were appointed from December 10, 2020. Mr. Fengmao Hua was appointed from December 16, 2021. All independent non-executive Directors are appointed for a term until the expiration of the term of its first session of the Board on December 9, 2023.

Confirmation of independence

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

Board Diversity Policy

The Company has adopted the board diversity policy which sets out the objective and approach for achieving and maintaining diversity of the Board in order to enhance its effectiveness. In accordance with the board diversity policy, the Company seeks to achieve board diversity by taking into account a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience.

The Board have set the measurable objectives for implementing the board diversity policy which include having one-third female representation on the Board. For the year under review, the Board consists of six male members and three female members, achieving a female representation of one-third. For the year under review, the Board considers that the Board is diverse in gender. The Company targets to maintain at least the current level of female representation, with the ultimate goal of achieving gender parity. The Board will continue to seek opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

Based on our review of the membership and composition of the Board, the Company is of the view that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain a high standard of operation.

The Nomination Committee has also reviewed the implementation of the board diversity policy and considers it effective. The Board will continue to monitor the implementation and have continuous evaluation of the appropriateness and effectiveness of the board diversity policy.

Our diversity philosophy including gender diversity was also generally followed within our workforce, and as at the date of this annual report, four of our senior management members out of seven are female, achieving a female representation of approximately 57.1% parity in this regard, and 42.7% of our total workforce were male. Considering the nature of the industry, the Company believes that the gender ratio of employees in the Group is normal and is of the view that the Group has achieved gender diversity among employees. Therefore, the Company has not set any plans or measurable objectives for gender diversity.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Pursuant to the requirements of the Articles, Directors (including non-executive Directors) shall be elected at the general meeting with a term of three years. Each of the current non-executive Directors have been appointed for a term of three years commencing on December 10, 2020. A Director may serve consecutive terms if re-elected upon the expiry of his/her term. The Company has implemented a set of effective procedures for the appointment of new Directors. The nomination of new Directors shall be first deliberated by the Nomination Committee and then submitted to the Board, subject to approval by election at the general meeting.

Each of the executive Directors, non-executive Directors, independent non-executive Directors and Supervisors has entered into a service contract or a letter of appointment with the Company with a specific term. Such term is subject to his retirement and re-election at the annual general meeting of the Company in accordance with the Articles.

Save as disclosed above, the Company did not sign any relevant unexpired service contract which is not terminable within a year without payment of any compensation, other than statutory compensation.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 39 and 9 to financial statements on pages 185 to 187, and page 152 of this annual report. Details of the Directors', Supervisors' and senior managements' emoluments are set out in note 39 to financial statement on pages 185 to 187 of this annual report.

For the year ended December 31, 2022, there was no remuneration paid or payable by the Company to any of the Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

None of the Directors or Supervisors has waived any emoluments or benefits in kind for the year ended December 31, 2022.

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

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the requirements of Code Provision C.1.4 of the CG Code, all Directors will continue to participate in continuous professional development and provide the Company with records of the training they received to ensure that their contributions to the Board remain informed and relevant. Every newly appointed Director will be given a comprehensive, formal and tailored induction on appointment. Subsequently, Directors will receive updates on the Listing Rules, legal and other regulatory requirements and the latest development of the Group's business. All Directors are encouraged to attend relevant training courses and the Company will arrange relevant trainings when necessary.

During the year ended December 31, 2022, the Company have provided the relevant materials including legal and regulatory updates to the Directors for their reference and studying. Pursuant to the requirements of the Code Provision C.1.4 of the CG Code, all Directors have provided the Company with records of the training they received to ensure that their contributions to the Board remain informed and relevant.

BOARD MEETINGS

Pursuant to Code Provision C.5.1 of the CG Code, the Company has adopted the practice of holding Board meetings for at least four times a year at approximately quarterly intervals. Notice of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting in accordance with Code Provisions C.5.2 and C.5.3 of the CG Code.

All Directors are provided with agenda and relevant information in advance before a Board meeting. They have access to the senior management and the joint company secretaries of the Company at all times and, upon reasonable request, may seek independent professional advice at the Company's expense.

Minutes of Board meetings are kept by the secretary to the Board with copies circulated to all Directors for information and records. Minutes of Board meetings and committee meetings record sufficient detail of the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of Board meetings and committee meetings are sent to the Directors for perusal within a reasonable time after the date on which a meeting is held. The minutes of the Board meetings are open for inspection by Directors.

Attendance Record of Directors and Committee Members

The attendance record of each Director during their respective tenure of office at the Board and the relevant Board committee meeting(s) and the general meeting(s) of the Company held during the Reporting Period is set out in the table below:

	Attendance/Number of meetings						
Name of Director	Board	Audit Committee	Nomination Committee	Remuneration and Appraisal Committee	Strategy Committee	Annual general meeting	Other general meetings
Dr. Pu Zhongjie	8/8	N/A	1/1	1/1	2/2	1/1	1/1
Dr. Sui Ziye	8/8	N/A	N/A	N/A	2/2	1/1	1/1
Dr. Hu Chaohong	8/8	N/A	N/A	N/A	N/A	1/1	1/1
Ms. Pu Jue	8/8	5/5	N/A	N/A	N/A	1/1	1/1
Mr. Yang Hongbing	8/8	N/A	N/A	N/A	N/A	1/1	1/1
Mr. Lin Xianghong	8/8	N/A	N/A	N/A	N/A	1/1	1/1
Mr. Zhou Demin	8/8	N/A	1/1	N/A	2/2	1/1	1/1
Mr. Yang Haifeng	8/8	5/5	1/1	1/1	N/A	1/1	1/1
Mr. Fengmao Hua	8/8	5/5	N/A	1/1	N/A	1/1	1/1

NOMINATION POLICY

The primary responsibilities of the Nomination Committee include to consider and recommend to the Board suitable and qualified candidates of Directors and to review the structure, size and composition of the Board and the board diversity policy adopted by the Company on a regular basis.

The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from third-party agency firm, and proposals properly submitted by the Shareholders. The Board will consider the recommendations of the Nomination Committee and shall have the final decision on all matters relating to recommending candidates to stand for election at any general meeting or appointing the suitable candidate to act as the Director to fill the Board vacancies or as an addition to the Board members, subject to compliance with the constitutional documents of the Company. All appointments of Director should be confirmed by a letter of appointment and/or service contract setting out the key terms and conditions of the appointment of Directors.

The Nomination Committee will assess, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to:

- Reputation for character and integrity;
- Accomplishment and experience in the relevant industries in which the Company's business is involved and other professional qualifications;
- Skills that are complementary to those of the existing Board;

- Commitment for responsibilities of the Board in respect of available time and relevant interest;
- Diversity in aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;
- Contribution that the candidate(s) can potentially bring to the Board;
- Plans in place for the orderly succession of the Board; and
- (in relation to the candidate(s) for independent non-executive directorship), factors set out in Rules 3.10(2) and 3.13 of the Listing Rules.

The Nomination Committee may also consider such other factors as it may deem are in the best interests of the Company and the Shareholders as a whole.

During the Reporting Period, there was no change in the composition of the Board.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

During the Reporting Period, the Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors and the Supervisors. Specific enquiries have been made to all the Directors and Supervisors and each of them has confirmed that he/she has complied with the Model Code for the year under review.

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

REMUNERATION PAYABLE TO MEMBERS OF SENIOR MANAGEMENT

Pursuant to Code Provision E.1.5 of the CG Code, the annual remuneration of members of the senior management (other than Directors) by band for the year ended December 31, 2022 is set out below. Directors' remuneration policy is provided in the section headed "Corporate Governance Report – Board of Directors – Compensation of Directors, Supervisors and Senior Management" in this annual report.

	Number of members of senior management
Nil to RMB1,000,000	–
RMB1,000,001 to RMB2,000,000	2
RMB2,000,001 to RMB3,000,000	1
RMB3,000,001 to RMB4,000,000	–
RMB4,000,001 to RMB5,000,000	3
Over RMB5,000,001	1

DIVIDEND POLICY

No dividends have been declared or paid by entities comprising the Group. The Company currently expects to retain all future earnings for use in operation and expansion of the Group's business. No dividend shall be declared or payable except out of profits and reserves lawfully available for distribution.

As confirmed by the Company's PRC Legal Adviser, according to relevant PRC laws, any future net profit that the Company makes will have to be first applied to make up for our historically accumulated losses, after which the Company will be obliged to allocate 10% of the net profit to statutory common reserve fund until such fund has reached more than 50% of the registered capital. The Company will therefore only be able to declare dividends after (i) all historically accumulated losses have been made up for; and (ii) sufficient net profit has been allocated to the statutory common reserve fund as described above.

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 factors including but not limited to, among other things, the actual/projected financial performance of the Group, operational capital need, cash flow, future expansion plans, current and future liquidity condition, internal and external circumstances that may impact upon the Company's business or financial performance or condition, or 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 and has been approved by the Shareholders. According to the policy, the distribution of dividends will be formulated by the Board, and will be subject to Shareholders' approval.

CORPORATE GOVERNANCE FUNCTIONS

In accordance with Code Provision A.2.1 of the CG Code, the Board is responsible for performing the corporate governance duties including:

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

The Board has performed the above duties for the year under review.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy 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 authorities and duties pursuant to paragraph C.4 of the CG Code.

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraphs C.4 and D.3 of the CG Code. The Audit Committee consists of Mr. Fengmao Hua, Mr. Yang Haifeng and Ms. Pu Jue.

The chairman of the Audit Committee is Mr. Fengmao Hua and he is our independent non-executive Director with the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary responsibilities of the Audit Committee are to review and supervise the Company's financial reporting process, including:

- to make recommendations to the Board on the appointment, replacement and removal of the external auditor, approve the remuneration and terms of engagement of the external auditor, and deal with all matters of the resignation or dismissal of external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to develop and implement policy on engaging an external auditor to provide non-audit services;
- to review the financial control, internal control and risk management system of the Company;
- to discuss with the management on risk management and internal control system to ensure that the management has performed its duty to maintain an effective risk management and internal control system;
- to monitor the internal audit system of the Company and ensure the implementation of such systems;
- to facilitate communications between the internal audit department and the external auditor;
- to review the external auditor's audit letter to the management, major queries raised by the external auditors about accounting records, financial accounts or control systems and the response of the management;
- to review the financial and accounting policies and practices of the Company;
- to review the financial information and relevant disclosures of the Company; and
- to monitor the Company in respect of financial reporting system, risk management and internal controls system.

During the Reporting Period, the Audit Committee has mainly performed the following duties:

- reviewed the Group's audited annual results for the year ended December 31, 2022;
- made recommendations to the Board on the appointment of the external auditor and the remuneration and terms of engagement of the external auditor; and
- reviewed and monitored the financial control, internal control and risk management system of the Group.

During the Reporting Period, the Audit Committee has held 5 meetings to review (among other things) the draft audited annual consolidated financial statements and significant issues on the financial reporting, the draft annual results announcement, the draft annual report, the effectiveness and sufficiency of the risk management and internal control systems, the effectiveness of the Company's internal audit function, and the appointment of external auditors. The attendance records of the Audit Committee for the Reporting Period are set out under "Corporate Governance Report – Board of Directors – Board Meetings – Attendance Record of Directors and Committee Members" of this annual report.

Remuneration and Appraisal Committee

The Company has established a Remuneration and Appraisal Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code. The Remuneration and Appraisal Committee consists of Mr. Yang Haifeng, Mr. Fengmao Hua, Dr Pu Zhongjie, and is chaired by Mr. Yang Haifeng. The primary responsibilities of the Remuneration and Appraisal Committee include:

- to make recommendations to the Board on the Company's remuneration policy and structure for all Directors, Supervisors and senior management, and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- to review and approve the remuneration proposals of senior management with reference to the Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration packages of the executive Director and senior management or to determine, with delegated responsibility, the remuneration packages of the executive Director and senior management. The remuneration packages shall include benefits in kind, pension rights and compensation payments (including compensation for loss or termination of their office or appointment);
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- to review and approve the compensation payable to the executive Director and senior management for their loss or termination of office or appointment to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;

- to review and approve the compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive; and

- to ensure that no Director or any of their associates is involved in deciding that Director's own remuneration.

During the Reporting Period, the Remuneration and Appraisal Committee has mainly performed the following duties:

- made recommendations to the Board on the remuneration package of the executive Directors and senior management;

- reviewed and made recommendations to the Board on the procedure for developing the remuneration policy; and

- reviewed the performance of duties of Directors and senior management of the Company.

The Remuneration and Appraisal Committee held 1 meeting during the Reporting Period to perform the above duties. The attendance records of the Remuneration and Appraisal Committee for the Reporting Period are set out under "Corporate Governance Report – Board of Directors – Board Meetings – Attendance Record of Directors and Committee Members" of this annual report.

Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with paragraph B.3 of the CG Code. The Nomination Committee consists of Mr. Zhou Demin, Mr. Yang Haifeng, Dr. Pu Zhongjie. Mr. Zhou Demin is the chairman of the Nomination Committee. The primary responsibilities of the Nomination Committee include:

- to review the structure, size and composition of the Board (including the skills, knowledge and experience) at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become board members and select and make recommendations to the Board on the selection of individuals nominated for directorships;

- to assess the independence of the independent non-executive Directors;

- to develop and maintain a policy for the nomination of the directors;

- to develop and maintain a policy concerning diversity of the board of directors, and to review periodically and disclose the policy in the corporate governance report;

- to review annually the time required to be devoted by the non-executive directors and independent non-executive directors; and

- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

During the Reporting Period, the Nomination Committee has mainly performed the following duties:

- reviewed the structure, size and composition of the Board;

- developed, reviewed and assessed the board diversity policy;

- assessed the independence of the independent non-executive Directors.

The Nomination Committee held 1 meeting during the Reporting Period to perform the above duties. The attendance records of the Nomination Committee during the period from the Listing Date to the date of this annual report are set out under "Corporate Governance Report – Board of Directors – Board Meetings – Attendance Record of Directors and Committee Members" of this annual report.

Strategy Committee

The Company has established a Strategy Committee, which consists of Dr. Pu Zhongjie, Dr. Sui Ziye, and Mr. Zhou Demin. Dr. Pu Zhongjie is the chairman of the Strategy Committee. The primary responsibilities of the Strategy Committee include:

- to conduct research and make recommendations for the long-term strategic development plans of the Company;

- to conduct research and make recommendations for major investment plans which are subject to the approval of the Board;

- to conduct research and make recommendations for major capital operation and asset operation projects which are subject to the approval of the Board;

- to review the annual investment plan of the Company;

- to conduct research and make recommendations for major investment programs which are subject to the approval of the Board; and

- other duties as conferred by the Board.

During the Reporting Period, the Strategy Committee has mainly performed the following duties:

- conducted research and make recommendations for the long-term strategic development plans of the Company and major investment programs; and

- reviewed the annual investment plan of the Company.

The Strategy Committee held 2 meetings during the Reporting Period to perform the above duties. The attendance records of the Strategy Committee during the period from the Listing Date to the date of this annual report are set out under "Corporate Governance Report – Board of Directors – Board Meetings – Attendance Record of Directors and Committee Members" of this annual report.

SUPERVISORY COMMITTEE

The Supervisory Committee is a supervisory body of the Company which is responsible for the supervision of the Board and its members and senior management such as the general manager and deputy general manager so as to prevent them from the misuse of authority and infringement upon lawful rights of the Shareholders, the Company and the Company's employees. The number of members and the composition of the Supervisory Committee are in line with the provisions and requirements of the laws, regulations and the Articles. From the Listing Date up to and including the date of this annual report, the Supervisory Committee was comprised of three Supervisors, of whom one was an employee representative supervisor democratically elected by staff and workers congress of the Company. The background and biographical details of the supervisors are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" in this annual report.

FINANCIAL REPORTING SYSTEM, RISK MANAGEMENT, AND INTERNAL CONTROL SYSTEM

Financial Reporting System

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended December 31, 2022, which give a true and fair view of the affairs of the Company and the Group and of the Group's financial performance and cash flows. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report of this annual report.

Risk Management and Internal Control

The Company is exposed to various risks in its business operations and the Company recognizes that risk management is critical to its success. Please refer to the "Directors' Report – Principal Risks and Uncertainties" section of this report for a discussion of various operational risks and uncertainties faced by the Company.

The Company is devoted to establishing and maintaining risk management and internal control systems consisting of policies, procedures and risk management methods that are considered to be appropriate for the Company's business operations, and the Company is dedicated to continuously reviewing and improving these systems in terms of their effectiveness. The Company has adopted and implemented comprehensive internal control and risk management policies in various aspects of our business operations. 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. In accordance with Code Provisions D.2.1 and D.2.4 of the CG Code, the Board, supported by the Audit Committee, confirms its responsibility for the Company's risk management and internal control systems and will oversee and review their effectiveness on an annual basis. The Company considers that the Directors and the senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

The Audit Committee will oversee and manage the overall risks associated with the Company's business operations, including:

(i) reviewing the financial control, internal control, and risk management system of the Company;

(ii) discussing with the management on risk management and internal control system to ensure that the management has performed its duty to maintain an effective risk management and internal control system with consideration to, among others,

  a. the adequacy of resources;

  b. qualifications, experience and training of staff;

  c. budget pertaining to the accounting and financial reporting functions;

(iii) considering major investigation findings on risk management and internal control on its own initiative or as delegated by the Board and the management's response to those findings;

(iv) monitoring the Company in respect of financial reporting system, risk management and internal control system;

(v) reviewing the risk management strategies and solutions for major risk management issues; and

(vi) to assess and determine the environmental, social and governance risks of the Company, to ensure the establishment of an appropriate and effective control system for environmental, social and governance risks and internal control system.

The Company has adopted and will continue to adopt, among other things, the following risk management measures:

Financial Reporting Risk Management

The Company has in place a set of accounting policies in connection with the Company's financial reporting risk management, such as financial reporting management policies and budget management policies. The Company has various procedures in place to implement accounting policies and the finance department reviews the management accounts based on such procedures. The Company also provides regular training to the finance department staff to ensure that they understand the financial management and accounting policies and implement them in the Company's daily operations.

Information System Risk Management

Sufficient maintenance, storage and protection of user data and other related information is critical to the Company's success. The Company has implemented relevant internal procedures and controls to ensure that user data is protected, and that leakage and loss of such data is avoided. The Company provides information security training to the employees and conduct ongoing trainings and discuss any issues or necessary updates from time to time.

Patient Data Management

The Company has taken measures to maintain the confidentiality of the medical records and personal data of subjects enrolled in the clinical trials the Company collected. The measures include encrypting such information in the information technology system so that it cannot be viewed without proper authorisation, as well as setting internal rules requiring employees to maintain the confidentiality of the subjects' medical records.

Quality Control Risk Management

The Company's quality control system is an essential component of the risk management and internal control system. The quality control measures cover all aspects of the Company's manufacturing operations, including design and construction of manufacturing facilities, the installation and maintenance of manufacturing equipment, procurement of raw materials and packaging materials, quality checks of raw materials, work-in-progress and finished products, monitoring adverse drug reactions and verification of documentation. The procedures and methodologies of the Company's quality control system are based on GMP standards, the PRC Pharmacopoeia and other applicable domestic and international standards.

Anti-bribery and Anti-kickback

The Company strictly prohibits bribery or other improper payments in any of the business operations. This prohibition applies to all business activities anywhere in the world, whether involving government officials, medical professionals or private or public payors. Improper payments prohibited by this policy include bribes, kickbacks, excessive gifts or entertainment, or any other payment made or offered to obtain an undue business advantage. The Company keeps accurate books and records that reflect transactions and asset dispositions in reasonable details. The Company also ensures that the 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.

Human Resources Risk Management

The Company formulates recruitment plan based on the turnover rate and future business plan, and constantly improves recruitment process with the aid of information technology.

Internal Control Systems

The Company has designed and adopted strict internal procedures to ensure the compliance of business operations with the relevant rules and regulations. The Company's internal audit team is responsible for:

- working closely with the external auditor for annual auditing, reviewing, analysing, and following up on the advice of the external auditor;
- performing risk assessment and monitoring the adequacy and effectiveness of the risk management and internal control system of the Company;
- reporting the review on risk management and internal control system to the Audit Committee; and
- working closely with business groups to promote risk awareness.

In accordance with the Company's procedures, financial and legal departments examine contract terms and review all relevant documents for the business operations, including licenses and permits obtained by the vendors and all the necessary underlying due diligence materials, before the Company enter into any agreement or business arrangements.

The executive committee of the Company, which comprises senior management and functional heads, oversees and manages the overall risks associated with the Company's business operations, including:

- reviewing and approving the Company's risk management policy to ensure that it is consistent with the corporate objectives;
- reviewing and approving the Company's corporate risk tolerance;
- monitoring the most significant risks associated with the Company's business operation and the management's handling of such risks;
- reviewing the Company's corporate risk in the light of the corporate risk tolerance; and
- monitoring and ensuring the appropriate application of the Company's risk management framework.

The regulatory affairs department oversees the obtaining of any requisite governmental pre-approvals or consents, including:

- formulating and updating the Company's risk management policy and target;

- promulgating risk management measures;
- providing guidance on the Company's risk management approach to the relevant departments;
- reviewing the relevant departments' reporting on key risks and providing feedbacks;
- supervising the implementation of the Company's risk management measures by the relevant departments;
- reporting to the executive committee on material risks; and
- ensuring that the appropriate structure, processes and competences are in place across the Group.

For IP-related issues, in particular, we have engaged third party IP legal advisers to assist us in registering and applying for and reviewing the relevant patent and trademark rights of our IPs. The Company has also engaged a Compliance Adviser 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 also engaged a PRC Legal Adviser to advise it on, and keep it abreast with, PRC laws and regulations.

At present, the Company has built internal control policies covering procurement, supplier management, research and development, clinical trial registry management, product storage, system maintenance, software management, insurance and capital management, tax management, human resources and compensation management, information security and intellectual property rights, financial reporting and disclosure and other business processes.

The Company has adopted whistleblowing and anti-corruption policies and systems in accordance with Code Provisions D.2.6 and D.2.7 of the CG Code. The Company has also engaged an independent internal control consultant to review and provide recommendations to the Company on its internal controls before the Listing.

The Board, as supported by the Audit Committee as well as the management, reviewed the risk management and internal control systems from the Listing Date up to and including the Latest Practicable Date, and considered that such systems are effective and adequate.

HANDLING OF INSIDE INFORMATION

The Company has adopted policies in respect of the confidentiality management of the Company's information and the disclosure of inside information, sensitive information or confidential information in accordance with the SFO and the Listing Rules to ensure confidentiality when handling inside information and the publication of relevant disclosures to the public as soon as practicable. Under this policy, the Company disseminates information to specified persons on a need-to-know basis, and requires all employees who have access to the inside information to maintain strict confidentiality of the inside information until it is announced. The policy also sets out the procedures for identifying, handling and monitoring inside information or sensitive or confidential information, the scope of inside information and the procedures and precautionary measures for reporting or leakage of inside information of the Group.

AUDITOR'S REMUNERATION

The Company appointed PricewaterhouseCoopers as the external auditor for the year ended December 31, 2022. A statement by PricewaterhouseCoopers about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 103 to 111. The remunerations paid to PricewaterhouseCoopers in respect of its audit services and non-audit services for the year ended December 31, 2022 are as follows:

Service	**Fees paid** (RMB'000)
Audit services	2,300
Non-audit services	–
Total	2,300

The above remuneration excluded the service fees paid/payable to PricewaterhouseCoopers as the reporting accountant of the Company in connection with the Global offering.

The Audit Committee was satisfied that the non-audit services provided by PricewaterhouseCoopers in 2022 did not affect its independence as the Company's auditor.

JOINT COMPANY SECRETARIES

The Company appointed Ms. Li Yunyi, a full-time employee of the Company, and Ms. Lai Siu Kuen, a director of Tricor Services Limited, an external service provider, as joint company secretaries of the Company on April 18, 2021. Ms. Li, who is also the chief financial officer and the secretary to the Board, is the primary corporate contact person at the Group, which would work and communicate with Ms. Lai on the Company's corporate governance and secretarial matters.

In compliance with Rule 3.29 of the Listing Rules, from the Listing Date, the joint company secretaries will undertake professional training for not less than 15 hours in each financial year. The biographies of Mr. Li and Ms. Lai are set out in the "Biographies of Directors, Supervisors and Senior Management" section of this report.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices related matters.

SHAREHOLDERS' INFORMATION

Important Shareholders' Dates

Financial Calendar 2023

Announcement of the 2022 annual result	March 17, 2023
Publication of the 2022 annual report	April 26, 2023
2023 annual general meeting	June 15, 2023

For Shareholders to Attend and Vote at 2022 Annual General Meeting

Latest time to lodge transfer documents for registration with the Company's H Share Registrar in Hong Kong	4:30 p.m. on June 15, 2023
Closure of the Register of Members (both days inclusive)	May 16, 2023 - June 15, 2023

PUBLIC FLOAT

On the basis of information publicly available to the Company and to the best knowledge of the Directors, approximately 45% of the Company's issued shares were held by members of the public as at the Latest Practicable Date.

SHAREHOLDERS' RIGHTS

Right to Convene Extraordinary General Meeting

Pursuant to the Articles, Shareholders severally or jointly holding 10% or more of the shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting in writing.

The Board shall, pursuant to laws, administrative regulations and the Articles, inform in writing whether it agrees or disagrees to convene the extraordinary general meeting within 10 days upon receipt of the request.

If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of relevant Shareholders shall be obtained.

If the Board does not agree to hold the extraordinary general meeting or fails to respond within 10 days upon receipt of the request, Shareholders severally or jointly 10% or more of the shares of the Company shall be entitled to propose to the Supervisory Committee to convene an extraordinary general meeting in writing.

If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days upon receipt of the said request. In the event of any change to the original proposal set forth in the notice, the consent of relevant Shareholders shall be obtained.

In case of failure to issue the notice of extraordinary general meeting within the prescribed period, the Supervisory Committee shall be deemed as failing to convene general meeting and the Shareholders severally or jointly holding 10% or more shares of the Company for 90 or more consecutive days may convene and preside over such meeting by itself/themselves.

Right to Put Forward Proposals at a General Meeting

When a general meeting is convened by the Company, Shareholders who severally or jointly hold 3% or more of the shares of the Company, shall be entitled to make proposals to the general meetings and submit them in writing to the convener 10 days before the convening of the general meeting. The convener shall issue a supplemental notice of the general meeting within 2 days upon receipt of the proposals and announce the contents of the proposals.

Right to Propose a Person for Election as a Director

Shareholders may nominate a person for election as a Director of the Company at a general meeting.

Shareholders who individually or jointly hold above 3% of the Company's shares have the right to propose a motion to nominate a person for a directorship and submit it to the Board in writing 7 days before the date of the general meeting.

The written notice regarding the intention to nominate a candidate for a directorship and the indication of the candidate's willingness to accept the nomination shall be issued to the Company not less than 7 days before the date of the general meeting and such notice period shall not be less than 7 days. The period for issuing such notice to the Company shall commence on the day after the despatch of the notice of the general meeting for the election of directors and end on the 7th day before the date of the general meeting.

Right to Directing Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's headquarters and principal place of business in China at No. 651, Lianheng Road, Minhang District, Shanghai, PRC. Shareholders may also make enquiries with the Board at the general meetings of the Company or contact our Investor Relations team through email at ir@lepubiopharma.com.

EFFECTIVE COMMUNICATIONS WITH SHAREHOLDERS

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

The Company continuously attaches great importance to maintaining and developing investor relations for a long time, enhances transparency of the corporate information by promptly and effectively releasing the corporate information to the public, which has established effective channels for the Company to communicate with Shareholders. The Company publishes its announcements, financial information, and other relevant information on its website (www.lepubiopharma.com) and the website of Stock Exchange (www.hkexnews.hk), as a channel to facilitate effective communication.

The Board welcomes Shareholders' views and encourages them to attend general meetings to convey any concerns they might have to the Board or the management. Members of the Board (in particular chairpersons of board committees or their delegates), key management officers and external auditors will attend annual general meetings. At the general meetings, all Shareholders attending the meeting may make enquiries to the Directors and other management in respect of matters relevant to the resolutions. The Company has published detailed contact methods through its website, notices of the general meeting, circulars to the Shareholders and annual reports for Shareholders to express their views or make enquiries.

The Board has reviewed the Shareholders' communication policy of the Company during the Reporting Period in terms of its implementation and effectiveness. By reviewing the views of Shareholders that have been received as well as assessing how the opinions of Shareholders have been considered in reaching important strategic decisions during the Reporting Period, the Board is satisfied that the current policy is adequate and effective.

INVESTOR RELATIONS

The Company considers it crucial to provide investors with accurate information in a timely manner and maintains communication with investors through effective communication channels, with an aim to enhance mutual understanding between investors and the Company and to improve the transparency of the Company's information disclosure.

In accordance with the Listing Rules, the Company shall duly disseminate its corporate information via various channels, including regular reports, announcements and company website.

THE ARTICLES OF ASSOCIATION

On September 23, 2022, the Shareholders considered and approved the amendment to the Articles and relevant constitutional documents proposed by the Board in the 2022 first extraordinary general meeting, the 2022 first class meeting of H Shareholders and the 2022 first class meeting of domestic Shareholders. The amendments were made in view of the proposed issue of A Shares and listing on the Sci-Tech Board of the Shanghai Stock Exchange in accordance with relevant requirements of laws, regulations and regulatory documents, and would form part of the listing application materials to be submitted to the CSRC and the Shanghai Stock Exchange for this purpose. The amendments to the Articles and relevant constitutional documents would come into effect after the completion of the issue of A Shares and listing on the Sci-Tech Board, and the Company will make consequential change to the number of the relevant articles as a result of the adoption of the amendments.

Other than the amendments disclosed above, there has been no change to the Company's constitutional documents during the Reporting Period.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. ABOUT THIS REPORT

This Environmental, Social and Governance Report (hereinafter referred to as "**This Report**") issued by Lepu Biopharma Co., Ltd. is prepared in a faithful and reliable manner to disclose Lepu Biopharma's efforts and achievements in the field of environmental, social and governance (hereinafter referred to as "**ESG**") in 2022 to all stakeholders. This report should be read in conjunction with the Corporate Governance Report in the annual report and the "Corporate Governance" section of Lepu Biopharma's website to enable readers to have a comprehensive understanding of the Company's practices and measures in ESG aspects.

Reporting Scope

Unless otherwise indicated, the reporting scope is the actual business scope of Lepu Biopharma Co., Ltd. and its controlling subsidiaries (hereinafter referred to as "**Lepu Biopharma**", "**Our Company**", "**the Company**" or "**We**").

Reporting Period

This is an annual report covering the period from January 1, 2022 to December 31, 2022 unless otherwise specified. To enhance the comparability and completeness of this report, part of its content can be traced back to previous years or extended to the following years.

Reporting Principles

This report is prepared with reference to the Appendix 27 Environmental, Social and Governance Reporting Guide (hereinafter referred to as the "**ESG Reporting Guide**") in the Main Board Listing Rules released by the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and adheres to the reporting principles of materiality, quantitative, balance and consistency.

During the preparation of this report, major stakeholders and their ESG issues of concern have been identified, and targeted disclosures have been made in this report according to the relative importance of their concerns. Please refer to the following sections of "**Interactions with Stakeholders**" and "**Assessment on Material ESG-related Issues**" for details about the materiality assessment.

In this report, the key performance indicators (KPIs) in environmental and social dimensions were presented in the form of quantified data. The quantitative criteria, tools used for calculation, methods of measurement and suitable conversion factors used in this report have been clearly described and the statistical method used is consistent with that used previously.

Data Source

Unless otherwise specified, all data and cases referenced in this report are derived from the public information, statistical report, relevant documents and internal communication documents of the Company.

Access to the Report

The electronic format of this report is available at the website of the Company (www.lepubiopharma.com) and the website of HKEX (www.hkexnews.hk).

II. ABOUT LEPU BIOPHARMA

(I) Company Profile

Lepu Biopharma is an innovation-driven biopharmaceutical company founded in 2018 and focusing on oncology therapeutics with a strong China foundation and global vision. Our mission is to become a leading innovative company serving the unmet medical needs of cancer patients with first-in-class and best-in-class drugs. We are dedicated to establish a sophisticated and systematic ADC Technology research and development (R&D) platform to facilitate the development of China's innovative ADC technologies. We endeavor to continuously develop a market-differentiating pipeline by combining in-house research and development and strategic collaborations, strengthen our in-house manufacturing capabilities. We are building up a dedicated sales and marketing team in China as well as collaborate via partnerships internationally to commercialize our pipeline products. Since our inception, we have established an integrated end-to-end platform across drug discovery, clinical development, CMC and GMP-compliant manufacturing, encompassing all critical functions of the biopharmaceutical value chain.

(II) ESG Management

The Company is committed to establishing a high standard ESG management system, unceasingly optimizing ESG strategy, continuously improving ESG governance structure, implementing ESG concept into corporate governance and company development, and enhancing ESG management level.

1. ESG Strategy

We have practiced ESG philosophy throughout our daily operation and management, paid close attention to the feedback from the stakeholders, and actively performed our social responsibilities while making every effort to safeguard the interests of both the shareholders and the investors, so as to create a win-win situation for economic and social benefits.

In active response to the national strategy in carbon peaking and carbon neutrality, we have consistently optimized our energy structure to minimize the adverse effect on the environment from business operations so that we can better address the risks arising from climate changes. With innovation in our mind, we have been committed to strengthening product R&D and innovation, constantly improving our product quality, and establishing and perfecting the supplier management system; adhering to the "people-oriented" concept, we provide strong support for the healthy development of our employees, protect their legitimate rights and interests and focus on community-based empowerment; staying true to our green mission, we strive to implement the national strategic goal of "dual carbon" and insist on a green path featuring ecology as the top priority and low-carbon development; we adhere to the responsibility orientation, strictly abide by the moral code of honesty and integrity, and continuously promote the joint development of the Company and all stakeholders.

2. *ESG Governance Structure*

Board Statement

Lepu Biopharma's Board of Directors (the "**Board**") is responsible for ESG strategy and reporting, as well as supervising ESG-related matters of the Company. With the assistance of the Audit Committee, the Board makes decisions and reviews ESG matters, such as determining the ESG-related strategic plan and reviewing the ESG performance. In order to better implement the ESG strategy, we have established an ESG organizational structure covering all subsidiaries and departments, enabling corresponding functional departments and subsidiaries to carry out ESG management and relevant work.

Lepu Biopharma regularly evaluates the materiality of ESG issues, takes the management and promotion of such issues as ESG priority, and supervises the issue management and performance. The specific assessment process and results are detailed in the sections of "Interactions with Stakeholders" and "Assessment on Material ESG-related Issues" of the annual ESG report and reviewed by the Board. We pay high attention to the significant impact that ESG risks may have on the Company. The Audit Committee discusses and identifies ESG risks and opportunities of the Company, focuses on the management and promotion of material ESG-related issues, and supervises the management and performance of such issues.

This report disclosed in detail the progress and effectiveness of ESG work of Lepu Biopharma in 2022, which was reviewed and approved by the Board on April 26, 2023. The Board and all directors of Lepu Biopharma guaranteed that the contents of this report do not contain any false statements, misleading statements or material omissions, and assume responsibility for the truthfulness, accuracy and completeness of its contents.

3. *Interactions with Stakeholders*

The Company attaches great importance to interactions with stakeholders, and regularly and fully communicates with various stakeholders through various channels to understand their demands and respond positively.

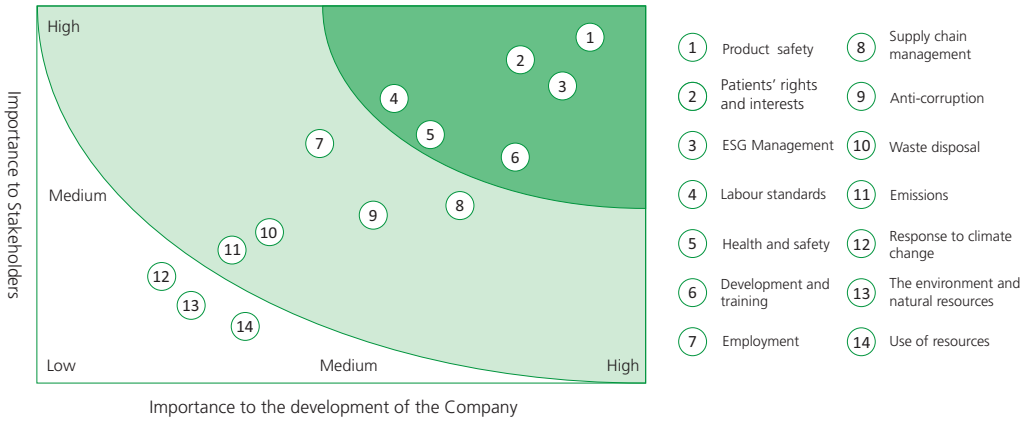
By referring to the ESG Reporting Guide and combining the Company's businesses and opinions and suggestions of stakeholders, we set up a variety of communication and feedback channels to identify the feedback, expectations and material ESG-related issues that stakeholders focus on the Company, and take them as important references for the Company's ESG management direction and report disclosure. The details are as follows:

Stakeholders	Expectations and Demands	Main Communication and Feedback channels
Governments and regulatory authorities	Employment Supply chain management Product responsibility Anti-corruption Community investment	Policy consultations Event reporting Information disclosures
Shareholders and investors	Employment Product responsibility Anti-corruption	Shareholders' General Meetings Results announcement Interim and annual reports Announcements on significant events Online and offline communication Company's website
Employees	Employment Health and safety Development and training Labor standards	Employee performance assessment and feedback In-house communication meetings for employees In-house announcements and emails Employee activities
Patients	Product responsibility Anti-corruption	Information disclosures Communication on products
Suppliers	Supply chain management Anti-corruption	Supplier tendering and review Regular communication meetings with suppliers Site visit to suppliers
Media and non-governmental organizations	Emissions Use of resources Environment and natural resources Employment Supply chain management Product responsibility	Press conference Press interview Official WeChat account of the Company Social media Industry seminars
Community	Community investment	Community engagement and communication Identification of community demands

4. Assessment on Material ESG-related issues

To clarify key areas of sustainable development practice and information disclosure, we determined the materiality of ESG issues. Based on the requirements described in ESG Reporting Guide and considering our business sector and operational characteristics, we maintained active interactions with major external stakeholders using the above-mentioned channels for communication and feedback, successfully identified 14 material issues relevant to Lepu Biopharma and ranked them by their importance to our business development and the stakeholders, forming the following matrix of material issues.

Matrix of ESG material Issues of Lepu Biopharma in 2022



III. COMMON GROWTH OF ALL SOCIAL PARTIES

Lepu Biopharma Co., Ltd. is an innovation-driven biopharmaceutical company with a strong China root and global vision. With a firm belief that the Company's value is jointly created by our employees, customers and partners, we uphold the principle of responsibility-based operation and concentrate on generating shared value for various social parties all the time.

(I) Insisting on Integrity and Innovation to Serve Customers

Lepu Biopharma believes innovation is the driving force for the Company's continuous development; product responsibility is the cornerstone for the Company's steady development; and information security is the foundation for the Company's long-term development. We have consistently performed responsibility-based operations, conducted rigorous and responsible marketing, and safeguarded the security of commercial information.

1. Continuous R&D and innovation

Aiming to "become a leading platform-based innovative company that can address the unmet medical needs of cancer patients with novel drugs", Lepu Biopharma targets the differentiated R&D of biologics, pays close attention to the global R&D technologies and trends of innovative biologics, and strives to establish an innovation-driven biopharmaceutical company with a strong China root and global vision.

1.1 Strict Observance of R&D Principles

Lepu Biopharma is devoted to innovation and specializes in the discovery, development and commercial production of first-in-class and best-in-class drug candidates in targeted anti-tumor therapy and immunotherapy. During the preclinical stage, we commit to target and make candidate selection and investigational new drug (IND) application by following the Company's R&D Management System. We strictly abide by the relevant laws, regulations and requirements, including the Drug Administration Law of the People's Republic of China, the Administrative Measures for Drug Registration, the Guideline for the Acceptance and Review of the Registration of Biological Products, the Guidelines for Pharmaceutical Research and Change in Technology of Biological Products during Clinical Trials, the Good Laboratory Practice for Non-Clinical Laboratory Studies (the "**GLP**"), the Good Clinical Practice for drugs (the "**GCP**") and the Administrative Measures for Drug Research and Registration (Trial), and carry out new drug development activities under the The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (the "**ICH**") Guidelines.

1.2 Building a R&D Platform

The R&D system of Lepu Biopharma is supported by three core technology platforms with synergistic actions, including the clinically validated systematic ADC technology platform, the advanced process and analytical development platform and the antibody discovery platform.

Clinically validated systematic ADC technology platform. It comprises the platform for systemic screening and evaluation of ADC drugs, the CMC process development platform, and the platform for translational medicine research and clinical development, covering target screening, ADC antibody development and evaluation, innovative linker-toxin development, precise drug loading control technology, ADC conjugate technology, raw liquid and formulation process, etc.;

Leveraging the ADC technology platform, the Company has developed four clinical-stage ADC drug candidates, and one drug candidate jointly developed with a third-party. MRG003 and MRG002, our leading ADC products, have demonstrated favorable efficacy and safety profiles in clinical studies.

Antibody discovery platform. It comprises a full human naïve antibody library of 10^{11} scale and a trispecific antibody R&D platform. Leveraging phage display technology, our in vitro screening system on the platform reduces the reliance on animal immune systems to produce antibodies. The screening technology allows us to significantly shorten the development period of innovative drug candidates to four to six weeks, compared to the traditional hybridoma technology which generally takes four to six months. The Company has also constructed a trispecific antibody T cell engager platform by utilizing protein binding domains, such as nanobodies and scFv, to augment T cells' response to solid tumors.

Under the administration of the Company's in-house R&D management system and framework, our new drug research system develops innovative products with different designs for highly unmet clinical needs, based on our own core technology platforms and external R&D platforms (CRO R&D platform and externally introduced technology platform) and guided by clinical value.

Advanced process and analytical development platform. It comprises cell banks meeting GMP production requirements, the cell culture and purification process which improve the product quality, advantageous ADC conjugate technology, advanced formulation development technology and comprehensive release detection and characteristic analytical technologies for products.

Based on the above core technology platform, the Company has formed a sound R&D system covering target discovery, CMC process development, GMP-compliant production and quality control, translational medicine research and clinical development, and has the necessary capabilities in converting core technologies into actual formulated ADC drugs, thus realizing seamless connection among R&D, clinical trial and production.

Case: Pucotenlimab Injection, a core product of the Company, was approved for marketing

Pucotenlimab Injection is a humanized IgG4 monoclonal antibody against human PD-1 independently developed in China. It can antagonize the PD-1signal with high affinity to restore the capability of immune cells to kill cancer cells by blocking the binding of PD-1 to its ligands PD-L1 and PD-L2. On July 22, 2022, Pucotenlimab Injection was conditionally approved for marketing by the National Medical Products Administration (NMPA) of China for the treatment of patients with microsatellite instability-high (MSI-H) or deficient mismatch repair (dMMR) advanced solid tumors that are either unresectable or metastatic. On September 29, 2022, Pucotenlimab Injection was approved for marketing by NMPA for a new indication of unresectable or metastatic melanomas that failed in previous systemic treatment. Compared with similar PD-1 antibodies, Pucotenlimab Injection can reduce the therapeutic frequency, increase patient compliance, and improve the convenience and accessibility for the patients. In addition, its design of prolonged half-life period brings excellent efficacy without damaging its safety.

Case: MRG003 was granted the Orphan-drug Designation by FDA and Breakthrough Therapy Designation by CDE for the treatment of nasopharyngeal cancer

MRG003 is an ADC comprised of an EGFR-targeting monoclonal antibody conjugated with a potent microtublin disrupting payload MMAE via a vc linker. It specifically binds with high affinity to human EGFR on the surface of tumor cells,releases the potent payload upon internalization and lysosomal protease cleavage of the linker and results in tumor cell death. On September 29, 2022, MRG003 has been granted BTD from CDE for the treatment of NPC. In the same month, MRG003 has been granted ODD from the FDA for the treatment of NPC. We have obtained approval for the registrational Phase IIb clinical study for MRG003 in NPC from CDE in January 2023.

1.3 Creating the Best R&D Team

With substantial attention to the development of a scientific research team, Lepu Biopharma established a diversified talent introduction and training mechanism, and formed a R&D team with abundant experience in drug discovery, clinical development, pharmaceutical development and production, to continuously improve our R&D capabilities. The Company's core technology management team is comprised of senior experts in the biopharmaceutical industry, and is responsible to develop strategic objectives for the Company's global innovation, and lead the Company in upgrading its R&D organizational structure, defining global innovation targets and recruiting R&D talent globally.

We are led by a team of seasoned industry executives with experience in leading pharmaceutical companies in China and globally. The R&D team is captained by our Co-CEO, Dr. Hu Chaohong and Dr. Fang Lei; the medical and clinical operations teams are led by our CEO, Dr. Sui Ziye; our manufacturing and CMC development team is led by our Co-CEO, Dr. Hu Chaohong and Dr. Qin Minmin. In addition, our commercialization team is led by the Chairman, Dr. Pu Zhongjie and our CEO, Dr. Sui Ziye; and our operations and strategy execution is directed by Dr. Sui Ziye.

During the reporting period, there were 283 employees in the R&D team, including 99 employees with master's degree and 25 with doctoral degree.

1.4 Protection of Intellectual Property Rights

Intellectual property (IP) is fundamental to enterprises to stay competitive. Lepu Biopharma attaches great importance to IP protection. The Company strictly abides by the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other laws and regulations, and has formulated system documents and management measures such as the Lepu Biopharma Intellectual Property System. The Company has set up an IP department for the application, acquisition and use of intellectual property rights ("**IPRs**"). While protecting the Company's own IPRs, we ensure that the IPRs of others are respected.

To ensure that the Company guards its legitimate rights and interests properly without delay, we regularly retrieve IP information and conduct relevant analysis to proactively identify key IP management risks, and avoid IP infringement. In addition, to further avoid IP risks, during the background check for hiring new employees, we will look into independent intellectual property rights ("**IPRs**") that candidates are entitled to, and identify the non-compete agreements signed between the candidates and other companies to ensure IP protection for both parties.

During the Reporting Period, Lepu Biopharma had 5 Chinese patents, 8 U.S. patents, 3 Japanese patents, 2 European patents (including 2 authorized by Irish, Belgium, Denmark, France, Finland, the Netherlands, Switzerland, Spain, Germany and 1 by Italy and the UK) for its main business. In addition, the Company held 32 pending invention patents, including 6 in China (the Chinese mainland) and 26 in overseas jurisdictions (such as the United States, Japan, Korea, Australia, Israel, India and the European Union). Furthermore, we owned 37 trademarks in China and 1 abroad, 33 software copyrights as well as 22 domain names during such period.

2. Highlighting Product Quality

Lepu Biopharma is a new drug R&D company, and product liability is one of the key issues that it focuses on in its business development. The Company always adheres to the R&D concept and mission of "improving the life quality of global patients through medical innovation", strictly implements product quality assurance, strengthens clinical trial management, and meets the medical needs of cancer patients.

2.1 Improving Quality Management

Lepu Biopharma strictly abides by relevant laws and regulations, including the Drug Administration Law of the People's Republic of China, the Regulations for the Implementation of the Drug Administration Law of the People's Republic of China (2017), the Good Manufacturing Practice for Drugs (2010 Revision) and the Guideline for International Multicenter Clinical Trials of Drugs, and has established the Clinical Trial Project Management, the Clinical Protocol Preparation, the Investigational Product Management, the Safety Report and other relevant standard operating procedures ("**SOPs**"). For such links as R&D planning, project optimization and clinical trial safety in the early stage, we keep strict control of drug quality and safety. We have employed a series of internal procedures and processes, including SOPs for quality control of production processes, release and stability testing, storage and transportation, to achieve procedure-based and standardized production quality control. Our existing and new manufacturing facilities are designed in accordance with international GMP standards. We also develop standard process procedures to ensure compliance with registered process requirements of final products.

Our quality assurance and quality control teams interact and coordinate with the manufacturing team to monitor and manage product quality during the manufacturing process. Based on the clinical development plan, our manufacturing team makes the manufacturing plan of the clinical drug, purchases raw materials by following the plan, and issues manufacturing guidelines of the manufacturing line. We implement the procedures for receiving and releasing raw materials, intermediates, raw liquid and finished products used during the manufacturing process by strictly following the GMP regulations. Our quality control and quality assurance teams check the quality of raw materials, intermediates, raw liquid and finished products, and decide on the release of the above samples.

In addition, our quality control department conducts random spot checks and reviews of all test records, and also carries out spot checks and gives feedback on the implementation of the executed SOPs, completeness of records made and soundness of quality system of each department. We also regularly check and manage the quality of our partners including material suppliers, contract research organizations (CROs), and contract development and manufacturing organizations (CDMOs).

The Company shall formulate strict handling procedures for complaints regarding drug products and constantly work to improve the mechanism for handling such complaints. The Company shall handle the quality problems and complaints in a standardized manner and timely feedback. The complaint handling procedures end after the investigation is completed with the specified time, and every complaint shall be handled promptly by specialized staff. The products of Lepu Biopharma were approved to be put on the market in July 2022. During the reporting period, we have not received any product complaints, and there were zero product recalls for safety reasons or adverse health consequences.

2.2 Standardizing Trademark Management

The Company strictly adheres to the relevant laws and regulations on marketing, including the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China and the Measures for the Examination of Drug Advertisements, to standardize the Company's marketing and related management, and avoid any false advertising as well as any marketing content and product description that may mislead consumers.

3. Information security and privacy protection

We value information security and patient privacy protection during the development of new drugs. We strictly comply with the GCP, follow the international standards such as ICH GCP Guidelines, and use reliable electronic clinical trial data collection and management system (EDC). Through the perfect management system and process control, we aim to reduce the information security risk in the daily work process, and protect the legal rights and interests as well as the privacy of the subjects.

Furthermore, we have taken a series of measures to enhance patient privacy protection:

(i) We sign non-disclosure agreements (NDAs) with all our employees, as well as suppliers and partners that are involved in confidential information, requiring every employee, management employee, affiliate or external technical advisor to fulfill the duty of confidentiality;

(ii) All our clinical trials conducted are reviewed by the Medical Ethics Committee and carried out in collaboration with clinical trial sites (hospitals), sample testing institutions, CROs and other partners, and we do not have direct access to any of the subjects' private information other than the data necessary for the study. The Company also masks medical data during handling necessary information for clinical studies, using code names for patient identity management to ensure personal privacy protection;

(iii) We require all partners to conduct clinical trials by respecting the subject privacy and confidentiality rules of GCP and to closely monitor and manage the clinical trial process.

(II) Respecting Employees, Valuing Talents

Employees are our most valuable assets, and the "engine" for driving sustainable development, and thus we take each employee as a partner in the journey of Lepu Biopharma's growth. We are committed to taking care of every employee and providing them with a comfortable working environment and a broad career development platform.

1. Strict Observance of Employment Principles

Lepu Biopharma deeply recognizes the importance of talents for our development, and aims to build a business platform for employees to tap into their full potential. We strictly abide by relevant laws and regulations including the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Women's Rights and Interests and the Special Provisions on the Labour Protection of Female Employees, dedicated to creating a good working environment for employees.

To standardize the management of recruitment and separation, salary, benefits and promotion, working hours and holidays, we have formulated a series of employee management systems, such as Recruitment Management System, Interview Management Measures, Salary Management System, Employee Probation Management Measures, and Entry and Exit Management System, to strictly eliminate all forms of child labour and forced labour. We always keep the recruitment process fair and square, carry out relevant work on the principle of open recruitment, equal competition and merit-based admission, and never differentiate between applicants on the basis of their national origin, race, age, gender, marital status and religion. By establishing a diversified talent introduction and training mechanism, we provide equal development opportunities for employees.

2. Protection of Labour Rights and Interests

Lepu Biopharma strictly complies with the requirements of the law, implements standard working hours, and formulates management systems and regulations when necessary, including the Management System for Promoting Employment and Protecting the Rights and Interests of Employees, the Management System of Labour Contracts, the Performance Management System, the Management System of Staff Attendance and the Management System of Staff Code of Conduct, to protect the rights and interests of employees.

At Lepu Biopharma, we encourage our employees to work more efficiently during regular hours, to stay productive, and to take advantage of their vacation time to rest and relax and balance work and life. Besides the public holidays including the Spring Festival holiday, the Labour Day and the National Day holiday, we also provide paid annual leave to employees based on their length of service. In addition, female employees are entitled to paid maternity leave and other leave-related benefits, while male employees are entitled to paid paternity leave. Furthermore, the Company always tries to standardize welfare management, and offer social insurance, subsidies and other benefits for employees, caring for each employee with practical actions. Zero complaints were received on human rights-related issues during the Reporting Period.

We are committed to building an equal, diverse and international team. During the Reporting Period, Lepu Biopharma had 396 employees, of which 57% were females and about 2% were from overseas. Women accounted for 57% of the senior management. We treat all employees fairly and impartially, with no discrimination on the basis of their nationality, national origin, race, gender, religion or cultural background, and act fairly to all employees in employment, salary and benefits, promotion, dismissal and retirement.

Number and proportion of employees in 2022

Employee category		Number of employees	Proportion of employees
Overall		396	100%
By gender	Male	169	43%
	Female	227	57%
By age	Under 30	122	31%
	30-49	267	67%
	50 and above	7	2%
By rank	Senior Management employees	7	2%
	Middle management employees	106	27%
	Ordinary employees	283	71%
By region	China (the Chinese mainland)	390	98%
	China (Hong Kong, Macao and Taiwan) and foreign countries	6	2%
Employment category	Full-time employees	394	99%
	Interns	2	1%

Employee turnover rate in 2022

Employee category		Employee turnover rate
Total		31%
By gender	Male	35%
	Female	28%
By age	Under 30	34%
	30-49	28%
	50 and above	74%
By region	China (the Chinese mainland)	31%
	China (Hong Kong, Macao and Taiwan) and foreign countries	50%

Lepu Biopharma pays close attention to the needs and feelings of employees, and highlights equal communication with employees to keep up with their developments and demands. We create and improve internal communication and complaint channels for employees, such as regular inter-departmental meetings on manufacturing, Human Resources (HR) hotline, office automation (OA) systems, face-to-face communication and other online and offline channels, to encourage and support employees to keep abreast of the current situation, career development direction and key objectives of each department.

At Lepu Biopharma, various recreational and sports activities are planned every year to strengthen the building of corporate culture, enhance the cohesion of employees, and continuously improve the well-being of employees as well as their loyalty to the Company. During the reporting period, we organized a variety of team-building activities for employees, including the annual meeting, monthly birthday parties, new product launch events, and team development activities.

Team-building activities:

Monthly birthday parties:

3. *Focusing on employee safety*

Lepu Biopharma always attaches importance to the health of employees and the safety of workplace and operation. We implement sustained safety management, improve staff safety awareness, and are committed to providing employees with a healthy and safe working environment. We strictly abide by the relevant laws and regulations as well as industry standards, including the Law of the People's Republic of China on Work Safety, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, the Law of the People's Republic of China on Prevention and Treatment of Infectious Diseases, the Regulations on the Safety Management of Hazardous Chemicals, the Technical Specifications for Occupational Health Surveillance, and the Regulations on Work-Related Injury Insurance of the People's Republic of China, and we have also established relevant management systems and specifications, such as the Employee Health Management System, the Standardized Management Manual on Production Safety, the System on Safety Management of Hazardous Chemicals, the Special Chemical Emergency Response Plan, the Management System on Fire Safety, the Management System on the Prevention and Control of Occupational Hazards, and the Management System on Hazardous Operation, etc.

To enhance the environment, health and safety (EHS) management and reduce EHS-related risks and impacts, we never stop trying to optimize the EHS management team, adjust timely the Company's EHS policies, long-term plans and annual objectives, define the annual EHS work priorities, prepare EHS risk assessment reports and emergency response plans, investigate EHS incidents, follow up improvement progress, and take corresponding measures in time.

Lepu Biopharma values its employees' occupational health and safety in manufacturing and work, and protects employees from injuries arising therefrom. During the reporting period, we identified and controlled occupational hazards in the workplace and strengthened the management of occupational health-related facilities. We require all operators of special equipment to obtain all necessary certifications to better promote their occupational health awareness and proficiency in safe operation-related skills. In addition, to guard against occupational diseases, we provide occupational health checks before, during and after employment for employees exposed to high occupational health risks, offering all relevant personal protective equipment for employees. In view of the occupational injuries and health issues during manufacturing, we will take immediate measures to adjust their positions and take other remedial measures.

During the reporting period, the number of lost days due to work injury, the number of safety accidents occurred, as well as the rate and number of work-related fatalities occurred in the past three years were 0 in the Company.

4. Caring about employee development

Lepu Biopharma attaches great importance to personnel training. We carry out personnel training in accordance with strategic requirements and development needs, build a sound personnel training system, and provide talents with good development opportunities by establishing a reasonable and scientific promotion mechanism.

4.1 Transparent Promotion Mechanism

We have created a fair, reasonable and transparent performance evaluation mechanism to conduct regular employee performance review and evaluation, and also set up an open and transparent promotion channel for employees to facilitate the building of talent teams, the identification, selection, appointment and development of talents, as well as synchronous development of talents and the Company. To ensure the fairness of the result, the promotion qualification is jointly approved by the corresponding department head and the HR department.

During the reporting period, we conducted regular performance and career development reviews for all employees to make them more aware of the annual work situation and future development direction, and ensure that the Company can provide each employee with the remuneration in line with their career development goals and capacity. We evaluate each employee's performance and contribution in an objective and fair way, taking performance and core values as the dimensions of evaluation, and through setting performance goals and process training and communication, we guide and motivate employees to contribute to the Company's objectives.

In addition, the Company has established a communication and handling mechanism to ensure fairness and settle assessment objections, providing a platform for continuous two-way communication between department heads and employees. If an employee disagrees with the performance evaluation result, the employee may request the immediate superior or the HR department through hotline to review such result, and the relevant department will review seriously and give feedback in time.

4.2 All-around Training System

To strengthen the talent training and build a high-level talent team, we are committed to creating a talent training system featuring full coverage, clear echelons, reasonable structure and dynamic management. During the reporting period, we provided a wide range of internal and external training courses and opportunities for our employees to continuously improve their overall quality and achieve shared growth.

Training hours of employees in 2022

Employee category		Training time (hours)	Average training time (hours)
Total		15,619	39.4
By gender	Male	6,174	36.5
	Female	9,445	41.6
By rank	Senior Management employees	61	8.7
	Middle management employees	3,492	32.9
	Ordinary employees	12,066	42.6

Number and proportion of employees in 2022

Employee category		Number of employees trained (person)	Proportion of employees trained (hour)
Total		396	100%
By gender	Male	169	100%
	Female	227	100%
By rank	Senior Management employees	7	100%
	Middle management employees	106	100%
	Ordinary employees	283	100%

Lepu Biopharma makes training plans for employees every year, organizes training at three levels (company, department, and post) every quarter, produces EHS-themed monthly, and organizes fire, electricity and traffic safety training in the middle of the year. In addition, we organize training on telecom fraud prevention or other theme-based training in the Workplace Safety Month based on the hot security issues in the society, and hold related competitions to expand the scope and depth of such training, and reward employees for their outstanding performance.

During the reporting period, Lepu Biopharma organized 669 staff training or events in total.

(III) Joining Hands for a Shared Future

Lepu Biopharma aims to create a green supply chain, by achieving sustainable supply chain management, working with partners to carry out industry exchanges and cooperation, and actively fulfilling its social responsibility.

1. Transparent Procurement

To further standardize the management of suppliers, Lepu Biopharma has prepared such documents as the Procurement Control and Management Protocol, the Technical Service Supplier Management System and the Contract Management System, providing procurement behaviours and processes, the sourcing, development and initial access evaluation of front-end suppliers and summary of annual purchasing data to facilitate supplier review and evaluation as well as supervision of day-to-day contract management.

Supplier selection and control serve as an important way to ensure the quality of product supply. Before a supplier gets into our supplier database, Lepu Biopharma brings together the departments in charge of purchasing, quality management and demand to build an evaluation team, which first reviews qualification documents of the supplier. Suppliers of key material sources have to go through the on-site audit. Better suppliers are input into the supplier database based on the evaluation results.

In addition, Lepu Biopharma ensures continuous improvement of qualified supplier database, a close eye on the market environment and demand changes, and timely update of qualified supplier information. Based on the requirements of the department that applies for purchasing, we verify the qualification of suppliers, and carry out on-site audit and regular reviews of suppliers. We will encourage, or supervise and urge suppliers based on the evaluation results. We will urge suppliers with unsatisfactory evaluation results to take immediate and corrective actions, eliminate unqualified suppliers, continuously optimize the performance of suppliers selected, and establish a positive ecosystem with suppliers for long-term, stable and win-win cooperation. During the reporting period, all purchased items and suppliers were included in the evaluation of suppliers.

During this period, Lepu Biopharma's business partners mainly included hospitals in the PRC and abroad, CROs, CDMOs and suppliers of raw materials and equipment, and some of the suppliers had obtained ISO 9001, ISO 13485 and CE certifications. In 2022, Lepu Biopharma had 752 suppliers, of which 709 were in Chinese mainland, and 43 in China (Hong Kong, Macau and Taiwan) and other countries and regions.

2. Upholding Clean Operations

We strictly abide by business ethics, and observe relevant laws and regulations including the Company Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, and the Anti-Unfair Competition Law of the People's Republic of China. In addition, we have established the Anti-Fraud Management System, and maintain a zero-tolerance attitude towards corruption, bribery, extortion, fraud and money-laundering.

We require all employees to strictly abide by the moral standards of honesty and integrity, and specify relevant requirements in the Employee Handbook. We encourage departments or individuals to perform whistle-blowing against actual or suspected violations of moral standards or professional ethics through whistle-blowing hotline, email, letters, etc. During the reporting period, anti-corruption training data were included in the staff training statistics. In the future, anti-corruption training data will be analyzed separately and disclosed to the public.

In 2022, no concluded legal cases regarding corruption or bribery were brought against Lepu Biopharma or its employees, and no violations of relevant laws and regulations by employees were found to the knowledge of the Company.

(IV) Practising Social Responsibility

Lepu Biopharma not only meets patients' clinical needs and focuses on innovative R&D, but also proactively practices its social responsibility. We attach great importance to the establishment of a stable and effective community interaction mechanism. We are deeply aware that enterprises and society are inseparable, and therefore we always put social responsibility in the first place, and get ourselves highly involved in social practice.

Lepu Biopharma has been focusing on production and R&D for a long time in the early stage of its development. The new drug was launched during the reporting period, and has entered the market only recently, so it is yet to generate significant revenue, hence no community investment for this year. Through adequate communication with the community, we identified the needs of the community in terms of health services and planned effective community investment programs to build a better community, improve people's living standards and quality of life in the community, benefit local people and share the fruits of development with society.

We believe that the organization and implementation of socially responsible investments allow us to better understand and identify the needs of the community, maintain good communication and interaction with the community, and take into account the impact on the community brought by our business activities, forming a positive circle, promoting social progress and development, and contributing to the building of harmonious communities.

IV. LOW-CARBON OPERATION FOR GREEN DEVELOPMENT

(I) Environment Management Targets

The Company strictly abides by laws and regulations including the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution, and the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, and based on China's strategies and policies for ecological and environmental protection, it deploys and formulates internal environmental management strategies, plans and objectives, implements the state fundamental policies for ecological and environmental protection, carries out ecological and environmental protection work, and fulfill its primary responsibilities for ecological and environmental protection.

Environmental Targets for 2022:

Energy conservation & emissions reduction	• The design of Shanghai Biotech Park of Lepu Biopharma requires that the temperature and humidity of the workplace should be controlled at the lowest energy consumption level under the premise of meeting the GMP requirements, which are 20°C-24°C and 45%-65% in spring and summer, and 18°C-22°C and 40%-60% in autumn and winter for clean areas; while 18°C-26°C and 30%-75% in spring and summer, and 18°C-26°C and 30%-75% in autumn and winter for non-clean areas.
Emissions reduction	• Rooftop photovoltaic power generation equipment will be used in Shanghai Biotech Park of Lepu Biopharma to reduce power consumption by using clean energies. • In 2022, Lepu Biopharma continued to purchase office computers that have passed the "China Energy-saving Product Certification" and achieved Grade I energy efficiency from our suppliers.
Water conservation	• Purified water systems will be installed in Shanghai Biotech Park of Lepu Biopharma to achieve water conservation by using RO+EDI water production process; • Lepu Biopharma has provided direct drinking water in replace of bottled water in the whole Company starting from the fiscal year of 2022.
Waste reduction	• Lepu Biopharma has achieved 100% garbage recycling since the fiscal year of 2022.

To establish an internal environmental management system, we have formulated management practices such as Corporate Environmental Management System to achieve rationalized use of resources, actively execute energy conservation and emissions reduction, and strengthen emissions management so as to minimize the adverse impact of the Company's operation on the environment. Taking the environmental management targets as the guidance, we have clarified environmental management measures to integrate it into every single link of our operation.

Environmental management measures of Lepu Biopharma:

In 2022, we have developed and implemented environmental management measures in our Beijing plant and Shanghai Biotech Park

- We have formulated overall power-saving scheme and provided all lighting by using LED lights
- All the street lights are powered by solar energy in Shanghai Biotech Park
- Promote the use of intelligent lighting system
- Irrelevant high-power consuming equipment are not allowed in dormitories and offices
- Variable frequency controllers are used for all the equipment and devices supplied in the laboratories
- Variable frequency air conditioners are used in all facilities
- Water-saving faucets are installed in all facilities
- Water sinks not necessary for daily operations are recommended to be removed
- Electronic documentation is advocated to be used instead of paper documentation
- Employees are encouraged to bring their own cups to terminate the use of paper cups
- Detailed garbage sorting is implemented and garbage disposal is performed as required

(II) Resource Conservation and Increased Energy Efficiency

The resource consumption involved in the daily operation of the Company includes electric power, water and office papers. We will continue to pay close attention to environmental and resource issues and conduct thorough investigations during our ongoing business expansion, and improve the use and efficiency of resources to minimize their consumption.

1. Energy Conservation Scenarios

We have taken various measures to reduce energy consumption during the experimental and production processes in laboratories and workplace. In 2022, we adopted or installed:

(i) Variable frequency controls to reduce the energy consumption level of production equipment such as fans for clean air conditioners, bioreactors, centrifuges and filling lines;

(ii) Multi-effect water distillator to increase the utilization rate of heat energy;

(iii) Active power filters to effectively reduce harmonic current, increase the effective capacity of transformers, improve the operating safety factor of transformers, and achieve energy saving and efficiency improvement; and

(iv) Reactive compensation technology to reduce power loss and electric energy loss in the power grid system.

Variable frequency control system

Multi-effect water distillator

Active power filter

Reactive compensation technology for power grid system

We have also installed inflatable faucets in the rest rooms of every single plant, and adopted the infrared sensing flush valves in the entire flushing system to reduce water consumption in laboratories and workplace.

Furthermore, we have achieved "temperature and humidity under control" in the clean area of Beijing plant, enabling us to adjust temperature and humidity according to the external temperature. Specifically, we set the temperature and humidity of the clean air conditioners at 24℃, 60% and 21℃, 50% in summer and winter respectively so that unnecessary energy consumption from temperature and humidity control can be effectively decreased. We have also replaced the conventional lighting system in the locker rooms of the workplace, QC labs and PD labs in Beijing plant with intelligent lighting system, switched the normally-open air curtain to intelligent opening so as to reduce energy consumption through intelligent control.

In daily office areas, we have proactively taken various energy-saving measures such as performing regular patrol inspection of the use of luminaire, using LED energy-saving lamps instead of high energy-consuming luminaire, mobilizing the employees to switch off lamps upon departure from relevant facilities and reducing the power consumption level of air conditioner, fresh air system, exhaust system and other electric equipment. Additionally, intelligent water purifiers are installed within the office areas in Beijing plant to replace the use of barreled water, thus improving the recycling rate of water and further reducing water consumption.

Furthermore, we advocate saving the use of office supplies and reasonably controlling the collection and use of office papers. Employees are encouraged to use teleconferencing, online working and other paperless forms for cross-regional communication so as to minimize the use of office papers. The consumption of packaging materials was 657.43 kg in 2022.

2. Completion Status of Energy Saving Targets

Energy conservation efforts made in 2022:

- The design of Shanghai Biotech Park of Lepu Biopharma requires that the temperature and humidity of the workplace should be controlled at the lowest energy consumption level, which are 20°C-24°C and 45%-65% in spring and summer, and 18°C-22°C and 40%-60% in autumn and winter for clean areas; while 18°C-26°C and 30%-75% in spring and summer, and 18°C-26°C and 30%-75% in autumn and winter for non-clean areas.

- Air-cooled heat pumps of Grade I energy efficiency are used in Shanghai Biotech Park of Lepu Biopharma. In addition, air conditioning units and exhaust fans are driven by variable frequency motors. Air conditioning and lighting facilities in office areas are turned off during non-working hours.

- Water conservation: Smart water dispensers are installed in office areas to replace bottled water.

3. *Key Performance Indicators (KPIs)*

Indicator	Unit	Total in 2022	Total in 2021
Comprehensive energy consumption[1]	MWh	13,494.46	15,969.74
Direct energy consumption[2]	MWh	8,635.62	10,987.92
Natural gas	MWh	8,635.62	10,987.92
Indirect energy consumption[3]	MWh	4,858.84	4,981.82
Outsourced electric power	MWh	4,858.84	4,981.82
Energy consumption per person	MWh/person	34.08	36.29
Total water consumption[4]	Tons	49,815.44	55,433.36
Water consumption per person	Tons/person	125.80	125.98

(III) Strict Emission Control to Reduce the Impact

The gas emissions produced by our Company are mainly GHG and experimental exhaust gases. The GHG is mainly generated from the electricity used in the Company's operations and the experimental exhaust gases are generated from the relevant processes in the experiment. The wastewater produced by our Company refers to laboratory liquid waste, production wastewater, domestic wastewater, etc. The liquid waste from laboratories is low in terms of amount and non-toxic, and is mainly collected for proper treatment by a qualified third party. The production wastewater is discharged into the municipal pipeline network together with the domestic wastewater after being treated by the sewage station in the plant and reaching the standard.

1. *Emissions*

(1) *Taking Actions*

During the Reporting Period, we took many different emission reduction measures to effectively reduce emissions from laboratories and workplace.

(i) We used the tail gas treating unit to filter the exhaust gases during experiment, to ensure compliance with treatment and release requirements of such gases;

(ii) For gas-fired boilers, we have assembled low-nitrogen burners to achieve emissions of nitrogen oxides < 30 mg/m³, sulfur dioxide < 10 mg/m³, and fume dust < 5 mg/m³ in the exhaust gases;

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1 The comprehensive energy consumption was calculated through direct and indirect energy consumption according to the conversion coefficient specified in General Rules for Calculation of the Comprehensive Energy Consumption (GB/T 2589-2020).

2 During the Reporting Period, our primary modes of operation were day-to-day office work and laboratory operations, and the main energy directly consumed was natural gas.

3 During the Reporting Period, our primary modes of operation were day-to-day office work and laboratory operations, and the main energy indirectly consumed was electric power.

4 The water used in our facilities are supplied from municipal water networks and no issues have been found in sourcing water that is fit for the purpose of our Company.

(iii) We used harmless treatment design for exhaust gases to ensure that the exhaust gases generated from sewage treatment are discharged into the atmosphere in the form of clean air only after green treatment.

Tail gas treatment devices at laboratories in Beijing plant

Low-nitrogen burners used for the gas-fired boilers in Beijing plant

Harmless treatment of exhaust gases used for the sewage treatment system in Beijing plant

(2) Completion status of emissions reduction targets

Energy conservation efforts made in 2022:

- Street lamps are powered by solar energy in Shanghai Biotech Park of Lepu Biopharma to reduce the consumption of municipal electric power.

- In 2022, all computer suppliers of Lepu Biopharma were required to provide "China Energy-saving Product Certification" to ensure that the computers purchased are of Grade I energy efficiency.

(3) Emissions KPIs

Indicator	Unit	Amount in 2022	Amount in 2021
Total GHG emissions[5]	Tons	5,592.50	6,226.43
Direct GHG emissions			
(Scope 1)[6]	Tons	1,688.58	2,148.54
Natural gas	Tons	1,688.58	2,148.54
Indirect GHG emissions			
(Scope 2)[7]	Tons	3,903.92	4,077.89
Outsourced electric power	Tons	3,903.92	4,077.89
GHG Emissions per person	Tons/person	14.12	14.15
Exhaust gas	m^3	32,412,402.89	34,185,290.34
Wastewater	Tons	11,994.11	19,916.79
COD	Tons	0.6045	0.8537
Ammonia nitrogen	Tons	0.0230	0.0483

2. Solid Waste Disposal

In addition, the **hazardous wastes** produced by the Company mainly include waste chemical reagents, reagent packaging boxes and waste toner cartridges. We conduct hazardous waste management by strictly following our internal system to prevent environmental pollution caused by the leakage of hazardous chemicals. All hazardous wastes are handed over to eligible third parties or suppliers for unified treatment as required.

The **non-hazardous wastes** generated are mainly domestic waste and office supplies waste during day-to-day office work. We carry out waste classification to promote the recycling of waste. Non-hazardous wastes that can be recycled are transferred to qualified suppliers or recyclers for handling, and other non-hazardous wastes are handled by the property service provider.

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5 Carbon dioxide, methane and nitrous oxide are mainly included in the calculation of GHG emissions. GHG emissions accounting is presented as carbon dioxide equivalence and is calculated in accordance with the provisions set forth in the Average Carbon Dioxide Emission Factor of China Regional Power Grid in 2011 and 2012 issued by the Ministry of Ecology and Environment of the People's Republic of China; during the reporting period, the Company's total GHG emissions were from "direct energy" GHG emissions due to natural gas consumption and "indirect energy" GHG emissions due to the use of electricity.

6 GHG emissions (Scope 1) include GHG emissions directly from businesses owned or controlled by the Company.

7 GHG emissions (Scope 2) cover the "indirect energy" GHG emissions due to electricity (purchased or acquired) consumed within the Company.

In 2022, the amount of hazardous wastes was 17.36 tons in total, per capita 0.04 metric tons per square meter. The total amount of non-hazardous wastes was 6.47 metric tons, per capita 0.02 metric tons per square meter.

Indicator	Unit	Amount in 2022	Amount in 2021
Total hazardous waste[8]	Tons	17.36	12.35
Hazardous waste per person	Tons/person	0.04	0.03
Total non-hazardous waste[9]	Tons	6.47	6.90
Non-hazardous waste per person	Tons/person	0.02	0.02

(IV) Environmental and Natural Resources

Global climate change has led to frequent extreme events, ecological degradation, air, soil, water and other environmental problems, posing a serious threat to the survival of mankind. We have realized these challenges to our day-to-day business and operation brought by environmental and climate change risks, and proactively identified the climate change risks and seizes opportunities to better the Company's operation and development.

Risk		Response	
Physical Risks	Contingency Risks: Extreme weather	• Office buildings and equipment might be damaged to cause asset loss; • The physical security of plants may be at risk, and the frequency and intensity of regional extreme weather events continue to increase, further exacerbating the likelihood and scope of impact of contingency risk events; • Major equipment damage may directly or indirectly sabotage the continuity of business operations and economic interests.	• Develop emergency response plans for natural disasters and continuously improve emergency response measures for natural disasters; • Identify possible damage to assets and procure necessary insurance.
	Chronic Risks: Lasting heatwave, drought, etc.	• Higher temperatures may result in the need for additional cooling equipment, increasing operational costs.	• Equipped with more energy-efficient cooling technology and system; • Continue to aid companies in going green to mitigate associated climate change risks.

[8] Hazardous wastes include hazardous waste consumables and hazardous medical wastes. Hazardous waste consumables include toner cartridges, toners and other items purchased by the Company, calculated based on the data on the detailed purchase list provided by the supplier; hazardous medical wastes include waste chemical reagents, laboratory waste solutions, empty bottles of reagents, laboratory waste, spent activated carbon, laboratory hazardous solid waste, glass, plastic package, etc., calculated by the medical waste treatment bills and log records.

[9] Non-hazardous wastes include domestic wastes and electronic wastes. Domestic wastes include copying paper, light bulbs, office desks and chairs, gas masks, goggles and fire extinguishers; electronic wastes include emergency light batteries, glare flashlights, ultraviolet sterilization lamps and access control devices.

Risk		Response	
Transition Risks	Policies and Laws Risks	• New policies, regulations, regulatory policies and taxes may increase the Company's compliance costs and related litigation or claims may also increase in numbers.	• Pay close attention to changes in environmental laws, regulations and policies and respond timely.
	Technology Risks	• Failure to identify and apply emerging technologies such as low-carbon technologies and artificial intelligence in a timely manner may lead to greater climate-related risks in businesses.	• Boost R&D capabilities through measures such as training and retention of talents.
	Market Risks	• Shifting customer preferences may intensify the focus on green, low-carbon products.	• Looking for suppliers that are less prone to climate change; • Develop green and low-carbon products, track market trends, and meet consumer demands.
	Reputation Risks	• Poor performance in combating climate change and sustainability giving rise to negative feedbacks from associated stakeholders.	• Boost sustainability of the Company and actively combat climate change; • Improve the transparency of associated management systems and respond to stakeholders' concerns.

V. CONSTANT EFFORTS FOR A PROMISING FUTURE IN 2023

In 2022, Lepu Biopharma has accomplished impressive achievements in ESG performance, however we believe that this is only a starting point for us. Aiming at developing safe, effective and accessible drugs for patients, Lepu Biopharma will continue to focus on improving the life quality of patients and meeting the unmet clinical demand in oncology therapeutics, and maintain sustainable and steady high-quality development by improving corporate governance level through ESG.

The vision of establishing an "innovation – driven biopharmaceutial company with a strong China root and global vision" will be gradually realized. Collaborating with our partners, we will create a promising future.

APPENDIX: INDEX TABLE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Indicators		Section(s)
Mandatory Disclosure Requirements		
Governance Structure	A statement from the Board containing the following elements: (i) a disclosure of the Board's oversight of ESG issues; (ii) the Board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the Board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Page 73
Reporting Principles	A description of, or an explanation on, the application of Reporting Principles (materiality, quantitative and consistency) in the preparation of the ESG report.	Page 71
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	Page 71
"Comply or Explain" Provisions		
A. Environmental		
A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Page 94
A1.1	The types of emissions and respective emissions data.	Page 96
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	Page 96
A1.3	Total hazardous waste produced and, where appropriate, intensity.	Page 97
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Page 97
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Page 94-Page 95
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Page 95-Page 96

Indicators		Section(s)
A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Page 90
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Page 94
A2.2	Water consumption in total and intensity.	Page 94
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Page 90-Page 93
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Page 90-Page 93
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Page 93
A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Page 97-Page 98
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Page 97-Page 98
A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Page 97-Page 98
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Page 97-Page 98
B. Social		
B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Page 82-Page 83
B1.1	Total workforce by gender, employment type, age group and geographical region.	Page 83
B1.2	Employee turnover rate by gender, age group and geographical region.	Page 83

Indicators		Section(s)
B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Page 85-Page 86
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Page 86
B2.2	Lost days due to work injury.	Page 86
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Page 85-Page 86
B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Page 86-Page 88
B3.1	The percentage of employees trained by gender and employee category.	Page 87
B3.2	The average training hours completed per employee by gender and employee category.	Page 87
B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Page 82
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Page 82
B4.2	Description of steps taken to eliminate such practices when discovered.	Page 82
B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Page 88-Page 89
B5.1	Number of suppliers by geographical region.	Page 89
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Page 88-Page 89
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Page 88-Page 89

Indicators		Section(s)
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Page 88-Page 89
B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Page 80
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Page 80
B6.2	Number of products and service related complaints received and how they are dealt with.	Page 80
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Page 79
B6.4	Description of quality assurance process and recall procedures.	Page 80
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Page 81
B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Page 89
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Page 89
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Page 89
B7.3	Description of anti-corruption training provided to directors and staff.	Page 89
B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Page 89
B8.1	Focus areas of contribution.	Page 89
B8.2	Resources contributed to the focus area.	Page 89

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Lepu Biopharma Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Lepu Biopharma Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 112 to 189, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of goodwill
- Fair value measurement of financial liabilities at fair value through profit or loss – variable consideration payable for transaction with non-controlling interests
- Research and development expenses

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill Refer to Notes 2.8(a), 2.9, 4.2 and 17(b) to the consolidated financial statements. As at 31 December 2022, the Group's goodwill amounted to approximately RMB52,636,000 arisen from the acquisition of wholly-owned subsidiary, and management has performed an annual impairment assessment on the goodwill. To assess the impairment, the goodwill has been allocated to the relevant cash generating units ("**CGUs**") at the acquisition date and management has engaged an independent valuer to assist them to assess the recoverable amounts of the CGUs. The recoverable amounts of the CGUs were determined by management based on value in use ("**VIU**") calculated using the discounted cash flow model. Based on the results of the assessment, management has concluded that no impairment loss to be recognised as of 31 December 2022.	In response to this key audit matter, we have performed the following procedures: • We obtained an understanding of management's internal control and assessment process of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We evaluated management's identification of CGUs and allocation of goodwill based on the Group's accounting policy and our understanding of the Group's business; • We evaluated management's control for preparing the budget and future cash flow forecast of relevant CGUs and reconciled the input data for the impairment assessment to supporting evidence, such as approved budgets;

Key Audit Matter

Impairment assessment of goodwill (Continued)

The key assumptions used in calculating recoverable amount of the CGUs includes:

- The first commercialisation year of products in CGUs
- Expected revenue growth rate during the forecast period from second year of commercialisation
- Expected revenue growth rate beyond the forecast period
- Expected market penetration rate
- Expected success rate of commercialisation
- Pre-tax discount rate

We focused on this matter due to the significance of goodwill and significant judgement and estimates were involved in determining the key assumptions. As a result, we identified the impairment assessment of goodwill as key audit matter.

How our audit addressed the Key Audit Matter

- We assessed the competence, capabilities and objectivity of the independent valuer;
- We assessed the appropriateness of the valuation model with the assistance of our internal valuation expert;
- We assessed the reasonableness of the key assumptions as adopted by management in the discounted cash flow model for the impairment assessment by reference to internal operation information, external industry data and the cost of equity of comparable companies in the industry;
- We tested the mathematical accuracy of the calculations of the discounted cash flow model and the recoverable amounts of the CGUs;
- We evaluated the sensitivity analysis prepared by management around the key assumptions and estimates applicable to the CGUs to assess the potential impact of a range of possible outcomes; and
- We assessed the adequacy of related disclosures in the consolidated financial statements.

We found the key assumptions adopted by management in the impairment assessment of the goodwill are supportable based on the evidence obtained and procedures performed.

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement of financial liabilities at fair value through profit or loss – variable consideration payable for transaction with non-controlling interests	
Refer to Notes 2.30, 3.3(b), 4.3, 10 and 34 to the consolidated financial statements. As at 31 December 2022, the financial liability at fair value through profit or loss in relation to the variable consideration payable arisen from acquiring 40% share of interests of Taizhou Hanzhong Biotechnology Co., Ltd. ("Taizhou Hanzhong") from non-controlling interests in 2019, amounted to approximately RMB448,282,000. Management has engaged an independent valuer to assist them for performing the fair value valuation of the variable consideration payable as at 31 December 2022. The fair value of the variable consideration payable was determined by using discounted cash flow method. During the year ended 31 December 2022, the fair value loss of the variable consideration payable amounting to RMB62,816,000 was charged to "Fair value changes on financial liabilities at fair value through profit or loss" in the consolidated statement of comprehensive loss.	In response to this key audit matter, we have performed the following procedures: • We obtained an understanding of management's internal control and assessment process of fair value measurement of variable consideration payable and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We evaluated management's control for preparing the budget and future cash flow forecast of variable consideration payable and reconciled the input data for the fair value measurement to supporting evidence, such as approved budgets; • We assessed the competence, capabilities and objectivity of the independent valuer; • We assessed the appropriateness of the valuation model with the assistance of our internal valuation expert; • We assessed the reasonableness of the key assumptions as adopted by management in the discounted cash flow model by reference to internal operation information, external industry data, risk-free rate and discount rate of comparable companies in the industry;

Key Audit Matter	How our audit addressed the Key Audit Matter

Fair value measurement of financial liabilities at fair value through profit or loss – variable consideration payable for transaction with non-controlling interests (Continued)

The key assumptions used in calculating the fair value of the variable consideration payable includes:

- Expected revenue growth rate during the forecast period from second year of commercialisation
- Expected revenue growth rate beyond the forecast period
- Expected market penetration rate
- Expected success rate of commercialisation
- Discount rate

We focused on this matter due to the significance of balance as at 31 December 2022 and fair value loss for the year then ended, and significant management judgements and estimates were involved in determining fair values of the financial instruments. As a result, we identified the fair value measurement of financial liabilities at fair value through profit or loss – variable consideration payable for transaction with non-controlling interests as key audit matter.

- We tested the mathematical accuracy of the calculations of the discounted cash flow model;
- We evaluated the sensitivity analysis prepared by management around the key assumptions and estimates applicable to relevant products to assess the potential impact of a range of possible liabilities; and
- We assessed the adequacy of related disclosures in the consolidated financial statements.

We found the key assumptions adopted by management in the fair value measurement of variable consideration payable are supportable based on the evidence obtained and procedures performed.

Key Audit Matter	How our audit addressed the Key Audit Matter
Research and development expenses Refer to Note 2.8(c) to the consolidated financial statements. For the year ended 31 December 2022, the Group incurred research and development ("R&D") expenses of approximately RMB524,285,000 which was charged to the consolidated statement of comprehensive loss. The R&D expenses mainly include clinical trial expenses, pre-clinical study costs, rental expenses, depreciation and amortisation, employee benefit expenses, share-based payments expenses and raw material and consumables used in research and development activities. We focused on this matter due to the large volume of R&D transactions and its significance to the consolidated financial statements. As a result, we identified the research and development expenses as key audit matter.	In response to this key audit matter, we have performed the following procedures: • We understood and evaluated the key controls related to recognition and measurement of R&D expenses; • We obtained the breakdowns of R&D expenses and agreed with general ledger. We tested R&D expenses, on a sample basis, by examining the relevant supporting documents, such as contracts, invoices and payment slips; tested allocation of rental expenses and depreciation and amortisation of property, plant and equipment and intangible assets recorded in R&D expenses; tested aggregation of employee benefit expenses and share-based payments expenses recorded in R&D expenses to ensure the occurrence and proper classification of R&D expenses; • We obtained contracts for clinical trial and pre-clinical study, on a sample basis, to evaluate the completion status with reference to the work progress, results of clinical trial and the respective contract terms; we circularised confirmations for the work progress or transaction amount related to contracts for R&D activities, on a sample basis, to determine whether the service fees were recorded accurately based on the respective contract terms, work progress and/or relevant milestones achieved;

Key Audit Matter	How our audit addressed the Key Audit Matter
Research and development expenses (Continued)	• We performed background research and inquiries on R&D service providers with material transaction amount, and evaluated the authenticity of R&D service provided by inspecting the progress report provided by R&D service providers; • We tested on R&D expenses paid before and after the balance sheet date, on a sample basis, by inspecting relevant supporting evidence such as contracts, payment vouchers and invoices to ensure the R&D expenses were recorded in appropriate period. We found the R&D expenses recorded are supportable based on the evidence obtained and procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Lepu Biopharma Co., Ltd. 2022 Annual Report (the "**annual report**") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including the management discuss and analysis prior to the date of this auditor's report. The remaining other information, including the report of the corporate information, chairman's statement, biographies of directors, supervisors and senior management, directors' report, report of the supervisory committee, corporate governance report, environmental, social and governance report, financial summary and the other sections to be included in the annual report, is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee of the Company and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE 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 and the disclosure requirements 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee of the Company is responsible 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. We report our opinion 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

We communicate with the Audit Committee of the Company 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 of the Company 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 of the Company, 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 Yuen Kwok Sun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	6	**15,572**	–
Cost of sales	8	**(2,005)**	–
Gross profit		**13,567**	–
Other income	7	**11,284**	10,572
Other expenses	8	**(729)**	(1,074)
Selling and marketing expenses	8	**(1,749)**	–
Administrative expenses	8	**(138,830)**	(156,237)
Research and development expenses	8	**(524,285)**	(791,210)
Fair value changes on financial liabilities at fair value through profit or loss	10	**(62,816)**	(76,285)
Other (losses)/gains, net	11	**(924)**	4,598
Operating loss		**(704,482)**	(1,009,636)
Finance income		**45,919**	4,143
Finance costs		**(8,647)**	(5,681)
Finance income/(costs), net	12	**37,272**	(1,538)
Share of loss of investments accounted for using the equity method	18	**(32,231)**	(17,695)
Loss before income tax		**(699,441)**	(1,028,869)
Income tax expense	13	**–**	–
Loss for the year		**(699,441)**	(1,028,869)
Loss attributable to:			
Owners of the Company		**(689,052)**	(1,010,996)
Non-controlling interests		**(10,389)**	(17,873)
		(699,441)	(1,028,869)
Losses per share for loss attributable to owners of the Company for the year (expressed in RMB per share)			
– Basic losses per share	14	**(0.42)**	(0.66)
– Diluted losses per share	14	**(0.42)**	(0.66)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**109**	27
Total comprehensive loss		**(699,332)**	(1,028,842)
Total comprehensive loss attributable to:			
Owners of the Company		**(688,943)**	(1,010,969)
Non-controlling interests		**(10,389)**	(17,873)
		(699,332)	(1,028,842)

The above consolidated statement of comprehensive loss should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	15	**916,409**	836,713
Right-of-use assets	16	**122,662**	141,724
Intangible assets	17	**450,813**	475,090
Investments accounted for using the equity method	18	**122,392**	137,971
Other receivables, prepayments and deposits	21	**104,095**	176,431
Total non-current assets		**1,716,371**	1,767,929
Current assets			
Inventories	19	**24,061**	24,184
Notes receivables	20	**3,040**	–
Other receivables, prepayments and deposits	21	**116,303**	84,780
Cash and cash equivalents	22	**669,397**	155,168
Term deposits with initial terms of over three months	23	**–**	50,000
Total current assets		**812,801**	314,132
Total assets		**2,529,172**	2,082,061
Equity			
Equity attributable to owners of the Company			
Share capital	25	**1,659,445**	1,531,670
Reserves	26	**1,572,807**	947,482
Accumulated losses		**(2,331,490)**	(1,642,438)
		900,762	836,714
Non-controlling interests	37	**–**	10,369
Total equity		**900,762**	847,083

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	30	**290,057**	232,469
Lease liabilities	31	**3,093**	19,478
Deferred government grants	32	**12,000**	12,000
Deferred tax liabilities	33	**37,687**	37,687
Financial liabilities at fair value through profit or loss	34	**441,787**	384,287
Total non-current liabilities		**784,624**	685,921
Current liabilities			
Borrowings	30	**359,988**	60,409
Trade payables	28	**166,129**	158,818
Other payables and accruals	29	**287,242**	311,043
Lease liabilities	31	**30,427**	18,787
Total current liabilities		**843,786**	549,057
Total liabilities		**1,628,410**	1,234,978
Total equity and liabilities		**2,529,172**	2,082,061

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 112 to 189 were approved by the Board of Directors on 17 March 2023 and were signed on its behalf.

Executives Director: **Dr. Pu Zhongjie**

Executives Director: **Dr. Sui Ziye**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company			Non-controlling interests RMB'000	Total RMB'000
		Share capital RMB'000	Reserves RMB'000	Accumulated losses RMB'000		
Balance at 1 January 2021		1,492,693	612,260	(631,442)	28,211	1,501,722
Comprehensive loss						
Loss for the year		–	–	(1,010,996)	(17,873)	(1,028,869)
Other comprehensive income		–	27	–	–	27
Transaction with owners						
Issuance of shares to series C investors	25	38,977	221,720	–	–	260,697
Share-based payments	27	–	113,475	–	31	113,506
Balance at 31 December 2021		1,531,670	947,482	(1,642,438)	10,369	847,083
Balance at 1 January 2022		**1,531,670**	**947,482**	**(1,642,438)**	**10,369**	**847,083**
Comprehensive loss						
Loss for the year		**–**	**–**	**(689,052)**	**(10,389)**	**(699,441)**
Other comprehensive income		**–**	**109**	**–**	**–**	**109**
Transaction with owners						
Issuance of ordinary shares upon global offering	25	**127,775**	**578,165**	**–**	**–**	**705,940**
Share-based payments	27	**–**	**30,399**	**–**	**20**	**30,419**
Others		**–**	**16,652**	**–**	**–**	**16,652**
Balance at 31 December 2022		**1,659,445**	**1,572,807**	**(2,331,490)**	**–**	**900,762**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash used in operations	35	**(488,960)**	(626,189)
Interest received		**8,032**	4,453
Net cash used in operating activities		**(480,928)**	(621,736)
Cash flows from investing activities			
Payments for transaction with non-controlling interests		**(10,000)**	(100,000)
Investments in associates		**–**	(1)
Proceeds from disposal of investment in associate		**–**	10,000
Payments for property, plant and equipment		**(110,451)**	(213,385)
Payments for financial assets at fair value through profit or loss		**(47,000)**	(1,129,000)
Proceeds from disposal of financial assets at fair value through profit or loss		**47,176**	1,464,610
Payments for intangible assets		**(5,000)**	(6,116)
Placement of term deposits with initial terms of over three months		**–**	(50,000)
Withdrawal of term deposits with initial terms of over three months		**50,612**	20,000
Net cash used in investing activities		**(74,663)**	(3,892)
Cash flows from financing activities			
Capital contributions from shareholders		**–**	261,120
Proceeds from issuance of ordinary shares upon global offering		**739,227**	–
Payments for listing expenses		**(34,570)**	(1,816)
Proceeds from borrowings		**437,460**	146,112
Repayment of borrowings		**(80,976)**	(500)
Payments of lease liabilities			
– Principal		**(7,782)**	(15,315)
– Interest		**(1,378)**	(1,803)
Bank loan interest paid		**(20,016)**	(7,488)
Net cash generated from financing activities		**1,031,965**	380,310
Net increase/(decrease) in cash and cash equivalents		**476,374**	(245,318)
Cash and cash equivalents at the beginning of year		**155,168**	402,867
Effects of exchange rate changes on cash and cash equivalents		**37,855**	(2,381)
Cash and cash equivalents at end of year		**669,397**	155,168

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

Lepu Biopharma Co., Ltd. (the "**Company**") was incorporated in Shanghai, the People's Republic of China (the "**PRC**") on 19 January 2018 as a limited liability company. Upon approval by the shareholders' general meeting held on 10 December 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC.

The Company, together with its subsidiaries (collectively referred to as the "**Group**"), are principally focus on the discovery, development and commercialisation in global of drugs for cancer targeted therapy and immunotherapy.

Upon incorporation of the Company in January 2018, the Company had a registered capital of RMB1,000,000,000 and was owned by Ningbo Houde Yimin Information Technology Co., Ltd. (寧波厚德義民信息科技有限公司) ("**Ningbo Houde Yimin**") and Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司) ("**Lepu Medical**") as to 80% and 20%, respectively.

Ningbo Houde Yimin was incorporated in the PRC on 29 March 2017 with Dr. Pu Zhongjie being its 100% ultimate controlling shareholder (the "**Controlling Shareholder**") and Lepu Medical was incorporated in the PRC on 11 June 1999 which listed on the Shenzhen Stock Exchange (stock code: 300003).

On 23 February 2022, the Company has completed a global offering of 126,876,000 H Shares of par value of RMB1.00 each at the price of HK$7.13 per H Share (the "**Offering Price**"), and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited. The gross proceeds arising from the listing amounted to approximately HK$905 million (equivalent of RMB734 million). On 22 March 2022, the Company issued additional 899,000 new H Shares upon the exercises of over-allotment of the global offering at the Offering Price.

After the Coronavirus Disease 2019 ("**COVID-19**") outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. The Group priorities the health and safety of its employees, and has taken various preventative and quarantine measures across the Group soon after the COVID-19 outbreak. In later December 2022, the government of PRC has announced that China will manage COVID-19 with measures against Class B infectious diseases, instead of Class A infectious diseases, in a major shift of its epidemic response policies. Accordingly, government has downgraded management of the disease from Class A to Class B in accordance with the law on prevention and treatment of infectious disease. As of the date of these consolidated financial statements, the Group was not aware of any material adverse effects on the financial position as of 31 December 2022 and operating results of the Group for the year then ended.

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied throughout all the years presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of consolidated financial statements are in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the requirements of the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements of the Group have been prepared under the historical costs convention, as modified by the revaluation of certain financial assets and financial liabilities measured at fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

For the year ended 31 December 2022, the Group has incurred net losses of approximately RMB699.4 million, while net cash used in operating activities was approximately RMB480.9 million. As at 31 December 2022, the Group had net current liabilities of approximately RMB31.0 million and cash and cash equivalents of approximately RMB669.4 million. Historically, the Group has relied principally on non-operational sources of financing from investors and banks to fund its operations and business development. The Group's ability to continue as a going concern is dependent on management's ability to successfully execute its business plan. The directors of the Company believes that the cash and cash equivalent, unutilised bank facilities together with the cash generated from operating activities are sufficient to meet the cash requirements to fund planned operations and other commitments for at least the next twelve months from the date of the issuance of this consolidated financial statement. The Group therefore continues to prepare this consolidated financial statements on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements 2018-2020 cycle, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

(b) New and amended standards not yet adopted

The following new and amended standards have been published (which may be applicable to the Group) but not mandatory for the year ended on 31 December 2022 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendment to IAS 1	Classification of Liabilities as Current or Non-current	Originally 1 January 2021, but extended to 1 January 2023
IFRS 17	Insurance Contracts	Originally 1 January 2021, but extended to 1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IFRS 1 and IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new and amended standards, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group except for business combination under common control.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive loss, statement of changes in equity and balance sheet respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 2.2(c)), after initially being recognised at cost.

(c) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (continued)

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

Contingent consideration is initially measured at fair value and classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

2.3 Business combinations

Non-common control business combinations

The Group applies the acquisition method to account for business combinations except for business combination under common control. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (continued)

Non-common control business combinations (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("**CODM**"). The CODM, who is responsible for allocating resources, assessing performance of the operating segments, and has been identified as the executive directors of the Group that make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). Since the operations of the Group are located in the PRC, the consolidated financial statements are presented in RMB, which is the Company's primary functional and presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains and losses are presented in the statement of profit or loss, within finance costs.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at financial assets at fair value through profit or loss ("**FVPL**") are recognised in profit or loss as part of the fair value gain or loss and translation differences on nonmonetary assets such as equities classified as fair value through other comprehensive income ("**FVOCI**") are recognised in other comprehensive income ("**OCI**").

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive loss.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical costs include expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their costs or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvement and certain leased plant and equipment, the shorter lease term as follows:

— Buildings and facilities	35 years
— Equipment and instruments	5-20 years
— Office equipment and furniture	3-5 years
— Motor vehicles	4-10 years
— Leasehold improvements	Shorter of remaining lease term or estimated useful life
— Antibody purification resin	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statements of comprehensive loss.

Construction-in-progress (the "**CIP**") represents equipment and decorations under construction, and is stated at costs less accumulated impairment losses, if any. Costs includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to leasehold improvements as well as equipment and instruments and depreciated in accordance with the policy as stated above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment at balance sheet date, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(b) Intellectual properties

Separately acquired intellectual properties are shown at historical cost. Intellectual properties acquired in a business combination are recognised at fair value at the acquisition date. Intellectual properties have a finite useful life and are amortised using the straight-line method over their estimated useful lives of 11 to 23 years, which are determined based on the shorter of authorised useful lives and the management's estimation of the period of returns on the intellectual properties. Intellectual properties are subsequently carried at cost less accumulated amortisation and impairment losses.

The Group might acquire intellectual properties for an initial payment plus contractually agreed additional payments contingent on future events and outcomes occurred. Based on the costs accumulation model chosen by the Group, intellectual properties are recognised at acquisition at the cost paid, and variable payments are not included in the carrying amount of the asset at acquisition. Subsequently the Group capitalises the variable payments as part of the costs of the asset when paid, on the basis that these payments represent the direct costs of acquisition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (continued)

(c) Research and development

The Group incurs significant costs and efforts on research and development activities. Research expenditures, mainly including clinical trial expenses, pre-clinical study costs, depreciation and amortisation, employee benefit expenses and raw materials and consumables used in research and development activities, are charged to the profit or loss as an expense in the period the expenditure is incurred. Development costs are recognised as assets if they can be directly attributable to a newly developed product and all the following can be demonstrated:

- the technical feasibility to complete the development project so that it will be available for use or sale;
- its intention to complete the development project to use or sell the product;
- its ability to use or sell the product;
- the manner in which the development project will generate probable future economic benefits for the Group;
- the availability of adequate technical, financial and other resources to complete the development project and use or sell the product; and
- the expenditure attributable to the asset during its development can be reliably measured.

The costs of an internally generated intangible asset are the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalised in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads.

Capitalised development costs are amortised using the straight-line method over the life of the related product. Amortisation shall begin when the intangible asset is available for intended use.

Development expenditures not satisfying the above criteria are recognised in the profit or loss as incurred.

During the year ended 31 December 2022, there were no internally generated development costs meeting these criteria and capitalised as intangible assets (2021: nil).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

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

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investments and other financial assets (continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'other (losses)/gains, net' together with foreign exchange gains and losses.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'other (losses)/gains, net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in 'other (losses)/gains, net'.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within 'other (losses)/gains, net' in the period in which it arises.

During the reporting period, no amount is recognised in respect of financial assets at fair value through other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investments and other financial assets (continued)

(c) Measurement (continued)

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in 'other (losses)/ gains, net' in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For other receivables, prepayments and deposits, at each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition.

The measurement of expected credit losses reflects: An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue costs or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the amount determined in accordance with the expected credit loss model under IFRS 9 *Financial Instruments*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.13 Inventories

Inventories including finished goods, raw materials and consumable materials are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less allowance for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Prepayments

Prepayments of the Group represent upfront cash payments made to contract research organizations ("**CROs**"), contract manufacture organizations ("**CMOs**"), contract development and manufacturing organizations ("**CDMOs**"), hospitals and suppliers of equipment.

Prepayments to CROs, CMOs, CDMOs and hospitals, which are organizations that provide support, such as chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products ("**CMC**"), to the pharmaceutical, biotechnology and medical device industries in the form of research services outsourced on a contract basis, will be subsequently recorded as research and development expenses in accordance with the applicable performance requirements within one year or less and therefore are all classified as current assets.

Prepayments for purchasing of equipment which are due for transfer to property, plant and equipment and therefore are classified as non-current assets.

2.16 Cash and cash equivalents

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

2.17 Share Capital

Ordinary shares are classified as equity.

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

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits

(a) Short-term obligations

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

(b) Post-employment obligations

Employees of the Group are covered by a defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined contribution pension plans even if the staff leaves the Group.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the entity recognises costs for a restructuring and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(d) Housing funds

The PRC employees of the Group are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to those funds based on a certain percentage of the employee's salaries. The Group's liabilities in respect of these funds are limited to the contributions payable in each period and the Group has no further obligation beyond the contributions made. The non-PRC employees are not covered by the housing funds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Share-based payments

The fair value of awarded shares granted to employees under the Employee Share Ownership Plan (the "**ESOP**") less amount paid by employees is recognised as an employee benefits expense over the relevant service period, being the vesting period of the shares, and the credit is recognised in the share-based payment reserves in equity. The fair value of the shares is measured at the grant date. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserves. Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective at the date of the forfeiture.

2.24 Revenue recognition

Sales of goods

The Group produces and sells pharmaceutical products to customers. The Group transports the products to the agreed delivery location in accordance with the sales contract, and the sales are recognised after the customer has accepted the products and both parties have signed the goods delivery order. The Group adopts advance collection and note receivable for account settlement, and the transaction price does not have a significant financing component.

2.25 Government grants

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

Where the grants related to an expense item, it is recognised as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed. Where the grants related to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset on straight-line basis or deducted from the carrying amount of the asset and released to the statement of comprehensive income by way of a reduced depreciation charge.

2.26 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains on these assets.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Earnings per share

To calculate earnings per share, the weighted average number of ordinary shares in issue before the conversion into a joint stock company was determined assuming the paid-in capital had been fully converted into share capital at the same conversion ratio of 1:1 as upon conversion into joint stock company.

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.28 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Leases (continued)

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

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are subject to impairment.

Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months. Low-value assets comprise IT equipment and small items of office furniture.

2.30 Financial liabilities at fair value through profit or loss

Financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial liability, such as fees and commissions. Transaction costs of financial liabilities carried at fair value through profit or loss are expensed in the statements of comprehensive loss.

Financial liabilities at fair value through profit or loss includes derivatives and financial liabilities designated as fair value through profit or loss. The Group shall present a gain or loss on those financial liabilities designated as at fair value through profit or loss as follows: the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, and the remaining amount of change in the fair value of the liability shall be presented in profit or loss unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

The financial liability is derecognised when the obligation under the liability is discharged 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.

During the year end 31 December 2022, no amount is recognised in respect of financial liabilities at fair value through other comprehensive income (2021: nil).

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures. The Group does not hedge against any fluctuation in foreign currency during the reporting period. The Group's subsidiaries in the PRC are exposed to foreign exchange risk arising from recognised financial assets and liabilities denominated in United States dollars ("**USD**").

As at 31 December 2022, if USD strengthened/weakened by 5% against RMB with all other variables held constant, the loss before income tax for the year would have been approximately RMB146,000 lower/higher (2021: RMB2,271,000 lower/higher), mainly as a result of foreign exchange gain or loss on translation of USD denominated cash and cash equivalents.

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. Generally, the Group enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. For the years ended 31 December 2022 and 2021, the Group has no interest rate swap arrangements.

A 10 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 10 basis points higher and all other variables were held constant, the Group's loss before income tax the year ended 31 December 2022 would approximately increase by RMB320,000 (2021: RMB252,000).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

(i) Risk management

Credit risk is managed on a group basis.

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents, term deposits with initial terms of over three months, notes receivables, as well as other receivables and deposits. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage credit risk, cash and cash equivalents and term deposits with initial terms of over three months are mainly placed with state-owned or reputable financial institutions in the PRC and reputable financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions. Thus, the directors of the Company were of the view the credit risk related to cash and cash equivalents and term deposits with initial terms of over three months was insignificant.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected loss model:

- Notes receivables carried at amortised cost, and
- other receivables and deposits.

While cash and cash equivalents and term deposits with initial terms of over three months are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Notes receivables

Notes receivables are issued mainly by listed commercial banks whose risks of non-acceptance are quite low. The directors of the Company do not expect any significant losses from non-performance by the counterparties of notes receivables. Thus, no loss allowance provision for notes receivables was recognised.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other receivables and deposits

The Group considers the probability of default upon initial recognition of other receivables and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default on other receivables as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtors;
- significant increases in credit risk on other financial instruments of the same debtors; or
- significant changes in the expected performance and behaviour of the debtors, including changes in the payments status of debtors, etc.

For the other receivables and deposits, management applies 3-stages model to assess the expected credit loss. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

In view of the history of cooperation with the debtors and collection from them, the management of the Group believes that the credit risk inherent in the Group's outstanding other receivables is not significant. The expected credit loss rate of other receivables as at the 31 December 2022 was approximately 3.21% (31 December 2021: 2.29%).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other receivables and deposits (continued)

The loss allowance for other receivables and deposits as at 31 December 2022 and 2021 reconciles to the opening loss allowance as follows:

	Other receivables and deposits RMB'000
Opening loss allowance as at 1 January 2021	664
Decrease in the allowance recognised in profit or loss during the year	(266)
Closing loss allowance as at 31 December 2021	398
Opening loss allowance as at 1 January 2022	**398**
Increase in the allowance recognised in profit or loss during the year	**140**
Closing loss allowance as at 31 December 2022	**538**

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity Risk

The Group aims to maintain sufficient cash and cash equivalents to meet operating capital requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2022					
Borrowings	**378,384**	**51,398**	**268,920**	**–**	**698,702**
Trade payables	**166,129**	**–**	**–**	**–**	**166,129**
Other payables and accruals (excluding non-financial liabilities)	**250,019**	**–**	**–**	**–**	**250,019**
Lease liabilities	**31,032**	**3,168**	**–**	**–**	**34,200**
	825,564	**54,566**	**268,920**	**–**	**1,149,050**
At 31 December 2021					
Borrowings	72,383	39,829	194,155	22,913	329,280
Trade payables	158,818	–	–	–	158,818
Other payables and accruals (excluding non-financial liabilities)	280,957	–	–	–	280,957
Lease liabilities	20,370	15,671	4,419	–	40,460
	532,528	55,500	198,574	22,913	809,515

Variable consideration payable as described in Note 34 was recognised as financial liabilities at FVPL which are managed on a fair value basis and no contractual maturity date is applicable.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group monitors capital (including shares and borrowings) by regularly reviewing the capital structure. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital.

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

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2022 and 2021 was as follows:

	As at 31 December	
	2022	2021
The liability-to-asset ratio	**64%**	59%

There were no changes in the Group's approach to capital management during the reporting period.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

3.3 Fair value estimation

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

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments, and
- for other financial instruments – discounted cash flow analysis.

The following table presents the Group's assets and liabilities that were measured at fair value as at 31 December 2022 and 2021.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2022				
Financial liabilities				
Financial liabilities at fair value through profit or loss (Note 34)	**–**	**–**	**448,282**	**448,282**
At 31 December 2021				
Financial liabilities				
Financial liabilities at fair value through profit or loss (Note 34)	–	–	385,466	385,466

There were no transfers between levels 1 and 2 for recurring fair value measurements during the years ended 31 December 2022 and 2021.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(a) Financial assets at fair value through profit or loss in Level 3

The following table presents the changes in level 3 items for the years ended 31 December 2022 and 2021:

	Financial assets at fair value through profit or loss RMB'000
Opening balance as at 1 January 2021	330,657
Additions	1,129,000
Settlements	(1,464,610)
Gains recognised in profit or loss	4,953
Closing balance as at 31 December 2021	–
Net unrealised gains for the year	–
Opening balance as at 1 January 2022	**–**
Additions	**47,000**
Settlements	**(47,176)**
Gains recognised in profit or loss	**176**
Closing balance as at 31 December 2022	**–**
Net unrealised gains for the year	**–**

The Group entered into contracts in respect of structured deposits and wealth management products from banks with expected but not guaranteed rates of return for the year ended 31 December 2022 ranging from 1.35% to 3.46% (2021: 1.1%-3.40%). The Group managed and evaluated the performance of these investments on a fair value basis, in accordance with the Group's risk management and investment strategy and hence they are designated as financial assets at fair value through profit or loss.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(b) Financial liabilities at fair value through profit or loss in Level 3

Financial liabilities at fair value through profit or loss is the variable consideration payable arisen from acquisition of 40% equity interests of Taizhou Hanzhong Biotechnology Co., Ltd. ("**Taizhou Hanzhong**") from non-controlling interest.

As at 31 December 2022 and 2021, the fair value of variable consideration payable arisen from acquisition of 40% equity of Taizhou Hanzhong from non-controlling interests was determined by the management of the Company with reference to valuation reports issued by an independent qualified professional valuer. The Company used discounted cash flow method covering the forecasted periods ending 31 December 2029 to determine the fair value of the variable consideration payable. The management considers the length of forecast period is appropriate because it generally takes longer for a biopharma company to reach a perpetual growth mode, compared to companies in other industries, especially when recombinant humanized anti-PD-1 monoclonal antibody for injection ("PD-1") products are still under clinical trial and the market of such product is at an early stage of development with substantial growth potential. Hence, the management believes that a forecasted period longer than five years is feasible and consistent with industry practice. Key assumptions of valuation are as follows:

	As at 31 December	
	2022	2021
The first commercialisation year of PD-1 products	**Not applicable**	2022
Expected revenue growth rate during the forecast period from second year of commercialisation	**817%-6%**	390%-6%
Expected revenue growth rate beyond the forecast period	**3%-0%**	3%-0%
Expected market penetration rate	**0%-27%**	0%-19%
Expected success rate of commercialisation	**50%-100%**	47%-85%
Discount rate	**15.5%**	15.4%

Should the discount rate used in discounted cash flow method be higher/lower by one point of percentage from management's estimates, the estimated fair value of financial liabilities at fair value through profit or loss as at 31 December 2022 would have been approximately RMB35,258,000 lower/RMB40,525,000 higher (31 December 2021: RMB33,482,000 lower/RMB38,687,000 higher).

The changes and valuations of variable consideration payable arisen from acquisition of 40% equity of Taizhou Hanzhong from non-controlling interests for the years ended 31 December 2022 and 2021 are presented in Note 34.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Development expenditures

Development expenditures incurred on the Group's development activities, including conducting clinical trials and other activities related to regulatory filings for the Group's drug candidates, are capitalised as intangible assets only when meet the capitalisation criteria set out in Note 2.8(c). Development expenditures that do not meet these capitalisation criteria are recognised as research and development expenses. During the years ended 31 December 2022 and 2021, the Group's development expenditures incurred did not meet these capitalisation principles for any products and were expensed as incurred.

4.2 Goodwill impairment

The Group tests whether goodwill has suffered any impairment at balance sheet date. The recoverable amount of a cash generating unit ("**CGU**") is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow forecasts based on financial budgets approved by management covering the forecast period ending in 31 December 2029.

Cash flows beyond the forecast period is extrapolated using the growth rates as estimated by management by reference to certain internal and external market data. Details of key assumptions are disclosed in Note 17(b).

4.3 Fair value of financial liabilities at fair value through profit or loss

The Group has recognised the variable consideration payable arisen from acquisition of 40% interests of Taizhou Hanzhong from non-controlling interests during the years ended 31 December 2022 and 2021 as financial liabilities at FVPL as set out in Note 34.

The Group evaluates the fair value of the variable consideration payable periodically using the discounted cash flow method which key assumptions were adopted to determine the fair value of the variable consideration payable. Further details are disclosed in Note 3.3(b).

Management's estimates are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value to be recognised in the statements of comprehensive loss.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.4 Current and deferred income taxes

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises deferred income tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred income tax assets mainly involved management's judgments and estimations about the timing and the amount of taxable profits of the companies who had tax losses.

4.5 Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for its property, plant and equipment, and reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from property, plant and equipment. This estimate is based on the management's experience of the actual practice of similar nature and functions and normal terms in the PRC. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will adjust the depreciation charge where useful lives are estimated to change compared with previously estimated. Any change in these estimates may have a material impact on the results of the Group.

4.6 Share-based payments

The Group has adopted the ESOP in 2020. The fair value of the restricted shares granted to employees is determined by using back-solve method from the most recent transaction price of the Company's series B financing and equity allocation based on OPM model. The Group has to estimate the expected forfeiture rate at the end of reporting periods ("**Forfeiture Rate**") of the restricted shares granted in order to determine the amount of share-based payment expenses charged to the consolidated comprehensive loss. The Forfeiture Rate of the restricted shares awarded of the Group was assessed to be 22% as at 31 December 2021 and 23% as at 31 December 2022.

5 SEGMENT INFORMATION

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

During the year ended 31 December 2022, the Group is principally engaged in the sales of pharmaceutical products and research and development of new drugs. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in the PRC. Accordingly, the Group's results were primarily derived in the PRC during the reporting period.

6 REVENUE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue from sales of pharmaceutical products	**15,572**	–
Timing of revenue recognition		
– at a point in time	**15,572**	–

All revenues are generated in the PRC.

For the year ended 31 December 2022, revenue of approximately RMB2,466,000 (2021: Nil) was derived from a single external customer, which accounted for 15.84% (2021: Nil) of the Group's total revenue. Other than the aforementioned customer, the revenues derived from any of the remaining external customers were less than 10% of the Group's total revenue.

7 OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants	**9,990**	4,440
Investment income on financial assets at fair value through profit or loss	**176**	4,953
Rental and related income	**–**	1,127
Others	**1,118**	52
	11,284	10,572

8 EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Clinical trial expenses	**204,991**	339,472
Employee benefit expenses (Note 9)	**188,344**	256,211
Depreciation and amortisation	**95,446**	95,246
Pre-clinical study costs	**71,211**	136,784
Raw material and consumables used	**37,021**	51,139
Changes in inventories of finished goods	**(1,688)**	–
Listing expenses	**34,334**	31,277
Utilities	**5,461**	6,806
Professional services fees	**3,854**	2,117
Office expenses	**4,039**	5,282
Traveling and transportation expenses	**2,942**	5,499
Licensing fee	**1,091**	–
Business promotion expenses	**652**	–
Auditors' remuneration		
– Audit services	**2,300**	1,000
– Non-audit services	**–**	170
Others	**17,600**	17,518
Total cost of sales, selling and marketing expenses, administrative expenses, research and development expenses and other expenses	**667,598**	948,521

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**126,823**	115,121
Share-based payment expenses	**30,419**	113,506
Pension costs – defined contribution plans (a)	**12,835**	10,006
Other social security costs, housing benefits and other employee benefits	**18,267**	17,578
	188,344	256,211

(a) The employees of the Group in the PRC are members of state-managed pension scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme. The Group did not have any forfeited contribution for the years ended 31 December 2022 and 2021 in connection with the defined contribution plan operated by local governments.

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Employee benefit expenses were charged in the following categories in the consolidated statement of comprehensive loss:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Research and development expenses	**127,211**	168,406
Administrative expenses	**60,165**	87,805
Selling and marketing expenses	**968**	–
	188,344	256,211

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2021: one) director whose emoluments are reflected in the analysis shown in Note 39. The emoluments payable to the remaining three (2021: four) individuals during the year are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages and salaries	**5,652**	9,722
Bonuses	**1,573**	3,884
Pension costs – defined contribution plans (i)	**–**	–
Other social security costs, housing benefits and other employee benefits (i)	**–**	480
Share-based payment expenses	**8,900**	73,088
	16,125	87,174

(i) The remaining three (2021: four) highest paid individuals for the year were foreign senior managements, who are not entitled to the Group's defined contribution plans as well as other social security costs, housing benefits.

The remaining highest paid individuals fell within the following bands:

	Year ended 31 December	
	2022	2021
Emolument bands (in HK dollar)		
HK$4,500,001 – HK$5,000,000	**1**	–
HK$5,000,001 – HK$5,500,000	**1**	–
HK$8,500,001 – HK$9,000,000	**1**	–
HK$22,500,001 – HK$23,000,000	**–**	1
HK$24,000,001 – HK$24,500,000	**–**	1
HK$27,000,001 – HK$27,500,000	**–**	1
HK$30,500,001 – HK$31,000,000	**–**	1

10 FAIR VALUE CHANGES ON FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Fair value losses on financial liabilities at fair value through profit or loss – FVPL (Note 34)	**62,816**	76,285

11 OTHER (LOSSES)/GAINS, NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net gains on disposal of right-of-use assets	**608**	–
Net gains on disposal of investments in an associate (Note 18)	**–**	5,371
Expected credit (losses)/gains	**(140)**	266
Donation	**(1,393)**	(1,050)
Others	**1**	11
	(924)	4,598

12 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Bank interest income	**8,173**	4,143
Net exchange gain	**37,746**	–
Finance income	**45,919**	4,143
Interest on bank borrowings	**(20,357)**	(7,665)
Interest on lease liabilities (Note 16)	**(1,378)**	(2,183)
Bank charges and others	**(1,180)**	(577)
Net exchange loss	**–**	(2,408)
	(22,915)	(12,833)
Less: Amount capitalised (a)	**14,268**	7,152
Finance costs	**(8,647)**	(5,681)
Finance income/(costs), net	**37,272**	(1,538)

(a) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's borrowings during the year ended 31 December 2022 which was 4.13% (2021: 4.19%) per annum.

13 INCOME TAX EXPENSE

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Current income tax expense	**–**	–
Deferred income tax expense	**–**	–
Income tax expense	**–**	–

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

Shanghai Miracogen Inc. ("**Miracogen Shanghai**") is qualified as a High and New Technology Enterprise ("**HNTE**") under the relevant PRC laws and regulations on 18 November 2020. Accordingly, it was entitled to a preferential corporate income tax rate of 15% on its estimated assessable profits for the years ended 31 December 2020 to 2022.

Lepu (Beijing) Biopharma Co., Ltd. ("**Lepu Beijing**") is qualified as a HNTE under the relevant PRC laws and regulations on 25 October 2021. Accordingly, it was entitled to a preferential corporate income tax rate of 15% on its estimated assessable profits for the years ended 31 December 2021 to 2023.

The Company and the Company's other subsidiaries established and operated in Mainland China are subject to the PRC corporate income tax at the rate of 25%.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2018 onwards, enterprise engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year. Pursuant to the relevant tax regulations, effective from 2021 onwards, manufacturing enterprises are entitled to claim 200% of their research and development expenses incurred as tax deductible expenses. Pursuant to the relevant tax regulations, for enterprises that currently enjoy super deduction of 175% on qualified research and development expenses, the super deduction ratio can be increased to 200% during the period between 1 October 2022 and 31 December 2022.

A reconciliation of the expected income tax calculated at the applicable corporate income tax rate and loss before income tax, with the actual corporate income tax is as follow:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Loss before income tax	**(699,441)**	(1,028,869)
Tax calculated at statutory corporate income tax rates of 25%	**(174,860)**	(257,217)
Tax effect of:		
Impact of applying preferential tax rate	**36,542**	36,847
Super deduction for research and development expenses	**(39,456)**	(54,929)
Expenses not deductible for tax purpose	**23,180**	47,044
Impact on investments using equity method	**8,058**	3,081
Utilisation of unrecognised deductible temporary differences	**(12,394)**	–
Deductible temporary differences not recognised as deferred tax assets	**10,009**	28,176
Tax losses not recognised as deferred tax assets	**148,921**	196,998
Income tax expense	**–**	–

13 INCOME TAX EXPENSE (CONTINUED)

As at 31 December 2022, the Group had unused tax losses of approximately RMB2,661,779,000 (31 December 2021: RMB1,947,852,000) that can be carried forward against future taxable income. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future taxable income.

The unused tax losses of the Group were mainly from the subsidiaries incorporated in Mainland China, where the accumulated tax losses will normally expire within 5 years. Pursuant to the relevant regulations on extension for expiries of unused tax losses of HNTE and Small and Medium-sized Technological Enterprises issued in August 2018, the accumulated tax losses which did not expire from 2018 will have expiries extending from 5 years to 10 years from then on.

14 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year.

	Year ended 31 December	
	2022	2021
Loss for the year and attributable to owners of the Company (in RMB'000)	**(689,052)**	(1,010,996)
Weighted average number of ordinary shares in issue (in thousands)	**1,640,825**	1,520,350
Basic loss per share (in RMB)	**(0.42)**	(0.66)

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2022 and 2021, the Company had no potential ordinary share. Accordingly, diluted loss per share for the years ended 31 December 2022 and 2021 are the same as basic loss per share of the respective years.

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Equipment and instruments RMB'000	Office equipment and furniture RMB'000	Motor vehicles RMB'000	Leasehold improvements and Antibody purification resin RMB'000	Construction-in-progress RMB'000	Total RMB'000
At 1 January 2021							
Cost	–	157,257	17,662	951	89,400	386,978	652,248
Accumulated depreciation	–	(16,943)	(3,166)	(330)	(25,438)	–	(45,877)
Net book amount	–	140,314	14,496	621	63,962	386,978	606,371
Year ended 31 December 2021							
Opening net book amount	–	140,314	14,496	621	63,962	386,978	606,371
Additions	–	5,911	2,881	–	11,897	257,888	278,577
Transfer upon completion	–	10,398	–	–	1,118	(11,516)	–
Depreciation charge	–	(16,720)	(4,786)	(136)	(26,593)	–	(48,235)
Closing net book amount	–	139,903	12,591	485	50,384	633,350	836,713
At 31 December 2021							
Cost	–	173,566	20,543	951	102,415	633,350	930,825
Accumulated depreciation	–	(33,663)	(7,952)	(466)	(52,031)	–	(94,112)
Net book amount	–	139,903	12,591	485	50,384	633,350	836,713
At 1 January 2022							
Cost	–	173,566	20,543	951	102,415	633,350	930,825
Accumulated depreciation	–	(33,663)	(7,952)	(466)	(52,031)	–	(94,112)
Net book amount	–	139,903	12,591	485	50,384	633,350	836,713
Year ended 31 December 2022							
Opening net book amount	–	139,903	12,591	485	50,384	633,350	836,713
Additions	–	1,113	7,241	–	236	119,647	128,237
Transfer upon completion	45,551	42,746	–	–	3,059	(91,356)	–
Depreciation charge	(206)	(17,938)	(5,026)	(136)	(25,235)	–	(48,541)
Closing net book amount	45,345	165,824	14,806	349	28,444	661,641	916,409
At 31 December 2022							
Cost	45,551	217,425	27,784	951	105,710	661,641	1,059,062
Accumulated depreciation	(206)	(51,601)	(12,978)	(602)	(77,266)	–	(142,653)
Net book amount	45,345	165,824	14,806	349	28,444	661,641	916,409

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Depreciation of property, plant and equipment has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Administrative expenses	**16,669**	12,226
Research and development expenses	**31,872**	36,009
	48,541	48,235

(b) The addition in construction-in-progress for the year ended 31 December 2022 included the finance costs capitalised amounted to approximately RMB14,268,000 (2021: RMB7,152,000) (Note 12).

(c) As at 31 December 2022, certain plant under construction located in Shanghai ("**Shanghai Biological Park**") with the carrying amounts of approximately RMB585,260,000 (31 December 2021: RMB562,232,000) were pledged to bank as the security for the bank borrowings of RMB320,414,000 (31 December 2021: RMB252,469,000) (Note 30).

16 LEASES

	Land use rights RMB'000	Leased equipment RMB'000	Leased properties RMB'000	Total RMB'000
At 1 January 2021				
Cost	128,817	4,402	74,472	207,691
Accumulated depreciation	(10,515)	(4,402)	(29,108)	(44,025)
Net book amount	118,302	–	45,364	163,666
Year ended 31 December 2021				
Opening net book amount	118,302	–	45,364	163,666
Additions	–	–	1,200	1,200
Depreciation charge	(6,444)	–	(16,698)	(23,142)
Closing net book amount	111,858	–	29,866	141,724
At 31 December 2021				
Cost	128,817	4,402	75,672	208,891
Accumulated depreciation	(16,959)	(4,402)	(45,806)	(67,167)
Net book amount	111,858	–	29,866	141,724

16 LEASES (CONTINUED)

	Land use rights RMB'000	Leased equipment RMB'000	Leased properties RMB'000	Total RMB'000
At 1 January 2022				
Cost	**128,817**	**4,402**	**75,672**	**208,891**
Accumulated depreciation	**(16,959)**	**(4,402)**	**(45,806)**	**(67,167)**
Net book amount	**111,858**	**–**	**29,866**	**141,724**
Year ended 31 December 2022				
Opening net book amount	**111,858**	**–**	**29,866**	**141,724**
Additions	**–**	**–**	**7,283**	**7,283**
Disposals	**–**	**–**	**(3,638)**	**(3,638)**
Depreciation charge	**(6,444)**	**–**	**(16,263)**	**(22,707)**
Closing net book amount	**105,414**	**–**	**17,248**	**122,662**
At 31 December 2022				
Cost	**128,817**	**–**	**60,669**	**189,486**
Accumulated depreciation	**(23,403)**	**–**	**(43,421)**	**(66,824)**
Net book amount	**105,414**	**–**	**17,248**	**122,662**

Depreciation charges have been expensed in the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets		
– Land use rights (a)	**1,365**	1,365
– Leased properties	**16,263**	16,698
	17,628	18,063
Interest costs included in finance costs (Note 12)	**1,378**	2,183
Expenses relating to short-term leases (included in research and development expenses and administrative expenses)	**1,872**	642
Expenses relating to leases of low-value assets that shown above as short-term leases (included in research and development expenses and administrative expenses)	**464**	10

(a) For the year ended 31 December 2022, depreciation charge of land use rights approximately RMB5,079,000 (2021: RMB5,079,000) were capitalised into construction-in-progress.

(b) For the year ended 31 December 2022, the total cash outflow for leases was approximately RMB9,160,000 (2021: RMB17,118,000).

(c) As at 31 December 2022, land use rights with the carrying amounts of approximately RMB57,846,000 (31 December 2021: RMB61,559,000) were pledged to bank as the security for the bank borrowings of RMB320,414,000 (31 December 2021: RMB252,469,000) (Note 30).

17 INTANGIBLE ASSETS

	Goodwill RMB'000	Intellectual properties RMB'000	Total RMB'000
At 1 January 2021			
Cost	52,636	509,792	562,428
Accumulated amortisation	–	(64,506)	(64,506)
Net book amount	52,636	445,286	497,922
Year ended 31 December 2021			
Opening net book amount	52,636	445,286	497,922
Additions	–	6,116	6,116
Amortisation charge	–	(28,948)	(28,948)
Closing net book amount	52,636	422,454	475,090
At 31 December 2021			
Cost	52,636	515,908	568,544
Accumulated amortisation	–	(93,454)	(93,454)
Net book amount	52,636	422,454	475,090
At 1 January 2022			
Cost	**52,636**	**515,908**	**568,544**
Accumulated amortisation	**–**	**(93,454)**	**(93,454)**
Net book amount	**52,636**	**422,454**	**475,090**
Year ended 31 December 2022			
Opening net book amount	**52,636**	**422,454**	**475,090**
Additions	**–**	**5,000**	**5,000**
Amortisation charge	**–**	**(29,277)**	**(29,277)**
Closing net book amount	**52,636**	**398,177**	**450,813**
At 31 December 2022			
Cost	**52,636**	**520,908**	**573,544**
Accumulated amortisation	**–**	**(122,731)**	**(122,731)**
Net book amount	**52,636**	**398,177**	**450,813**

17 INTANGIBLE ASSETS (CONTINUED)

(a) Amortisation of intangible assets has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Research and development expenses	**29,277**	28,948

(b) Impairment assessment for goodwill

Goodwill of approximately RMB52,636,000 is resulted from the acquisition of Miracogen Shanghai from a third party during the year of 2018 which is principally engaged in the provision of research and development focusing on antibody drug conjugate ("**ADC**") related pipelines.

Goodwill is monitored by the management at level of the CGU of Miracogen Shanghai.

The management has involved an independent qualified valuer to perform goodwill impairment assessment to assess the "value-in-use" (determined by management as the recoverable amount) of the CGU as at 31 December 2022 and 2021 by using the discounted cash flow model.

These calculations use pre-tax cash flow forecast based on financial budgets prepared by management covering the forecast period ending 31 December 2029. The management considers the length of forecast period is appropriate because it generally takes longer for a biopharma company to reach a perpetual growth mode, compared to companies in other industries, especially when ADC related products are still under clinical trial and the market of such product is at an early stage of development with substantial growth potential. Hence, the management believes that a forecasted period for CGU of Miracogen Shanghai longer than five years is feasible and consistent with industry practice. Key assumptions are disclosed as below:

	As at 31 December	
	2022	2021
The first commercialisation year of ADC related pipelines	**2024**	2023
Expected revenue growth rate during the forecast period from second year of commercialisation	**422%-14%**	1,132%-8%
Expected revenue growth rate beyond the forecast period	**8%-0%**	4%-0%
Expected market penetration rate	**0%-26%**	0%-18%
Expected success rate of commercialisation	**8%-50%**	14%-35%
Pre-tax discount rate	**16.7%**	17.1%

17 INTANGIBLE ASSETS (CONTINUED)

(b) Impairment assessment for goodwill (continued)

Management has determined the values assigned to certain key assumptions abovementioned as follows:

Assumption	Approach used to determine values
Revenue growth rate	Revenue growth rate covering forecast period ending 31 December 2029 were estimated based on management's expectations of market development and industry data from industry research report issued by a third-party consultation report.
Market penetration rate	Based on the expected selling conditions considering the features of marketing and technology development.
Success rate commercialisation	By reference to practice of biopharmaceutical industries, development of technology and related regulations from administrations.
Pre-tax discount rate	Reflect specific risks relating to the operation of the business in the PRC.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the CGU far exceeded its carrying amount and the headroom as at 31 December 2022 was approximately RMB4,157,200,000 (31 December 2021: RMB2,687,899,000).

The management performed the sensitivity analysis based on the abovementioned key assumptions have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Expected revenue growth rate from second commercialisation year during the forecast period decreased by 5%	**4,111,832**	2,478,749
Expected revenue growth rate beyond the forecast period decreased by 3%	**4,447,616**	2,681,101
Expected market penetration rate decreased by 5%	**4,217,172**	2,529,226
Expected success rate of commercialisation decreased by 5%	**4,217,172**	2,529,226
Pre-tax discount rate increased by 1%	**4,292,880**	2,646,594

The management believes that any reasonable possible change in any of the key assumptions would not cause the carrying amounts of the CGU to exceed its recoverable amount.

The management of the Company concluded that no provision for impairment on the goodwill has to be recognised as at 31 December 2022 and 2021.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At beginning of the year	**137,971**	160,294
Additions	**–**	1
Disposals	**–**	(4,629)
Share of loss of investments	**(32,231)**	(24,989)
Others *(Note i)*	**16,652**	7,294
At ending of the year	**122,392**	137,971

Set out below are the associates of the Group as at 31 December 2022. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Principal activities
		2022	2021			
Wuhan Binhui Biological Technology Co., Ltd. ("**Wuhan Binhui**") (武漢濱會生物科技股份有限公司)	The PRC	**20.03%**	20.03%	Associate	Equity method	Research and development of biomedicine
Hangzhou HealSun Biotechnology Co., Ltd. ("**Hangzhou HealSun**") (杭州皓陽生物技術有限公司)	The PRC	**23.16% (Note i)**	26.37% (Note i)	Associate	Equity method	Technological development of biotechnology
KYM Biosciences Inc. ("**KYM**")	The United States	**30%**	30%	Associate	Equity method	Technological development of biotechnology

(i) During the year ended 31 December 2021 and 2022, Hangzhou HealSun has completed new financing activity by issuing share capital to certain and new investors, the percentage of share of interests held by the Company in Hangzhou HealSun was diluted from 30.00 % to 26.37% and 23.16%, respectively.

(ii) As at 9 October 2021, the Company has entered into an equity transfer agreement with an independent third party (the "**Buyer**"), pursuant to which the Company has agreed to transfer and the Buyer has agreed to purchase all equity interest of Hangzhou Xiyuan Biotechnology Co., Ltd. ("**Hangzhou Xiyuan**") held by the Company in a cash consideration of RMB10,000,000. The transaction has been completed at the end of October 2021. The difference between the consideration and the carrying amounts of the investment in Hangzhou Xiyuan of RMB5,371,000 were credit to profit and loss.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

The associates of the Group have been accounted by using the equity method based on the financial information of the associates prepared under the accounting policies consistent with the Group.

All associates are engaged in biotechnology industry and at early stage of development or pre-clinical. Management performed periodically review of their business performance, including development progress of pipelines, the plan of business as well as subsequent financing, and no impairment indicator was noted as at 31 December 2022 and 2021.

(a) Summarised financial information for associates

The tables below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Company's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarised balance sheet

	Wuhan Binhui As at 31 December		Hangzhou HealSun As at 31 December	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current assets	**701,125**	774,331	**184,891**	59,515
– Cash and cash equivalents	**620,242**	237,207	**100,919**	15,728
Non-current assets	**402,181**	359,098	**188,720**	152,278
Total assets	**1,103,306**	1,133,429	**373,611**	211,793
Current liabilities	**960,963**	833,304	**53,384**	25,804
Non-current liabilities	**2,400**	53	**22,477**	5,434
Total liabilities	**963,363**	833,357	**75,861**	31,238
Non-controlling interests	**5,180**	5,782	**–**	–
Equity attribute to owners of the company	**134,762**	294,290	**297,750**	180,555
Total equity	**139,942**	300,072	**297,750**	180,555
Share of net assets	**26,999**	58,946	**68,951**	47,612
Goodwill	**7,165**	7,165	**19,361**	22,051
Others	**–**	–	**(84)**	2,197
Carrying amount	**34,164**	66,111	**88,228**	71,860

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Summarised financial information for associates (continued)

Summarised statements of comprehensive income

	Wuhan Binhui Year ended 31 December		Hangzhou HealSun Year ended 31 December	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Revenue	**493**	2,754	**97,820**	92,128
Cost of sales	**(212)**	(146)	**(75,477)**	(51,510)
Selling expenses	**–**	–	**(2,747)**	(2,381)
Administrative expenses	**(16,252)**	(33,325)	**(11,774)**	(9,405)
Research and development expenses	**(93,438)**	(72,982)	**(10,506)**	(12,490)
Finance costs, net	**(53,872)**	(48,837)	**(925)**	(155)
Other income	**2,924**	11,469	**3,135**	–
Other gains, net	**297**	2,234	**372**	1,306
Income tax expense	**–**	–	**(1,373)**	(1,158)
(Loss)/profit for the year	**(160,060)**	(138,833)	**(1,475)**	16,335
Other comprehensive income	**–**	–	**–**	–
Total comprehensive (loss)/income	**(160,060)**	(138,833)	**(1,475)**	16,335

19 INVENTORIES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Raw materials	**22,373**	24,184
Finished goods	**1,688**	–
	24,061	24,184

The cost of inventories recognised as expense and included in 'cost of sales', 'research and development expenses' and 'other expenses' amounted to approximately RMB914,000, RMB34,235,000 and RMB184,000 (2021: nil, RMB51,139,000 and nil), respectively.

20 NOTES RECEIVABLES

As of 31 December 2022, notes receivables amounted to RMB3,040,000 (31 December 2021: nil) were all bank acceptance notes with maturity date within 6 months.

The Group's notes receivables' contractual cash flow was solely principal and interest. The Group's business model is achieved by collecting contractual cash flows. As a result, the Group's notes receivables are classified as financial assets measured at amortised cost.

21 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Value added tax recoverable	**49,882**	87,016
Deposits	**16,694**	16,899
Interest receivables	**–**	471
Prepayments for:		
– property, plant and equipment	**69,104**	81,561
– clinical trial and CMC expenses	**81,618**	73,344
Prepayments for listing expenses	**3,579**	2,296
Others	**59**	22
	220,936	261,609
Less: loss allowance for other receivables and deposits	**(538)**	(398)
	220,398	261,211
Less: non-current portion (a)	**(104,095)**	(176,431)
Current portion	**116,303**	84,780

(a) The non-current portion of other receivables, prepayments and deposits include prepayments to suppliers for property, plant and equipment, value added tax recoverable that could not be utilised in the coming 12 months, and deposits as guarantee of land use rights are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current assets		
Value added tax recoverable	**27,044**	87,016
Prepayments for property, plant and equipment	**69,104**	81,561
Deposits	**7,947**	7,854
	104,095	176,431

22 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cash at bank	**669,397**	155,168

Cash and cash equivalents which are denominated in the following currencies are as follow:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	**665,916**	109,743
USD	**2,833**	45,425
HKD	**648**	–
	669,397	155,168

23 TERM DEPOSITS WITH INITIAL TERMS OVER THREE MONTHS

The term deposits are all denominated in RMB.

The carrying amounts of term deposits with initial terms over three months approximated their fair values as at 31 December 2021 due to the short maturity, which is pledged as security for the bank borrowings (Note 30).

24 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Financial Assets		
Financial assets at amortised cost		
– Other receivables, prepayments and deposits excluding non-financial assets	**16,215**	16,994
– Cash and cash equivalents	**669,397**	155,168
– Term deposits with the initial terms over three months	**–**	50,000
– Notes receivables	**3,040**	–
	688,652	222,162
Financial Liabilities		
Financial liabilities at amortised cost		
– Borrowings	**650,045**	292,878
– Trade payables	**166,129**	158,818
– Other payables and accruals excluding non-financial liabilities	**250,019**	280,957
– Lease liabilities	**33,520**	38,265
Financial liabilities at fair value through profit or loss		
– FVPL	**448,282**	385,466
	1,547,995	1,156,384

25 SHARE CAPITAL

	Number of shares	**Nominal value of shares RMB'000**
Authorised issued and fully paid		
At 1 January 2022	**1,531,669,838**	**1,531,670**
Issuance of ordinary shares upon global offering (a)	**126,876,000**	**126,876**
Exercise of over-allotment option (b)	**899,000**	**899**
At 31 December 2022	**1,659,444,838**	**1,659,445**
At 1 January 2021	1,492,692,648	1,492,693
Issue of ordinary shares to series C investors (c)	38,977,190	38,977
At 31 December 2021	1,531,669,838	1,531,670

25 SHARE CAPITAL (CONTINUED)

(a) On 23 February 2022, the Company has completed a global offering of 126,876,000 H Shares of par value of RMB1.00 each at the price of HK$7.13 per H Share.

(b) On 22 March 2022, the Company issued additional 899,000 new H Shares upon the exercises of over-allotment of the global offering at the price of HK$7.13 per H Share.

Share issuance costs related to the global offering mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other costs. Incremental costs that are directly attributable to the issue of the new shares amounting to approximately RMB33,287,000 was treated as a deduction against the share premium arising from the issuance.

(c) On 8 April 2021, the Company entered into investment agreement with Vivo Capital Fund IX, L.P. ("**Vivo Capital**") and Shanghai Biomedical Industrial Equity Investment Fund Partnership (Limited Partnership) ("**Shanghai Biomedical**"), pursuant to which Vivo Capital and Shanghai Biomedical subscribed 24,360,744 and 14,616,446 shares of the Company respectively, with consideration of RMB163,200,000 and RMB97,920,000, respectively. The issuance cost to be paid is approximately RMB423,000. The par value of the shares under subscription is approximately RMB38,977,000, and the difference with the total consideration after deducting insurance cost of approximately RMB221,720,000 is charged to share premium. The issuance of shares was completed on 17 April 2021.

26 RESERVES

	Share premium RMB'000	Capital reserves RMB'000	Share-based payment reserves RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 1 January 2021	1,619,960	(401,514)	5,222	(611,408)	612,260
Issuance of shares to series C investors (Note 25(c))	221,720	–	–	–	221,720
Share-based payments (Note 27)	–	–	113,475	–	113,475
Currency translation differences	–	–	–	27	27
Balance at 31 December 2021	1,841,680	(401,514)	118,697	(611,381)	947,482
Balance at 1 January 2022	**1,841,680**	**(401,514)**	**118,697**	**(611,381)**	**947,482**
Issuance of ordinary shares upon global offering (Note 25(a) and Note 25(b))	**578,165**	**–**	**–**	**–**	**578,165**
Share-based payments (Note 27)	**–**	**–**	**30,399**	**–**	**30,399**
Currency translation differences	**–**	**–**	**–**	**109**	**109**
Others	**–**	**–**	**–**	**16,652**	**16,652**
Balance at 31 December 2022	**2,419,845**	**(401,514)**	**149,096**	**(594,620)**	**1,572,807**

27 SHARE-BASED PAYMENTS

Huarui Zongheng (Beijing) Technology Co., Ltd. (華瑞縱橫(北京)科技有限公司), Shanghai Zupai Technology Partnership (Limited Partnership) (上海築湃科技合夥企業(有限合夥)), Shanghai Zulin Technology Partnership (Limited Partnership)(上海築麟科技合夥企業(有限合夥)), Shanghai Renhong Technology Partnership (Limited Partnership) (上海韌宏科技合夥企業(有限合夥)) and Shanghai Progeun Technology Co., Ltd. (上海芃槿科技有限責任公司) (collectively referred to as the "**Vehicles**") were all incorporated in the PRC under the Company Law of the PRC as a vehicle to hold the ordinary shares for the Company's employees under the ESOP of 2020.

As the Company did not have power to govern the relevant activities of the Vehicles nor repurchase or settlement obligations but only derive benefits from the contributions of the eligible employees who are awarded with the shares under the ESOP, the directors of the Company consider not to consolidate the Vehicles. No statutory financial statements had been prepared by the Vehicles during the reporting period.

(a) ESOP

On 7 December 2020, 151 eligible employees (the "**Grantees**") were granted 45,149,702 shares of the Company at a consideration of RMB1.00 per share which are vested when Grantees complete a contractual term of service with the authorization from the Board of Directors of the Company to acquire their long-term service in future.

Such plan grants under the plan vest over a period of four years of continuous service, with one-fourth (1/4) vesting upon each anniversary date of the stated vesting commencement date.

Set out below are the movement in the number of awarded restricted shares under the ESOP:

	Number of awarded restricted shares
At 1 January 2021	45,149,702
Vested during the year	(19,842,185)
Forfeited during the year	(575,961)
At 31 December 2021	24,731,556
At 1 January 2022	**24,731,556**
Vested during the year	**(7,178,325)**
Forfeited during the year	**(3,196,581)**
At 31 December 2022	**14,356,650**

27 SHARE-BASED PAYMENTS (CONTINUED)

(b) Modification of the ESOP

In April 2021, as a reward for certain senior managements' service, the Group has entered into supplemental agreements with those senior managements to modify key terms under the original ESOP. As a result, the restriction of service conditions of 11,262,500 shares granted to those senior managements on 7 December 2020 were cancelled, and period of continuous service of 3,000,000 shares granted to a certain senior management has been shortened. Expenses related to vesting of restricted share and true up of shortened service condition restriction aforementioned amounted to approximately RMB45,202,000 were recognised immediately upon modification.

(c) Expenses arising from share-based payment transactions

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Administrative expenses	**17,460**	39,942
Research and development expenses	**12,959**	73,564
	30,419	113,506

28 TRADE PAYABLES

The aging analysis of the trade payables based on their respective invoice dates are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Less than 1 year	**165,642**	157,731
Between 1 and 2 years	**487**	1,087
	166,129	158,818

Trade payables are unsecured and are usually paid within 30 days from the date of initial recognition.

The carrying amounts of trade payables are considered to be the same as their fair values, due to their short-term nature.

The trade payables are all denominated in RMB.

29 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Fixed payables for acquisition/investments (a)	**140,000**	150,000
Variable payables for acquisition/investments ((a) and Note 34)	**6,495**	1,179
Payables for purchase of property, plant and equipment	**97,008**	111,026
Payroll and welfare payables	**29,902**	22,971
Leases payables	**6,739**	4,120
Payables for professional fees	**2,607**	651
Other taxes and surcharges payables	**1,507**	1,936
Deposits from suppliers	**755**	650
Payables for listing expenses	**–**	12,665
Deferred government grants	**–**	4,000
Payables for interests	**–**	342
Others	**2,229**	1,503
	287,242	311,043

(a) On 29 September 2019, the Group entered into an equity purchase agreement with Hangzhou HanX Biomedical Co., Ltd. ("**HanX**") to acquire 40% equity interests of Taizhou Hanzhong held by HanX at (i) the fixed consideration of RMB350,000,000; and (ii) the variable consideration payable of 4.375% of the annual net sales revenue of PD-1 products which will be settled annually after the PD-1 products launched into the market.

30 BORROWINGS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Current		
Bank borrowings, non-secured	**329,631**	40,409
Bank borrowings, secured (a)	**30,357**	20,000
Non-current		
Bank borrowings, secured (a)	**290,057**	232,469
	650,045	292,878

As at 31 December 2022 and 2021, the Group's borrowings were repayable as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 1 year	**359,988**	60,409
Between 1 and 2 years	**40,000**	30,000
Between 2 and 5 years	**250,057**	180,000
Over 5 years	**–**	22,469
	650,045	292,878

30 BORROWINGS (CONTINUED)

(a) The Group has pledged its land use rights and construction-in-progress with carrying amounts of approximately RMB57,846,000 and RMB585,260,000 respectively to bank as the security for the bank borrowings of RMB320,414,000 as at 31 December 2022. The borrowings bear interests at float rate range from 4.00% to 4.20% per annum. Interest is payable quarterly. The principals for the borrowings are payable in batches from 20 June 2022 to 1 September 2027.

The Group has pledged its land use rights, construction-in-progress and term deposits with carrying amounts of approximately RMB61,559,000, RMB562,232,000 and RMB50,000,000 respectively to bank as the security for the bank borrowings of RMB252,469,000 as at 31 December 2021. The borrowings bear interests at float rate range from 4.15% to 4.20% per annum. Interest is payable quarterly. The principals for the borrowings are payable in batches from 20 June 2022 to 1 September 2027.

Dr. Pu Zhongjie, the Controlling Shareholder, has been the guarantor of the Group's aforementioned secured bank borrowings with irrevocable joint guarantee liabilities. The guarantee period is 2 years from the expiration date of the obligation period agreed in the borrowing contracts. Such guarantee was released on 25 April 2021.

The fair value of borrowings approximated their carrying amounts as at 31 December 2022 and 2021 as the borrowings carried interests which were benchmarked against rates announced by the People's Bank of China from time to time.

31 LEASE LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Minimum lease payments due		
– Within 1 year	**31,032**	20,370
– Between 1 and 2 years	**3,168**	15,671
– Between 2 and 5 years	**–**	4,419
	34,200	40,460
Less: future finance charges	**(680)**	(2,195)
Present value of lease liabilities	**33,520**	38,265
Portion classified as current liabilities	**30,427**	18,787
Portion classified as non-current liabilities	**3,093**	19,478
The present value of lease liabilities is as follows:		
– Within 1 year	**30,427**	18,787
– Between 1 and 2 years	**3,093**	15,183
– Between 2 and 5 years	**–**	4,295
	33,520	38,265

32 DEFERRED GOVERNMENT GRANTS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants		
Asset-related grants (a)	**12,000**	12,000
To be realised after more than 12 months	**12,000**	12,000

(a) The asset-related grants are subsidies received from the government for compensating the Group's project of Shanghai Biological Park for high-efficiency monoclonal antibody drug production. As at 31 December 2022 and 2021, the project is still under construction and was not completely ready for use.

33 DEFERRED INCOME TAX

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates at which are expected to be applied at the time of reversal of the temporary differences.

The deferred income tax assets and liabilities are mainly due from the acquisition of subsidiaries, and the amount of offsetting deferred income tax assets and liabilities as at 31 December 2022 is RMB22,335,000 (31 December 2021: RMB25,046,000).

The analysis of deferred income tax assets and liabilities before offsetting is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**17,816**	22,335
– Deferred income tax assets to be recovered within 12 months	**4,519**	2,711
	22,335	25,046
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(55,503)**	(60,022)
– Deferred income tax liabilities to be settled within 12 months	**(4,519)**	(2,711)
	(60,022)	(62,733)
Deferred income tax liabilities – net	**(37,687)**	(37,687)

33 DEFERRED INCOME TAX (CONTINUED)

(a) Deferred tax assets

	Tax losses RMB'000
At 1 January 2021	27,760
Charged to consolidated statements of comprehensive loss	(2,714)
At 31 December 2021	25,046
At 1 January 2022	**25,046**
Charged to consolidated statements of comprehensive loss	**(2,711)**
At 31 December 2022	**22,335**

(b) Deferred tax liabilities

	Property, plant and equipment acquired in business combination RMB'000	Intangible assets acquired in business combination RMB'000	Total RMB'000
At 1 January 2021	(169)	(65,278)	(65,447)
Credited to consolidated statements of comprehensive loss	18	2,696	2,714
At 31 December 2021	(151)	(62,582)	(62,733)
At 1 January 2022	**(151)**	**(62,582)**	**(62,733)**
Credited to consolidated statements of comprehensive loss	**15**	**2,696**	**2,711**
At 31 December 2022	**(136)**	**(59,886)**	**(60,022)**

34 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Variable consideration payable arisen from acquisition of 40% equity of Taizhou Hanzhong from non-controlling interests (Note 29(a))	**448,282**	385,466
Less: current portion	**(6,495)**	(1,179)
Non-current portion	**441,787**	384,287

As described in Note 29(a), the fair value of variable consideration payable as at 31 December 2022 and 2021 was determined by an independent valuer (Note 3.3(b)). And the changes in fair value was recognised in the consolidated statements of comprehensive loss.

As at 31 December 2022, the current portion of variable consideration payable consisted of 4.375% of actual net sales of PD-1 products in 2022 accounting to approximately RMB681,000 and 4.375% of estimated net sales of PD-1 products in 2023 accounting to approximately RMB5,814,000.

The movements of financial liabilities at fair value through profit or loss for the years ended 31 December 2022 and 2021 are set out below:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Opening balance	**385,466**	309,181
Change in fair value (Note 10)	**62,816**	76,285
Closing balance	**448,282**	385,466

35 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before income tax	**(699,441)**	(1,028,869)
Adjustments for:		
– Expected credit losses/(gains)	**140**	(266)
– Depreciation of property, plant and equipment	**48,541**	48,235
– Amortisation of intangible assets	**29,277**	28,948
– Depreciation of right-of-use assets	**17,628**	18,063
– Share-based payments	**30,419**	113,506
– Gains on disposal of right-of-use assets	**(608)**	–
– Change in fair value of financial liabilities at fair value through profit or loss	**62,816**	76,285
– Finance (income)/costs, net	**(38,452)**	961
– Investment income on financial assets at fair value through profit or loss	**(176)**	(4,953)
– Gain on disposal of investment in an associate	**–**	(5,371)
– Share of loss of investments accounted for using the equity method	**32,231**	17,695
Operating cash flows before movements in working capital	**(517,625)**	(735,766)
Decrease/(increase) in inventories	**123**	(4,615)
Decrease/(increase) in other receivables, prepayments and deposits	**25,988**	(20,366)
Increase in trade payables and other payables and accruals	**2,554**	134,558
Cash used in operations	**(488,960)**	(626,189)

(b) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- Capitalisation of depreciation charge of land use rights – Note 16(a)
- Dilution of the ownership interest – Note 17.

35 CASH FLOW INFORMATION (CONTINUED)

(c) Net Debt Reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash and cash equivalents	**669,397**	155,168
Term deposits with initial terms over three months	**–**	50,000
Financial liabilities at fair value through profit or loss	**(448,282)**	(385,466)
Borrowing	**(650,045)**	(292,878)
Lease liabilities	**(33,520)**	(38,265)
Net debt	**(462,450)**	(511,441)
Cash and liquid investments	**669,397**	205,168
Gross debt – fixed interest rates	**(254,828)**	(78,674)
Gross debt – variable interest rates	**(877,019)**	(637,935)
Net debt	**(462,450)**	(511,441)

	Cash and cash equivalents RMB'000	Term deposits with initial terms over three months RMB'000	Financial assets at fair value through profit or loss RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Net debt as at 1 January 2021	402,867	20,000	330,657	(309,181)	(147,266)	(52,000)	245,077
Cash flows	(245,318)	30,000	(330,657)	–	(145,612)	17,118	(674,469)
Addition-leases	–	–	–	–	–	(1,200)	(1,200)
Non-cash movements	(2,381)	–	–	(76,285)	–	(2,183)	(80,849)
Net debt as at 31 December 2021	155,168	50,000	–	(385,466)	(292,878)	(38,265)	(511,441)
Cash flows	**476,374**	**(50,612)**	**(176)**	**–**	**(356,484)**	**9,160**	**78,262**
Addition-leases	**–**	**–**	**–**	**–**	**–**	**(7,283)**	**(7,283)**
Non-cash movements	**37,855**	**612**	**176**	**(62,816)**	**(683)**	**2,868**	**(21,988)**
Net debt as at 31 December 2022	**669,397**	**–**	**–**	**(448,282)**	**(650,045)**	**(33,520)**	**(462,450)**

36 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at end of year but not yet incurred is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Property, plant and equipment	**482,003**	164,689

The Group entered into licensing agreements with certain collaboration parties. As at 31 December 2022, the possible contractual milestone obligation payments are approximately RMB516,146,000 (31 December 2021: RMB481,984,000), such possible obligation will be confirmed only by the occurrence of specific uncertain future events during the Group's long-term collaboration with such collaboration parties.

(b) Operating lease commitments

At end of the reporting period, the Group's commitments for future minimum lease payments under non-cancellable short-term leases as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
No later than 1 year	**648**	710

37 SUBSIDIARIES

The Group's principal subsidiaries as at 31 December 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of subsidiaries	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2022	2021	2022	2021
Miracogen Shanghai (上海美雅珂生物技術有限責任公司)	The PRC, limited liability company	Research and development focusing on ADC related pipelines in the PRC	RMB99,371,981	100%	100%	–	–
Taizhou Hanzhong (泰州翰中生物醫藥有限公司)	The PRC, limited liability company	Research and development focusing on PD-1 related pipelines in the PRC	RMB7,692,308	91%	91%	9%	9%
Taizhou Houde Aoke Technology Co., Ltd. ("Taizhou Aoke") (泰州厚德奧科科技有限公司)	The PRC, limited liability company	Research and development focusing on PD-L1 related pipelines in the PRC	RMB262,000,000	70%	70%	30%	30%
CtM Bio Co., Ltd. ("CtM Bio") (樂普創一生物科技(上海)有限公司)	The PRC, limited liability company	Discovery of new drug candidates in the PRC	RMB30,000,000	70%	70%	30%	30%
Lepu Beijing (樂普(北京)生物科技有限公司)	The PRC, limited liability company	Operation of manufacturing site in Beijing, the PRC	RMB100,000,000	100%	100%	–	–
Innocube Limited	The British Virgin Islands, limited liability company	Investment holdings in the British Virgin Islands	USD50,000	100%	100%	–	–
Shanghai Lepu Biopharma Investment Co., Ltd. ("Lepu Shanghai") (上海樂普生物投資有限公司)	The PRC, limited liability company	Investment holdings in the PRC	RMB50,000,000	100%	100%	–	–
Lepu Hangjia (Shanghai) Venture Capital Co., Ltd. ("Lepu Hangjia") (樂普航嘉(上海)創業孵化器管理有限公司)	The PRC, limited liability company	Business incubator management in the PRC	RMB50,000,000	100%	100%	–	–
Innocube Biosciences Inc.	The United States, limited liability company	Platform for clinical development overseas in the United States	USD10,000	100%	100%	–	–
CtM Bio (Nanjing) Co., Ltd. (樂普創一生物科技(南京)有限公司)	The PRC, limited liability company	Discovery of new drug candidates in the PRC	RMB3,000,000	70%	N/A	30%	N/A

37 SUBSIDIARIES (CONTINUED)

(a) Non-controlling interests ("NCI")

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet

	Taizhou Hanzhong As at 31 December		Taizhou Aoke As at 31 December		CtM Bio As at 31 December	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current assets	**14,637**	24,842	**92,371**	106,029	**6,555**	1,348
Current liabilities	**(406,451)**	(349,879)	**(105,678)**	(73,772)	**(141,025)**	(68,996)
Net current (liabilities)/assets	**(391,814)**	(325,037)	**(13,307)**	32,257	**(134,470)**	(67,648)
Non-current assets	**116,965**	122,383	**4,615**	2,308	**15,484**	7,298
Non-current liabilities	**–**	–	**–**	–	**–**	(132)
Net non-current assets	**116,965**	122,383	**4,615**	2,308	**15,484**	7,166
Net (liabilities)/assets	**(274,849)**	(202,654)	**(8,692)**	34,565	**(118,986)**	(60,482)
Accumulated NCI	**–**	–	**–**	10,369	**–**	–

Summarised statements of comprehensive loss

	Taizhou Hanzhong Year ended 31 December		Taizhou Aoke Year ended 31 December		CtM Bio Year ended 31 December	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Other income	**301**	301	**304**	2,030	**3,570**	47
loss for the year	**(72,221)**	(154,733)	**(43,256)**	(44,905)	**(58,564)**	(75,145)
Other comprehensive income	**–**	–	**–**	–	**–**	–
Total comprehensive loss	**(72,221)**	(154,733)	**(43,256)**	(44,905)	**(58,564)**	(75,145)
Loss allocated to NCI	**(2)**	(3)	**(10,369)**	(13,472)	**(18)**	(4,399)

37 SUBSIDIARIES (CONTINUED)

(a) Non-controlling interests ("NCI") (continued)

Summarised cash flows

	Taizhou Hanzhong Year ended 31 December		Taizhou Aoke Year ended 31 December		CtM Bio Year ended 31 December	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Cash flows used in operating activities	**(55,561)**	(119,514)	**(14,855)**	(15,907)	**(57,162)**	(41,384)
Cash flows used in investing activities	**–**	–	**(28,819)**	(47,768)	**(3,923)**	(3,488)
Cash flows generated from financing activities	**53,762**	114,043	**–**	–	**65,612**	31,000
Net (decrease)/increase in cash and cash equivalents	**(1,799)**	(5,471)	**(43,674)**	(63,675)	**4,527**	(13,872)

38 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related because they are subject to common control, common significant influence or joint control in the controlling shareholder's families. Members of key management and their close family member of the Group are also considered as related parties.

The Group is controlled by the following entities:

			Ownership interests in the Company As at 31 December	
Name	**Type**	**Place of incorporation**	**2022**	2021
Ningbo Houde Yimin	Immediate parent entity	Ningbo, the PRC	**26.11%**	28.29%

The Company was ultimately controlled by Dr. Pu Zhongjie.

38 RELATED PARTY TRANSACTIONS (CONTINUED)

The directors are of the view that the following parties are other related parties exclude subsidiaries and associates that had transactions or balances with the Group:

Name	Relationship with the Group
Beijing Zhongjie Tiangong Medical Technology Co., Ltd. (北京中傑天工醫療科技有限公司)	Subsidiary of an entity which the director is a close family member of Dr. Pu Zhongjie
Beijing Pufeng Medical Management Co., Ltd. (北京普峰醫療管理有限公司)	Subsidiary of an entity which the director is a close family member of Dr. Pu Zhongjie
Beijing Volt Technology Co., Ltd. (北京伏爾特技術有限公司)	Subsidiary of an entity which the director is a close family member of Dr. Pu Zhongjie
Beijing Highthink Pharmaceutical Technology Service Co., Ltd. (北京海金格醫藥科技股份有限公司)	Entity which the director is Dr. Pu Zhongjie
Shanghai Shape Memory Alloy Material Co., Ltd. (上海形狀記憶合金材料有限公司)	Controlled by the shareholder which has significant influence over the Group
Beijing Lepu Hushengtang Network Technology Co., Ltd. (北京樂普護生堂網絡科技有限公司)	Controlled by the shareholder which has significant influence over the Group
Beijing Lejian Dongwai Clinic Co., Ltd. (北京樂健東外門診部有限公司)	Controlled by the shareholder which has significant influence over the Group
Beijing Aipuyi Medical Testing Center Co., Ltd. (北京愛普益醫學檢驗中心有限公司)	Controlled by the shareholder which has significant influence over the Group
Beijing Lepu Medical Technology Co.,Ltd. (北京樂普診斷科技股份有限公司)	Controlled by the shareholder which has significant influence over the Group
CG Oncology, Inc.	Entity which the director is Ms. Pu Jue, who is director of the Company

The following significant transactions were carried out between the Group and its related parties during the reporting period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

38 RELATED PARTY TRANSACTIONS (CONTINUED)

38.1 Transactions with other related parties

(a) Purchase and sale of raw materials and various services

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest on lease liabilities from:		
– Beijing Pufeng Medical Management Co., Ltd.	**647**	1,129
– Shanghai Shape Memory Alloy Material Co., Ltd.	**–**	328
Purchase of technical development services from:		
– Beijing Highthink Pharmaceutical Technology Service Co., Ltd.	**9,759**	40,571
– associates	**7,183**	40,825
– other related parties	**2,200**	4,368
Purchase of professional services from CG Oncology, Inc.	**277**	1,502
Purchase of raw materials from other related parties	**40**	492
Sale of raw materials to CG Oncology, Inc.	**272**	–
Rental services provided to associates	**–**	1,101

(b) Guarantee from related parties

The following balances are guaranteed by related parties for the Group's bank borrowings:

	Guaranteed by	Guaranteed credit line RMB'000	Guarantees start date	Guarantees end date	Guarantees due or not
Bank A (Note 30(a))	Dr. Pu Zhongjie	350,000	02/09/2019	25/04/2021	Due

All guarantees provided by the related parties have been released before 31 December 2021.

38 RELATED PARTY TRANSACTIONS (CONTINUED)

38.2 Balances with related parties

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Balances due from related parties		
Prepayment to:		
– Beijing Pufeng Medical Management Co., Ltd.	**1,390**	1,390
Balances due to related parties		
Trade payables to:		
– Beijing Highthink Pharmaceutical Technology Service Co., Ltd.	**26,305**	19,930
– associates	**9,974**	13,621
Other payables and accruals to:		
– Beijing Pufeng Medical Management Co., Ltd.	**5,010**	3,889
Lease liabilities to:		
– Beijing Pufeng Medical Management Co., Ltd.	**16,599**	21,057
– Shanghai Shape Memory Alloy Material Co., Ltd.	**–**	4,202
	57,888	62,699

As at 31 December 2022 and 2021, there was no any non-trade nature balance with related parties, all balances with related parties were non-interest bearing and trade in nature, and their fair values approximated their carrying amounts due to their short maturities.

38.3 Key management compensation

Key management includes executive directors, supervisors and senior managements. The compensation paid or payable to key management personnel other than directors and supervisors disclosed in Note 39 is shown as below:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries, bonus and other allowances	**13,544**	16,950
Pension costs – defined contribution plans	**124**	113
Other social security costs, housing benefits, and other employee benefits	**151**	618
Share-based payment expenses	**11,238**	78,776
	25,057	96,457

39 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

(a) Directors and supervisors

Details of the emoluments paid or payable to the directors and supervisors for the reporting period are set out as follows:

For the year ended 31 December 2022:

Name	Fees RMB'000	Salaries RMB'000	Bonus and other allowances RMB'000	Share-based payments RMB'000	Defined contribution plans RMB'000	Total RMB'000
Directors:						
Dr. Pu Zhongjie	–	–	–	–	–	–
Dr. Sui Ziye	–	1,942	660	6,047	140	8,789
Dr. Hu Chaohong	–	2,582	660	6,047	–	9,289
Ms. Pu Jue	–	–	–	–	–	–
Mr. Yang Hongbing	–	–	–	–	–	–
Mr. Lin Xianghong	–	–	–	–	–	–
	–	4,524	1,320	12,094	140	18,078
Independent non-executive directors:						
Mr. Zhou Demin	250	–	–	–	–	250
Mr. Yang Haifeng	250	–	–	–	–	250
Mr. Fengmao Hua (i)	250	–	–	–	–	250
	750	–	–	–	–	750
Supervisor:						
Mr. Xu Yang	250	–	–	–	–	250
Mr. Yang Ming	–	–	–	–	–	–
Mr. Wang Jiwei	–	104	12	–	48	164
	250	104	12	–	48	414

39 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors and supervisors (continued)

For the year ended 31 December 2021:

Name	Fees RMB'000	Salaries RMB'000	Bonus and other allowances RMB'000	Share-based payments RMB'000	Defined contribution plans RMB'000	Total RMB'000
Directors:						
Dr. Pu Zhongjie	–	–	–	–	–	–
Dr. Sui Ziye	–	1,942	660	9,480	130	12,212
Dr. Hu Chaohong	–	2,409	660	9,480	–	12,549
Ms. Pu Jue	–	–	–	–	–	–
Mr. Yang Hongbing	–	–	–	–	–	–
Mr. Lin Xianghong	–	–	–	–	–	–
	–	4,351	1,320	18,960	130	24,761
Independent non-executive directors:						
Mr. Zhou Demin	250	–	–	–	–	250
Mr. Yang Haifeng	250	–	–	–	–	250
Ms. Li Lan (ii)	83	–	–	–	–	83
Mr. Li Yipeng (iii)	170	–	–	–	–	170
Mr. Fengmao Hua (i)	11	–	–	–	–	11
	764	–	–	–	–	764
Supervisor:						
Mr. Xu Yang	250	–	–	–	–	250
Mr. Yang Ming	–	–	–	–	–	–
Mr. Wang Jiwei	–	117	12	–	39	168
	250	117	12	–	39	418

(i) Mr. Fengmao Hua was appointed as an independent non-executive director on 16 December 2021.

(ii) Ms. Li Lan was appointed as an independent non-executive director on 10 December 2020 and resigned on 14 April 2021.

(iii) Mr. Li Yipeng was appointed as an independent non-executive director on 14 April 2021 and resigned on 16 December 2021.

No directors or supervisors waived or agreed to waive any emoluments during the reporting period. No emoluments were paid to directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office during the reporting period.

39 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(b) Directors and supervisors' retirement benefits

None of the directors or supervisors received or will receive any retirement benefits during the reporting period.

(c) Directors and supervisors' termination benefits

None of the directors or supervisors received or will receive any termination benefits during the reporting period.

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

Other than disclosed in Note 38, there were no loans, quasi-loans and other dealings in favour of directors, supervisors or controlled bodies corporate by and connected entities with such directors or supervisors during the reporting period.

(e) Directors and supervisors' material interests in transactions, arrangements or contracts

Other than disclosed in Note 38, there were no other significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the reporting period.

40 DIVIDEND

No dividend has been paid or declared by the Company or companies comprising the Group during the years ended 31 December 2022 and 2021.

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Assets		
Non-current assets		
Property, plant and equipment	**743,280**	630,834
Right-of-use assets	**105,565**	113,760
Intangible assets	**22,610**	24,187
Investments in subsidiaries	**2,017,249**	1,965,765
Investments accounted for using the equity method	**122,392**	137,971
Other receivables, prepayments and deposits	**66,814**	105,607
Total non-current assets	**3,077,910**	2,978,124
Current assets		
Inventories	**1,706**	–
Notes receivables	**3,040**	–
Other receivables, prepayments and deposits	**1,530,395**	1,125,315
Cash and cash equivalents	**612,070**	78,896
Term deposits with initial terms of over three months	**–**	50,000
Total current assets	**2,147,211**	1,254,211
Total assets	**5,225,121**	4,232,335
Equity		
Share capital	**1,659,445**	1,531,670
Reserves	**2,585,593**	1,960,377
Accumulated losses	**(483,184)**	(306,249)
Total equity	**3,761,854**	3,185,798
Liabilities		
Non-current liabilities		
Borrowings	**290,057**	232,469
Lease liabilities	**–**	854
Deferred government grants	**12,000**	12,000
Financial liabilities at fair value through profit or loss	**441,787**	384,287
Total non-current liabilities	**743,844**	629,610
Current liabilities		
Borrowings	**359,988**	60,409
Trade payables	**25,513**	12,228
Other payables and accruals	**333,767**	343,189
Lease liabilities	**155**	1,101
Total current liabilities	**719,423**	416,927
Total liabilities	**1,463,267**	1,046,537
Total equity and liabilities	**5,225,121**	4,232,335

The balance sheet of the Company was approved by the Board of Directors on 17 March 2023 and was signed on its behalf:

Executives Director: **Dr. Pu Zhongjie** *Executives Director:* **Dr. Sui Ziye**

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company

	Share premium RMB'000	Capital reserves RMB'000	Share-based payment reserves RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 1 January 2021	1,619,960	–	5,222	–	1,625,182
Issuance of shares to series C investors (Note 25(c))	221,720	–	–	–	221,720
Share-based payments (Note 27)	–	–	113,475	–	113,475
Balance at 31 December 2021	1,841,680	–	118,697	–	1,960,377
Balance at 1 January 2022	**1,841,680**	**–**	**118,697**	**–**	**1,960,377**
Issuance of ordinary shares upon global offering (Note 25(a) and Note 25(b))	**578,165**	**–**	**–**	**–**	**578,165**
Share-based payments (Note 27)	**–**	**–**	**30,399**	**–**	**30,399**
Others	**–**	**–**	**–**	**16,652**	**16,652**
Balance at 31 December 2022	**2,419,845**	**–**	**149,096**	**16,652**	**2,585,593**

42 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There is no significant event occurred after the balance sheet date which has material impact to the consolidated financial statements of the Group.

FINANCIAL SUMMARY

	December 31, 2022 RMB'000	December 31, 2021 RMB'000	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Total assets	**2,529,172**	2,082,061	2,423,611	1,525,281
Total liabilities	**1,628,410**	1,234,978	921,889	1,710,921
Total equity	**900,762**	847,083	1,501,722	(185,640)
Revenue	**15,572**	-	-	-
Cost of sales	**(2,005)**	-	-	-
Gross profit	**13,567**	-	-	-
Other income	**11,284**	10,572	7,964	5,553
Other expenses	**(729)**	(1,074)	(1,915)	(892)
Selling and marketing expenses	**(1,749)**	–	–	-
Administrative expenses	**(138,830)**	(156,237)	(93,757)	(191,551)
Research and development expenses	**(524,285)**	(791,210)	(354,427)	(229,197)
Fair value changes on financial assets and liabilities at fair value through profit or loss	**(62,816)**	(76,285)	(77,991)	(38,312)
Other (losses)/gains, net	**(924)**	4,598	(225)	(256)
Operating loss	**(704,482)**	(1,009,636)	(520,351)	(454,655)
Finance income/(costs), net	**37,272**	(1,538)	(81,013)	(52,162)
Share of loss of investments accounted for using the equity method	**(32,231)**	(17,695)	(12,084)	(8,675)
Loss before income tax	**(699,441)**	(1,028,869)	(613,448)	(515,492)

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"actual controller"	the individual or entity that can control a company by way of investment
"ADC"	antibody drug conjugate, a class of biopharmaceutical drugs that combine monoclonal antibodies specific to surface antigens present on particular tumor cells with highly potent antitumor small molecule agents linked via a chemical linker
"AE"	adverse event, which may be mild, moderate, or severe, any untoward medical occurrences in a patient administered a drug or other pharmaceutical product during clinical trials and which do not necessarily have a causal relationship with the treatment
"2022 AGM"	the annual general meeting of the Company for the year ended December 31, 2022 to be convened and held on 15 June 2023
"Articles"	the articles of association of the Company, as amended, modified or supplemented from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Authorized Representative(s)"	the authorized representative(s) of the Company
"BC"	breast cancer
"B cell"	a type of white blood cell that differs from other types of lymphocytes by expressing B cell receptors on its surface, and responsible for producing antibodies
"Bacillus Calmette-Guerin" or "BCG"	a type of bacteria that causes a reaction in a patient's immune system that can destroy cancer cells located in the lining of the bladder. It is also widely used as a vaccine against tuberculosis
"Beijing Houde Yimin"	Beijing Houde Yimin Investment Management Co., Ltd. (北京厚德義民投資管理有限公司), a limited liability company incorporated in the PRC on August 17, 2009
"Board Committee(s)"	the board committees of our Company, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee
"Board of Directors" or "Board"	the board of Directors of the Company

"BTC"	biliary tract cancer
"CD20"	a B-lymphocyte antigen that is expressed on the surface of B cells, starting at the pre-B cell stage and also on mature B cells in the bone marrow and in the periphery
"CDMO"	contract development and manufacturing organization, a pharmaceutical company that develops and manufactures drugs for other pharmaceutical companies on a contractual basis
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"CG Oncology"	CG Oncology, Inc. (previously known as Cold Genesys, Inc.), a clinical-stage immuno-oncology company headquartered in the U.S., of which Lepu Medical holds approximately 7.73% equity interest through Lepu Holdings Limited, a company wholly owned by Lepu Medical, and Ms. Pu Jue (蒲珏) serves as a director
"chemotherapy"	a category of cancer treatment that uses one or more anti-cancer small molecule chemical agents as part of its standardized regimen
"China", "Mainland China" or "PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau Special Administrative Region and Taiwan
"CLDN18.2"	Claudin 18.2, a highly specific tissue junction protein for gastric tissue
"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"combination therapy"	a treatment modality that combines two or more therapeutic agents
"Company" or "our Company"	Lepu Biopharma Co., Ltd. (樂普生物科技股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange (Stock code: 2157)
"Company Law" or "PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Compliance Advisor"	has the meaning ascribed to it under the Listing Rules
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder"	has the meaning ascribed under the Listing Rules and unless the context otherwise requires, refers to Dr. Pu Zhongjie
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this annual report, our core products include MRG003, MRG002, HX008 and LP002
"CRO"	contract research organization, a pharmaceutical company that conducts research for other pharmaceutical companies on a contractual basis
"CtM Bio"	CtM Bio Co., Ltd. (樂普創一生物科技(上海)有限公司), a limited liability company incorporated in the PRC on March 26, 2020, and our non-wholly owned subsidiary
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded on any stock exchange
"Dr. Pu" or "Dr. Pu Zhongjie"	Dr. Pu Zhongjie (蒲忠傑), the Controlling Shareholder of our Company
"EGFR"	epidermal growth factor receptor
"EHS"	environment, health, and safety
"ES-SCLC"	extensive stage small-cell lung cancer
"FDA"	Food and Drug Administration of the United States
"first-line" or "1L"	with respect to any disease, the first line therapy, which is the treatment regimen or regimens that are generally accepted by the medical establishment for initial treatment. It is also called primary treatment or therapy
"FISH"	fluorescence in situ hybridization, a test that maps the genetic material in human cells, including specific genes or portions of genes
"GC"	gastric cancer
"GEJ"	gastroesophageal junction

"Global Offering"	the offer of the H Shares for subscription as described in the Prospectus
"GMP"	a system for ensuring that products are consistently produced and controlled according to quality standards, which is designed to minimize the risks involved in any pharmaceutical production that cannot be eliminated through testing the final product. It is also the practice required in order to conform to the guidelines recommended by agencies that control the authorization and licensing of the manufacture and sale of pharmaceutical products
"Group", "we", "us" or "our"	the Company and its subsidiaries
"Hangzhou HealSun"	Hangzhou HealSun Biopharma Co., Ltd. (杭州皓陽生物技術有限公司), a limited liability company incorporated in the PRC on November 19, 2015
"HanX"	Hangzhou HanX Biomedical Co., Ltd. (杭州翰思生物醫藥有限公司), a limited liability company incorporated in the PRC on August 3, 2016, which is a biopharmaceutical company principally engaged in biological products, biotechnology, medical technology development and consulting, and held by Mr. Zhang Faming, the former director of Miracogen Shanghai as to 53.75% and four Independent Third Parties as to 46.25% in aggregate with each Independent Third Party holding no more than 20% of the equity interest of HanX
"HCC"	hepatocellular carcinoma, a common form of liver cancer
"HER2"	human epidermal growth factor receptor2
"HER2-expressing"	HER2 status of tumor cells identified with a test score of IHC 1+ or above
"HER2 low-expressing"	HER2 status of tumor cells identified with a test score of IHC 1+ or IHC 2+ plus FISH (or ISH)-
"HER2-positive" or "HER2 over-expressing"	HER2 status of tumor cells identified with a test score of either IHC 3+ or (IHC 2+ plus FISH (or ISH)+)
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HNSCC"	head and neck squamous cell carcinoma
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"H Share(s)"	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Stock Exchange

"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hubei Waterstone"	Hubei Waterstone Pharmaceutical Co., Ltd. (湖北華世通生物醫藥科技有限公司), a biotechnology company engaging in the manufacturing and sales of pharmaceutical raw materials, biological fermentation and pharmaceutical intermediates and is controlled by Mr. Zhang Faming (張發明) as to 32.13%, a former director of Miracogen Shanghai, our wholly owned subsidiary, and therefore a connected person of our Company pursuant to Chapter 14A of the Listing Rules
"iBridge"	iBridge HK Holding Limited, and an affiliate of Keymed
"IC50"	half maximal inhibitory concentration
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations issued by the International Accounting Standards Board
"IgG"	human immunoglobulin G, the most common antibody type found in blood circulation that plays an important role in antibody-based immunity against invading pathogens
"IHC"	immunohistochemistry, the most common application of immunostaining. It involves the process of selectively identifying antigens in cells of a tissue section by exploiting the principle of antibodies binding specifically to antigens in biological tissues
"I-Mab Shanghai"	I-Mab Biopharma Co., Ltd. (天境生物科技(上海)有限公司), a limited liability company incorporated in the PRC on August 24, 2016, as the case may be, its affiliated entities
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or the U.S.
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
"Keymed"	Keymed Bioscience (Chengdu) Co., Ltd. (康諾亞生物醫藥科技(成都)有限公司), a limited liability company incorporated in the PRC on September 1, 2016, which is a third-party biotechnology company focusing on the inhouse discovery and development of innovative biological therapies in the autoimmune and oncology therapeutic areas

"Kington Capital"	Kington Capital No. 1 Equity Investment Partnership (Limited Partnership) (蘇州翼樸一號股權投資合夥企業(有限合夥))
"KYM"	KYM Biosciences Inc., a Delaware corporation and a joint venture formed in the U.S. by Keymed and our Group
"Latest Practicable Date"	April 21, 2023, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained in this annual report
"Lepu Beijing"	Lepu (Beijing) Biopharma Co., Ltd. (樂普(北京)生物科技有限公司), a limited liability company incorporated in the PRC on July 30, 2018, and a wholly owned subsidiary of the Company
"Lepu Medical"	Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司), a joint stock company incorporated in the PRC on June 11, 1999 and listed on the Shenzhen Stock Exchange (stock code: 300003), and the promoter of the Company
"Lepu Medical Connected Persons"	Lepu Medical and its subsidiaries and associates (excluding our Group)
"Listing"	the listing of the H Shares of the Company on the Main Board of the Stock Exchange
"Listing Date"	February 23, 2022
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"mAb"	monoclonal antibody, an antibody generated by identical cells that are all clones of the same parent cell
"Main Board"	the Main Board of the Stock Exchange
"Miracogen HK"	Miracogen Limited, a limited liability company established under the laws of Hong Kong and a special purpose investment vehicle wholly-owned by Miracogen Inc., which in turn is a company wholly-owned by Dr. Hu Chaohong, our executive Director and co-chief executive officer of our Company
"Miracogen Shanghai"	Shanghai Miracogen Inc. (上海美雅珂生物技術有限責任公司), a limited liability company incorporated in the PRC on January 27, 2014, and a wholly owned subsidiary of the Company

"MMAE"	monomethyl auristatin E, a potent tubulin binder with a half maximal inhibitory concentration (IC50) in the subnanomolar range
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MSI-H/dMMR"	high levels of microsatellite instability/deficient mismatch repair
"Nasdaq"	Nasdaq Global Select Market
"NDA"	new drug application
"NHL"	non-Hodgkin's lymphoma
"Ningbo Houde Yimin"	Ningbo Houde Yimin Information Technology Co., Ltd. (寧波厚德義民信息科技有限公司), a limited liability company incorporated in the PRC on March 29, 2017, and the promoter of the Company
"NK Cell"	natural killer cell, a kind of cells that play important roles in immunity against viruses and in the immune surveillance of tumors
"NMIBC"	non-muscle invasive bladder cancer
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局)
"Nomination Committee"	the nomination committee of the Board
"NPC"	nasopharyngeal cancer
"NSCLC"	non-small cell lung cancer
"PD-1"	programmed cell death protein 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages
"PD-L1"	PD-1 ligand 1, which is a protein on the surface of a normal cell or a cancer cell that binds to its receptor, PD-1, on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
"Phase I clinical trials"	study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its effectiveness
"Phase II clinical trials"	study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases, and to determine dosage tolerance and optimal dosage

"Phase III clinical trials"	study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product
"placebo"	any dummy medical treatment administered to the control group in a controlled clinical trial in order that the specific and non-specific effects of the experimental treatment can be distinguished
"PRC Legal Adviser"	Zhong Lun Law Firm, our legal adviser as to the laws of the PRC
"pre-clinical studies"	studies or programs testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials
"Procurement Framework Agreement"	a procurement of products and services framework agreement between the Company and Lepu Medical (on behalf of Lepu Medical Connected Persons) on December 16, 2021
"Prospectus"	the prospectus issued by the Company dated February 10, 2022
"registrational trial"	a clinical trial or study intended to provide evidence for a drug marketing approval
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"Reporting Period"	the year ended December 31, 2022
"RMB"	Renminbi, the lawful currency of the PRC
"Seagen Inc."	a global biotechnology company, previously known as Seattle Genetics Inc.
"second-line" or "2L"	with respect to any disease, the therapy or therapies that are tried when the first-line treatments do not work adequately
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai JMT-Bio, Inc."	Shanghai JMT-Bio, Inc. (上海津曼特生物科技有限公司), a limited liability company incorporated in the PRC on June 5, 2012

"Shanghai Lvyuan"	Lvyuan (Shanghai) Technology Co., Ltd. (律元(上海)科技有限公司), a limited liability company incorporated in the PRC on April 11, 2019, and the promoter of our Company
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shareholder(s)"	holder(s) of the Shares
"Share(s)"	shares in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares, Unlisted Foreign Shares and H Shares
"SHC"	Shanghai Healthcare Capital Partnership (Limited Partnership) (上海生物醫藥產業股權投資基金合夥企業(有限合夥))
"Shenzhen Shiyu"	Shenzhen Shiyu Capital Management Co., Ltd. (深圳市拾玉投資管理有限公司)
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"SMO"	site management organization, an organization that provides clinical trial related services to pharmaceutical and medical device companies having adequate infrastructure and staff to meet the requirements of the clinical trial protocol
"solid tumors"	an abnormal mass of tissue that usually does not contain cysts or liquid areas. Solid tumors may be benign (not cancer), or malignant (cancer). Different types of solid tumors are named for the type of cells that form them
"standard of care"	treatment that is accepted by medical experts as a proper treatment for a certain type of disease and that is widely used by healthcare professionals
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Company
"subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Suzhou Private Capital Investment"	Suzhou Private Capital Investment Holdings Co., Ltd. (蘇州民營資本投資控股有限公司)

"Suzhou Suzi"	Suzhou Suzi Investment Limited Partnership (蘇州蘇梓投資合夥企業(有限合夥))
"Taizhou Aoke"	Taizhou Houde Aoke Technology Co., Ltd. (泰州厚德奧科科技有限公司), a limited liability company incorporated in the PRC on March 23, 2018, and a non-wholly owned subsidiary of the Company
"Taizhou Hanzhong"	Taizhou Hanzhong Biotechnology Co., Ltd. (泰州翰中生物醫藥有限公司), a limited liability company incorporated in the PRC on November 25, 2016, and our non-wholly owned subsidiary
"T cell"	a lymphocyte of a type produced or processed by the thymus gland and actively participating in the immune response, which plays a central role in cell-mediated immunity. T cells can be distinguished from other lymphocytes, such as B cells and NK cells, by the presence of a T cell receptor on the cell surface
"Technology Service Framework Agreement"	a technology service framework agreement entered into between the Company and Hubei Waterstone on December 16, 2021
"TGFBRII"	TGF-β receptor II
"tissue factor" or "TF"	a protein encoded by the F3 gene, present in subendothelial tissue and leukocytes. Many cancer cells express high level of TF
"TNBC"	triple-negative breast cancer
"UC"	urothelial cancer
"Unlisted Foreign Shares"	ordinary shares issued by the Company with a nominal value of RMB1.00 each and are held by foreign investors and are not listed on any stock exchange
"US" or "United States" or "the U.S."	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"US$"	United States dollars, the lawful currency of the United States
"vc linker"	valine-citrulline linker, which is adequately stable in blood circulation and cleaved effectively by the lysosomal cathepsin enzyme after the ADC is internalized and enters lysosome
"Yipu LP"	Suzhou Yipu No. 2 Venture Investment Limited Partnership* (蘇州翼樸二號創業投資合夥企業(有限合夥)), a shareholder of Hangzhou HealSun

* *For identification purposes only*