Brii Biosciences

Breakthrough innovation & insight

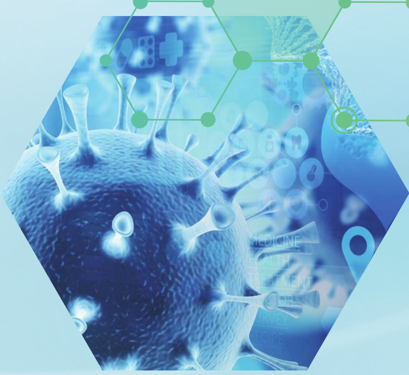
Brii Biosciences Limited

腾盛博药生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2137

2022
Annual Report



CONTENTS

COMPANY PROFILE

Brii Bio is a biotechnology company dedicated to developing innovative therapies to address major public health challenges where patients experience high unmet medical needs, limited treatment options and significant social stigmas. Since its founding in 2018, Brii Bio has a mission to tackle public health challenges through breakthrough scientific innovation and critical patient insights. The Company specializes in infectious and central nervous system diseases, leading with clinical programs in hepatitis B viral infection, as well as postpartum depression and major depressive disorders. The Company aims to develop differentiated treatment options for patients through in-house discovery and strategic in-licensing with global best-in-class partners.

Brii Bio's visionary and experienced leadership team has established a diverse pipeline of more than 10 therapeutic candidates, with the majority of them in clinical development. Additionally, the Company has one approved drug in China treating COVID-19. Entering the post-pandemic era, Brii Bio has sharpened its focus on two key programs in 2022. In China, the core program is the development of a functional cure for chronic HBV. HBV is a condition that affects hundreds of millions of people globally, with China being the most affected country, with around 87 million people impacted by this chronic disease. In the U.S, our primary focus program is to develop first-of-its-kind therapies for PPD and MDD.

The Company also holds the Greater China rights to therapeutic candidates for the treatment of multidrug-resistant and extensively drug-resistant gram-negative bacterial infections and non-tuberculous mycobacterial lung disease, with an initial focus on treatment-refractory *Mycobacterium avium complex*, which are all under clinical development by its partners. Furthermore, The Company is exploring partnership opportunities for the future development of its internally discovered human immunodeficiency virus candidates in the U.S. All these conditions have significant needs for new and innovative treatment options.

Brii Bio was the first company in China to get approval for a COVID-19 treatment. The remarkable 20-month journey from initial discovery to the BLA approval has demonstrated the Company's exceptional internal R&D capabilities. Despite the program being discontinued due to evolving COVID-19 trends and regulatory inspections, the Company gained valuable insights working with the U.S. and China regulatory agencies, as well as the best-in-class partnership with public and private stakeholders, that will be applied to other clinical programs of the Company. As an infectious disease focused company, Brii Bio is committed to addressing some of the most pressing threats to public health.

To achieve its goal of broadening patients' choice and access, Brii Bio places a strong emphasis on incorporating patients' insights and experiences into its programs. This patient-centric approach is deeply rooted into the Company, and Brii Bio is devoted to investing in patient research and advocacy to better understand the unique challenges faced by patients and improve its programs. The Company's "patient-centric" strategy supports meaningful engagement with leading mental health advocacy groups, and Brii Bio continues to progress its drug development by investing in this area to address patients' needs and preferences.

Beyond the progress of the product portfolio development, the Company's notable accomplishments are making headway in the capital markets, as evidenced by the inclusion in the MSCI China Small Cap Index in 2022, a global benchmark for institutional investors seeking to optimize their investment portfolios. This addition has bolstered the visibility and enhanced the liquidity of the Company. Moreover, Brii Bio has received industry recognition for its corporate and clinical development achievements with over 10 awards and feature lists in 2022. Furthermore, the Company was honored to attain an "A" grade in the latest MSCI ESG Rating, a globally recognized assessment of a company's resilience to long-term ESG risks, which affirms the ability of the Company to effectively manage and mitigate long-term ESG risks.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Dr. Zhi HONG *(Chairman and Chief Executive Officer)*
Dr. Ankang LI

Non-executive Director
Mr. Robert Taylor NELSEN

Independent non-executive Directors
Dr. Martin J MURPHY JR
Ms. Grace Hui TANG
Mr. Yiu Wa Alec TSUI
Mr. Gregg Huber ALTON
Dr. Taiyin YANG

AUDIT AND RISK COMMITTEE

Ms. Grace Hui TANG *(Co-Chairlady)*
Dr. Taiyin YANG *(Co-Chairlady)*
Mr. Yiu Wa Alec TSUI

REMUNERATION COMMITTEE

Dr. Martin J MURPHY JR *(Chairman)*
Ms. Grace Hui TANG
Mr. Yiu Wa Alec TSUI

NOMINATION COMMITTEE

Mr. Gregg Huber ALTON *(Chairman)*
Dr. Zhi HONG
Dr. Martin J MURPHY JR

STRATEGY COMMITTEE

Dr. Ankang LI *(Chairman)*
Mr. Robert Taylor NELSEN
Mr. Gregg Huber ALTON
Dr. Taiyin YANG

JOINT COMPANY SECRETARIES

Dr. Ankang LI
Ms. Wing Tsz Wendy HO

AUTHORISED REPRESENTATIVES

(for the purpose of the Listing Rules)
Dr. Ankang LI
Ms. Wing Tsz Wendy HO

LEGAL ADVISERS

As to Hong Kong laws:
O'Melveny & Myers

As to Cayman Islands law:
Maples and Calder (Hong Kong) LLP

As to PRC law:
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Registered Public Interest Entity Auditor

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REGISTERED OFFICE

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CORPORATE INFORMATION

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PRINCIPAL BANKERS

Bank of Beijing
Bank of China (Hong Kong)
China Merchants Bank
First Citizens Bank

COMPANY WEBSITE

www.briibio.com

STOCK CODE

2137

LISTING DATE

July 13, 2021

FINANCIAL SUMMARY

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

Operating Results

	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Revenue	–	–	–	51,626
Other income	20,339	84,625	99,032	107,857
Other gains and losses, net	8,440	(21,993)	45,062	(12,289)
Research and development expenses	(83,785)	(875,795)	(494,615)	(440,634)
Administrative expenses	(63,334)	(103,396)	(208,404)	(168,629)
Selling and marketing expenses			–	(26,861)
Fair value loss on financial liabilities at fair value through profit or loss	(401,575)	(350,372)	(3,598,847)	–
Finance costs	(1,113)	(1,668)	(1,175)	(851)
Listing expenses	–	(14,911)	(32,137)	–
Loss before tax	(521,028)	(1,283,510)	(4,191,084)	(489,781)
Income tax expense	–	–	–	–
Loss for the year	(521,028)	(1,283,510)	(4,191,084)	(489,781)
Total comprehensive expense for the year	(535,346)	(1,173,148)	(4,248,951)	(238,456)

Financial position

	As at December 31,			
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Non-current assets	153,967	175,102	197,758	314,950
Current assets	885,457	1,092,842	3,413,941	3,076,899
Total assets	1,039,424	1,267,944	3,611,699	3,391,849
Non-current liabilities	1,590,301	2,435,411	19,730	5,239
Current liabilities	61,884	575,235	280,713	229,113
Total liabilities	1,652,185	3,010,646	300,443	234,352
Net (liabilities) assets	(612,761)	(1,742,702)	3,311,256	3,157,497

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to share with you the remarkable strides that Brii Bio has made in 2022. Your unwavering support and trust in our vision have been pivotal in driving our developments. Since our founding, our mission at Brii Bio has been to tackle the most pressing public health challenges through breakthrough innovations driven by patients' insights.

As we embark on our 2nd year as a public company, we are proud to establish exceptional internal R&D capabilities and to form best-in-class global partnerships. Our diverse pipeline of more than 10 therapeutic candidates for infectious and central nervous system diseases, along with one approved drug in China, is a testament to the visionary and experienced leadership team that we have in place. In addition to expanding our expertise with key hires, we have also strengthened the Board structure during the year. These individuals have brought a wealth of knowledge and experience to our senior management team, positioning us for long-term growth and success.

In 2022, our programs have delivered exciting progresses, with encouraging data readouts from both early and later-stage trials that demonstrate the potential of our therapeutic candidates to address a broad range of infectious and CNS diseases. We are now focused on two lead programs in China and in the U.S., respectively. In China, we are developing a functional cure for HBV, a condition that affects hundreds of millions of people worldwide with the highest disease prevalence in China. In the U.S., we are developing a first-of-its-kind therapy for PPD and MDD, which have huge unmet need for new and innovative treatment options, and we are excited about the prospects to make a meaningful impact in patients' lives.

Chronic hepatitis B viral infection affects a staggering number of people worldwide, with China being the largest market where around 87 million people are infected. We aim to develop novel first-in-class and best-in-class therapies to achieve a higher rate of functional cure for chronic HBV patients through innovative combination approaches and strategic partnerships. Our differentiated therapeutic modality candidates, including siRNA, therapeutical vaccine and antibody for the chronic HBV infection, demonstrating clinical benefits enable us to explore various potential combination treatments for specific patient subgroups. With promising data generated to-date both by Brii Bio and our partners, we plan to extend our current findings and conduct multiple Phase 2 combination studies, working in synergy to explore different regimens that could bring a higher rate of functional cure for HBV patients.

In the U.S., our primary focus is on anxiety and depressive disorders, with a specific focus on PPD and MDD. Our unique approach leverages patients' experiences and insights, which is a key differentiator in this significantly underserved disease category. Our goal is to offer a paradigm-shifting single treatment option that enables patients to make easier decisions to be on and off treatment. Meanwhile, in our efforts to address patients' needs and preferences, we continue to invest in patient research and advocacy in this area. Our "patient-centric" strategy, which supports meaningful engagement with leading mental health advocacy groups, was introduced earlier this year to further this goal. With over 264 million people worldwide suffering from depression, as reported by the World Health Organization in 2020, we are also actively exploring potential indication expansions in the future.

In our HIV pipeline, we have selected a promising new clinical candidate and we are seeking partnerships to collaborate on developing our candidates that show great potential as key components of long-acting HIV treatment regimens, and prevention. Additionally, we are making progress in tackling MDR/XDR gram-negative infections and treatment-refractory Mycobacterium avium complex lung disease, through the work of our partners Qpex and AN2, respectively.

In July 2022, we launched and commercialized the amubarvimab/romlusevimab combination in China, as the first company to get the BLA approval for COVID-19 treatment. This is no longer a focus for us in 2023 and beyond due to the constantly evolving COVID-19 trends, but the remarkable 20-month journey from discovery to approval has proved our outstanding in-house R&D expertise and our commitment to addressing some of the most pressing public health disease challenges.

Brii Bio is grateful for the trust and investment from all stakeholders and shareholders. We appreciate the support of our investors, business partners and employees in our pursuit to be the pioneer. Moreover, our progresses also have been recognized by the industry and capital market with over 10 awards and feature lists in 2022. Looking forward, we appreciate your ongoing support as we continue to endeavor to create sustainable value for all stakeholders in 2023.

Dr. Zhi HONG
Executive Director, Chairman of
the Board, and CEO

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Since our inception, we have been on a mission to tackle the biggest public health challenges of our time through breakthrough innovation driven by patient insight. As the Company advances to the next stage of development, we have expanded our global leadership team, adding diversified talent with extensive expertise.

We are well-positioned to leverage each of our senior executives' unique leadership skills and industry experience to extensively execute across our broad therapeutic area development strategy. To realize this vision, we are leveraging our business model, which combines internal discovery and in-licensing, while actively advancing our clinical programs. Our cross-border organic operations are one of our competitive advantages and position us for accelerated commercialization opportunities. With our presence in both geographies, we can utilize our respective strengths to accelerate the discovery, development and delivery of innovative medicines that have the potential to improve the health of patients around the world.

United in collaborative operations and a shared goal, our program emphasis in China strategically focused on our HBV functional curative therapy program as this is the area where we see opportunity to contribute significant and meaningful therapeutic impact for patients in the region. In addition, we launched for commercial availability our long-acting antibody combination therapy for COVID-19 in China since July 2022. In the U.S., we are centered on our internally discovered CNS programs for the treatment of PPD/MDD, leveraging our strong in-house R&D capabilities. We are also looking to partner our internally discovered HIV programs with other U.S. biotechnology development leaders.

Our lead program is designed to find a functional cure for chronic HBV infections, which have a disproportional health impact in China. This is one of our most advanced programs and we hold a rich pipeline of in-licensed assets from our partner Vir and VBI where we hold development and commercialization rights in Greater China. The newly introduced BRII-877, also called VIR-3434, a strong HBV-neutralizing monoclonal antibody showing great potential from the current studies led by Vir, further strengthen our core HBV portfolio. Leveraging our robust HBV assets, we are poised to be the leading player to find a functional cure for HBV, giving us a potential first-to-market advantage.

As an important target area of public health, it is known that depression brings heavy social burdens and is frequently observed not only in patients with CNS diseases but also with other chronic diseases. In 2022, we continued to build our internal discovery team to progress our U.S. programs with BRII-296 for the treatment of postpartum depression, anxiety and other depressive disorders, as well as BRII-297, a new chemical entity for anxiety and depressive disorders. Early feedback from physicians and patient communities has been very positive and reinforces the potential for BRII-296 to be a first-of-its-kind single-injection treatment option for PPD and MDD treatment in the U.S. In 2023, we plan to expand clinical indications for BRII-296 as well as initiate a first-in-human PK, safety, and tolerability study with BRII-297.

Given the widespread incidence of HIV around the word, we discovered and began developing a long-acting, once-weekly single tablet regimen for HIV patients with an initial focus in the U.S. We are currently exploring partnership opportunities for continued development of the long-acting treatment with our internally developed candidate BRII-732 as combination therapy. We also selected a new clinical candidate, BRII-753, as a long-acting subcutaneous injection therapy with the goal to extend the dosing schedule to once monthly, once quarterly or once semi-annually.

For the MDR/XDR program, our partners diligently advance their clinical development programs in the U.S., while we are working closely with them to track and inform the strategic development of our in-licensed therapeutic candidates for further development in China, which we plan to begin later this year.

In response to the unprecedented global COVID-19 pandemic and its subsequent variants, and consistent with our commitment to tackle public health challenges, we completed the development of our long-acting neutralizing antibody cocktail therapy for the treatment of COVID-19, which became commercially available in China since July 2022. Considering the constantly evolving COVID-19 trends and policy updates, as well as protracted regulatory inspections at our CDMO sites, we have made the decision to discontinue the amubarvimab/romlusevimab antibody combination program for COVID-19 and have stopped manufacturing efforts in order to redirect resources to high-priority programs.

In light of our strategic priorities for 2023, we are dedicated to:

- Together with our partner Vir, further evaluating our combination treatment regimens under development for a functional cure for HBV infection leveraging the additional data available from several ongoing trials later this year, and planning to select a combination treatment regimen for the next stage of development in the Greater China;
- Further advancing the clinical development of BRII-296 for the treatment of PPD/MDD, anxiety and other depressive disorders, as well as BRII-297 for the treatment of various anxiety and depressive disorders;
- Entering external strategic partnerships for our HIV program in the U.S. for continued development of our current product candidates as part of a long-acting, once-weekly single tablet regimen for the treatment of HIV patients;
- Expanding our pipeline through in-house discovery and additional licensing options. We are also exploring business development opportunities that expedite global regulatory approval by in-licensing therapies for use in China and out-licensing internally discovered therapeutic candidates for use in international markets; and
- Continuing to expand our organization in China and the U.S. to support our business development and establish a global patient-centric/people strategy built on our strong cultural foundation that lives through our mission to tackle the world's biggest challenges in public health.

Pipeline Summary

We have built a pipeline of more than 10 innovative product candidates that focus on infectious diseases and central nervous system diseases. Our lead programs are HBV in China and PPD/MDD in the U.S. Building on our robust clinical pipeline, we maintain options to in-license two additional innovative programs from our licensing partners.

Our strategic product pipeline is derived from (i) utilizing our in-house R&D capabilities to discover and develop our own innovative products and (ii) establishing collaborative licensing arrangements with carefully selected partners, whereby we in-license the Greater China rights to their important assets and lead the clinical development in China, playing an integral role in the global development of such assets.

The following table sets forth the status of our key product candidates as of the date of this report:

Indication	Program	Preclinical	IND	Phase 1	Phase 2	Phase 3	NDA/BLA	Our Rights	Partners
Infectious Disease Programs									
Hepatitis B	BRII-179 (VBI-2601)/BRII-835 (VIR-2218) Combination							Greater China*	VBI VIR
	BRII-179 (VBI-2601)/PEG-IFN-α Combination							Greater China*	VBI
	BRII-877 (VIR-3434)(1)							Greater China*	VIR
HIV	BRII-732							Global	Internally discovered
	BRII-753							Global	Internally discovered
MDR/XDR Gram-negative Bacterial Infections	BRII-672 (ORAvance)(2)							Greater China*	QPEX
	BRII-693 (QPX9003)(2)							Greater China*	QPEX
	BRII-636 (OMNIvance)(2)							Greater China*	QPEX
NTM Lung Disease	BRII-658 (Epetraborole)(3)							Greater China*	AN2Therapeutics
Central Nervous System Disease Programs									
PPD	BRII-296							Global	Internally discovered
Anxiety & Other Depressive Disorders	BRII-296							Global	Internally discovered
Anxiety & Depressive Disorders	BRII-297							Global	Internally discovered

* Greater China – Mainland China, Macau, Hong Kong and Taiwan

Source: Company information

Notes:

(1) The Phase 2 clinical trials have been conducted by Vir

(2) To this date, the development and clinical trials have been conducted by Qpex

(3) To this date, the development and clinical trials have been conducted by AN2

As of the date of this report, we have more than 10 product candidates, presenting a mix of in-licensed and self-discovered candidates. Our internally discovered drug candidates for which we hold global rights include:

- BRII-296 for the treatment of PPD/MDD, anxiety and other depressive disorders;
- BRII-297 for the treatment of various anxiety and depressive disorders;
- BRII-732 and BRII-753 for the treatment of HIV; and
- Amubarvimab/romlusevimab combination therapy for the treatment of COVID-19 (global rights are collectively held by us and our non-wholly owned subsidiary TSB Therapeutics).

Our in-licensed drug candidates for which we hold the Greater China rights include:

- BRII-179 (VBI-2601), BRII-835 (VIR-2218) and BRII-877 (VIR-3434) for the development of a functional cure for HBV;
- BRII-636, BRII-672 and BRII-693 for the treatment of MDR/XDR gram-negative infections; and
- BRII-658 for the treatment of NTM lung disease, with an initial focus on treatment of treatment-refractory *mycobacterium avium complex* lung disease.

BUSINESS REVIEW

During the Reporting Period, we rapidly advanced our product pipeline and business operations. Specifically, we advanced our programs for HBV, PPD/MDD, HIV, MDR/XDR gram-negative infections and NTM lung disease. We also launched our first commercial product in China for the treatment of COVID-19, as well as broadened the depth of our senior executive leadership team. Our primary achievements as of the date of this report along with our planned next steps and upcoming milestones include:

Our Product Candidates

HBV Functional Cure Program (Licensed from VBI and Vir, China team core project)

As one of our leading clinical development programs, we are building a broad pipeline of novel HBV therapeutic candidates in order to improve the probability of achieving a higher rate of functional cure for each subpopulation of HBV patients. Each of our HBV candidates has a unique therapeutic modality with proven clinical benefit targeting this chronic infection, which allows the Company to explore an expansive set of potential combination treatment options for various patient subgroups. We hold exclusive rights in Greater China to develop and commercialize BRII-179 (VBI-2601), BRII-835 (VIR-2218) and BRII-877 (VIR-3434).

BRII-179 (VBI-2601) in Combination with BRII-835 (VIR-2218) (Study conducted by Brii Bio)

BRII-179 (VBI-2601) is a novel recombinant protein-based HBV immunotherapeutic candidate that expresses the Pre-S1, Pre-S2 and S HBV surface antigens, and is designed to induce enhanced B-cell and T-cell immunity.

BRII-835 (VIR-2218) is a N-Acetylgalactosamine (GalNAc)-conjugated siRNA targeting all HBV viral RNAs that has shown to block viral transcription, reduce viral protein and alleviate immune suppression.

Our BRII-179 (VBI-2601) and BRII-835 (VIR-2218) combination therapy may represent a novel HBV functional cure regimen. It encompasses dual mechanisms of action, removing immunosuppressive viral antigens by siRNA gene silencing followed by stimulating and restoring the host HBV specific immunity with an immunotherapeutic vaccine.

Clinical Development Milestones and Achievements as at the Date of This Report

- In February 2023, interim results were presented in an oral session at the APASL 2023 meeting indicating that combination therapy with BRII-835 (VIR-2218) and BRII-179 (VBI-2601) was safe and well-tolerated, induced stronger anti-HBsAg antibody responses and led to improved HBsAg-specific T-cell responses, when compared with BRII-835 (VIR-2218) or BRII-179 (VBI-2601) alone. The data presented at APASL showed that 50 participants in all cohorts achieved HBsAg reduction at the end of treatment with a mean decrease of -1.7 to -1.8 log10 IU/mL. In addition, two participants in combination cohorts achieved maximum reductions in HBsAg at or below the lower limit of quantification by Week 40, along with robust HBsAg-specific antibody and T-cell responses.

Next Achievements and Upcoming Readouts

- Additional data from the Phase 2 study of BRII-179 (VBI-2601)/BRII-835 (VIR-2218) combination is expected in the second half of 2023.

BRII-179 (VBI-2601) in Combination with PEG-IFN-α (Study conducted by Brii Bio)

The study of BRII-179 (VBI-2601) and PEG-IFN-α combination therapy will assess BRII-179 (VBI-2601) as an add-on therapy to the standard-of-care, NRTI and PEG-IFN-α therapy, in non-cirrhotic chronic HBV patients.

Clinical Development Milestones and Achievements as at the Date of This Report

- In December 2022, we completed patient enrollment of approximately 120 patients in part one of a Phase 2 combination trial evaluating the addition of BRII-179 (VBI-2601) in chronic HBV patients already receiving PEG-IFN-α and NRTI treatment.

Next Achievements and Upcoming Readouts

- Topline results from part one of the Phase 2 combination trial are expected in the second half of 2023.

VIR-2218 (BRII-835) in Combination with PEG-IFN-α (Study conducted by Vir)

Clinical Development Milestones and Achievements as at the Date of This Report

- Vir presented data at the International Liver Congress in June 2022, showing longer treatment duration of monthly VIR-2218 (BRII-835) results in deeper and more sustained reductions in HBsAg in participants with chronic HBV infection.
- In November 2022, Vir announced end-of-treatment data from an ongoing Phase 2 trial of combination of VIR-2218 (BRII-835) with PEG-IFN-α (lasting for 48 weeks) at the AASLD 2022 meeting, which demonstrated that approximately 31% of patients with chronic HBV infection achieved HBsAg seroclearance with hepatitis B antibodies seroconversion with no new safety signals.

Next Achievements and Upcoming Readouts

- Additional data from the Phase 2 study led by Vir are expected in the first half of 2023.

VIR-2218 (BRII-835) in Combination with BRII-877 (VIR-3434) (MARCH Study conducted by Vir)

BRII-877 (VIR-3434) is an investigational subcutaneously administered HBV-neutralizing monoclonal antibody designed to block entry of all 10 genotypes of HBV into hepatocytes and to reduce the level of virions and subviral particles in the blood. BRII-877 (VIR-3434), which incorporates Xencor's Xtend™ and other Fc technologies, has been engineered to potentially function as a T cell vaccine against HBV in infected patients, as well as to have an extended half-life.

Clinical Development Milestones and Achievements as at the Date of This Report

- In July 2022, we announced that the Company exercised its option to in-license BRII-877 (VIR-3434) for exclusive development and commercialization rights in Greater China as part of our broader collaboration with Vir.

- In November 2022, Vir presented initial end-of-treatment data at AASLD's The Liver Meeting® from Part A of the ongoing Phase 2 MARCH study evaluating VIR-2218 (BRII-835) in combination with VIR-3434 (BRII-877) in participants with chronic HBV infection who received NRTI therapy. The data indicated additive HBsAg reductions from VIR-2218 (BRII-835) and VIR-3434 (BRII-877) with combination regimens achieving a much greater HBsAg reduction than either alone in all patients with no safety signals.

Next Achievements and Upcoming Readouts

- Additional data from Part A of Vir's ongoing Phase 2 MARCH trial are expected in the first half of 2023.

- Initial data to evaluate VIR-2218 (BRII-835) and VIR-3434 (BRII-877) with or without PEG-IFN-α are expected in the second half of 2023 from Part B of Vir's ongoing Phase 2 MARCH trial.

- We are working closely with CDE of the NMPA to initiate a Phase 1 study of BRII-877 (VIR-3434) in China.

Postpartum Depression and Major Depressive Disorders Program (Internally discovered, U.S. team core project)

Leveraging patient insights, we are developing BRII-296 and BRII-297 to expand treatment options for patients with psychiatric disorders who are often underserved and overlooked across the industry. Utilizing applied drug formulation know-how to develop long-acting therapies, we are focused on improving drug administration convenience and patient compliance to ensure potential treatment success.

BRII-296 is our novel, long-acting and single injection therapeutic candidate under development for the treatment of PPD/MDD. It acts as a gamma-aminobutyric acid A receptor positive allosteric modulator and is designed to provide a rapid, profound and sustained reduction in depressive symptoms of PPD/MDD with the potential to lead to greater adherence, convenience and fewer side effects compared to the current standard of care.

Clinical Development Milestones and Achievements as at the Date of This Report

- In September 2022, we announced positive topline results from our Phase 1 study for BRII-296 with data that demonstrated a single administration of the investigational therapy at 600 mg delivered a favorable PK profile and was safe and well-tolerated in healthy subjects.

- Early feedback from physicians and patient communities has been very positive and reinforces the potential for a first-of-its-kind single-injection treatment option for PPD in the U.S.

Next Achievements and Upcoming Readouts

- We are working closely with the U.S. FDA to align and agree on the PPD treatment protocol in preparation for a Phase 2 POC study.

- We are actively working to expand the clinical indications for BRII-296 and plan to initiate additional Phase 2 studies in the U.S. by the end of 2023.

BRII-297 is a new chemical entity discovered internally and under development as a long-acting injectable treatment of various anxiety and depressive disorders.

Clinical Development Milestones and Achievements as at the Date of This Report

- We have conducted IND-enabling studies with BRII-297 targeting various anxiety and depressive disorders. In preparation for a first-in-human study, during the first half of 2022, we completed the formulation of the development and short-term toxicity studies.

Next Achievements and Upcoming Readouts

- We plan to initiate a first-in-human PK, safety and tolerability study with BRII-297 in Australia in the first half of 2023.

HIV Program (Internally discovered)

The Company is seeking partners to collaborate on the development of a once-weekly oral single-tablet regimen, BRII-732, for the treatment or prevention of HIV. We are also seeking to develop partnership for a novel low volume, subcutaneous injection therapy, BRII-753, with potential to dose monthly to every six months. Both compounds demonstrate considerable promise to serve as a key component for long-acting HIV treatment regimens that will offer more discreet and convenient options for patients living with HIV, and as monotherapy for HIV prevention.

BRII-732 is a proprietary prodrug NCE that, upon oral administration, is rapidly metabolized into EFdA and is under evaluation as a potential HIV treatment or prevention option. BRII-732 is a NRTTI, acting as both a chain terminator and translocation inhibitor of HIV.

Clinical Development Milestones and Achievements as at the Date of This Report

- We completed our Phase 1 SAD/MAD study of BRII-732 in May 2022.
- In October 2022, we presented positive Phase 1 data showing that BRII-732 demonstrated an acceptable safety and tolerability profile, as well as a favorable and linear PK profile that achieved therapeutic targets in healthy volunteers, reinforcing its potential as an oral once-weekly therapy for the treatment of HIV infections.
- In December 2022, we were notified by the U.S. FDA that it had lifted the clinical hold on the Company's planned Phase 1 study to investigate a lower oral dose of once-weekly BRII-732.

Next Achievements and Upcoming Readouts

- We are exploring external partnership opportunities to continue developing BRII-732 as part of a potential oral, once-weekly, long-acting combination treatment option for HIV patients.

BRII-753 is a NCE currently in the preclinical stage of development. It has been internally discovered and is being developed as a long-acting injection for subcutaneous injection with potential for dosing monthly to every six months. BRII-753 can be used in a combination therapy for HIV treatment and as monotherapy for Pre-exposure Prophylaxis.

Clinical Development Milestones and Achievements as at the Date of This Report

- The Company selected a new clinical candidate, BRII-753, as a long-acting subcutaneous injection therapy with the goal to extend the dosing schedule to once monthly, once quarterly or twice-yearly.

BRII-778: is an extended-release formulation of an U.S. FDA-approved NNRTI, Edurant (rilpivirine hydrochloride). Edurant, an instant-release formulation of rilpivirine, has exhibited antiviral activity against a broad panel of HIV's most common strains. BRII-778, like all NNRTIs, binds to the NNRTI binding site which is a flexible allosteric pocket located at a site adjacent to the DNA polymerizing processing site, resulting in conformational changes and altered function of reverse transcriptase.

Clinical Development Milestones and Achievements as at the Date of This Report

- We completed the final clinical study report for our BRII-778 Phase 1 SAD/MAD trial in June 2022.
- Based on the PK data from a completed Phase 1 study, which determined that additional development work was required to achieve optimal PK targets for the treatment of HIV, thus the Company has made the decision to discontinue the development of BRII-778.

MDR/XDR Gram-negative Bacteria Infections Program (Licensed from Qpex)

We are developing MDR/XDR therapies in collaboration with our partner Qpex as part of its global development plan. Based on a licensing agreement with Qpex, we have the exclusive rights to develop and commercialize BRII-636, BRII-672 and BRII-693 in Greater China.

Qpex is progressing BRII-636, BRII-672 and BRII-693 in parallel with a goal of moving each to global Phase 3 studies, at which time we will participate in the China-based arm of the global research protocols. BRII-636, BRII-672 and BRII-693 candidates all obtained QIDP designation from the U.S. FDA, which may receive incentives in the future.

BRII-693 (QPX-9003): is a novel synthetic lipopeptide in development for the treatment of MDR/XDR Gram-negative bacterial infections. Based on a combination of increased in vitro and in vivo potency, and an improved safety profile compared with currently available polymyxins, BRII-693 has the potential to be an important addition to hospital-administered intravenous antibiotics.

Clinical Development Milestones and Achievements as at the Date of This Report

- Qpex announced in early 2022 that BRII-693 received QIDP designation by the U.S. FDA.
- In October 2022, Qpex presented interim Phase 1 result at IDWeek from its completed first-in-human clinical study, demonstrating that BRII-693 was safe and well tolerated at all doses tested, and the result supports continued development of BRII-693 for the treatment of Acinetobacter baumannii and Pseudomonas aeruginosa infections resistant to carbapenem.

Next Achievements and Upcoming Readouts

- Qpex continues to work closely with the U.S. FDA to align its next steps in clinical development.
- We plan to submit a pre-IND to the NMPA in the first half of 2023 for the development of BRII-693 in China.

BRII-672 (ORAvance™) is a prodrug of BRII-636 and an oral BLI under development for the treatment of MDR/XDR Gram-negative bacterial infections. These agents were discovered by our partner Qpex as part of its expertise in BLIs, using the boron atom as a part of its pharmacophore.

Clinical Development Milestones and Achievements as at the Date of This Report

- Qpex announced in early 2022 that BRII-672, in combination with a non-disclosed oral beta-lactam antibiotic, received QIDP designation by the U.S. FDA.
- Preclinical data and interim first-in-human Phase 1 clinical results were presented at IDWeek in October 2022.
- In the fourth quarter of 2022, Qpex completed the first-in-human Phase 1 study in the U.S. No subjects discontinued treatment due to adverse events and no serious adverse events were observed in this Phase 1 SAD study.
- In December 2022, we submitted a pre-IND to the NMPA in China seeking regulatory guidance around a development plan for BRII-672 in China.

Next Achievements and Upcoming Readouts

- Qpex continues to work closely with the U.S. FDA to align its next stages in clinical development.

BRII-636 (OMNIvance®): intravenously administered novel cyclic boronic acid derived broad-spectrum inhibitor under development for the treatment of MDR/XDR Gram-negative bacterial infections.

Clinical Development Milestones and Achievements as at the Date of This Report

- In early 2022, Qpex announced that BRII-636 received QIDP designation by the U.S. FDA.
- Qpex completed a first-in-human Phase 1 study and a drug-drug interaction study and presented findings at the IDWeek conference in the fourth quarter of 2022. This Phase 1 MAD study indicated that overall, BRII-636 (xeruborbactam), alone and in combination with meropenem, at doses associated with efficacy in animal models of infection was well-tolerated.

Next Achievements and Upcoming Readouts

- Qpex continues to work closely with the U.S. FDA to align its next stages in clinical development.

NTM Lung Disease Program (Licensed from AN2)

Brii Bio's strategic partner, AN2, is developing epetraborole (BRII-658) as a once-daily oral treatment for patients with chronic NTM lung disease, with an initial focus on treatment-refractory *Mycobacterium avium complex* lung disease, which is the subpopulation of MAC lung disease with the highest unmet medical needs for new therapies. We hold a license to develop, manufacture and commercialize epetraborole (BRII-658) in Greater China.

BRII-658 (epetraborole) is in development as a once-daily oral treatment for patients with chronic NTM lung disease, with an initial focus on treatment of refractory MAC lung disease. It is a boron-containing, small molecule inhibitor of mycobacterial leucyl-tRNA synthetase, or LeuRS, an enzyme that inhibits protein synthesis.

Clinical Development Milestones and Achievements as at the Date of This Report

BRII-658 (epetraborole)

- Our partner, AN2, is advancing a pivotal Phase 2/3 clinical trial for treatment-refractory MAC lung disease.
- AN2 also completed and reported topline results from its Phase 1 bridging study designed to evaluate the pharmacokinetics, safety and tolerability of oral epetraborole in Japanese subjects.

Next Achievements and Upcoming Readouts

- AN2 expects to complete enrollment in the Phase 2 portion of the pivotal Phase 2/3 clinical trial in mid-2023 and plans to seamlessly begin enrollment in the Phase 3 portion of the trial immediately thereafter. AN2 also expects to announce topline data for each of the Phase 2 and Phase 3 portions of the trial approximately nine months after the completion of enrollment in each respective portion of the trial.

COVID-19 Program (Internal discovered in collaboration with Tsinghua University and Third People's Hospital of Shenzhen through our subsidiary, TSB Therapeutics)

Amubarvimab and romlusevimab are non-competing SARS-CoV-2 monoclonal neutralizing antibodies derived from convalesced COVID-19 patients. They have been specifically engineered to reduce the risk of antibody-dependent enhancement and prolong the plasma half-life for potentially more durable treatment effect.

Approved by the China's NMPA in December 2021, our long-acting amubarvimab/romlusevimab cocktail therapy is approved to be administered by intravenous infusion in two sequential doses for the treatment in adults and pediatric patients (age 12-17 weighing at least 40 kg) of mild- and normal-type COVID-19 at high risk for progression to severe disease, including hospitalization or death. The indication of pediatric patients (age 12-17 weighing at least 40 kg) is under conditional approval. In January 2023, the National Health Commission of China reiterated the amubarvimab/romlusevimab combination in its COVID-19 Diagnosis and Treatment Guidelines (10th Edition) for the treatment of COVID-19 and the 4th COVID-19 Diagnosis and Treatment Protocol for Severe/Critical Cases. The live virus testing data as well as pseudovirus testing data from multiple independent laboratories have demonstrated that the amubarvimab/romlusevimab combination retains activity against commonly identified SARS-CoV-2 variants such as B.1.1.7 (Alpha), B.1.351 (Beta), P.1 (Gamma), B.1.429 (Epsilon), B.1.617.2 (Delta), AY.4.2 (Delta Plus), C.37 (Lambda), B.1.621 (Mu), B.1.1.529-BA.1 (Omicron) and BA.1.1, BA.2, BA.2.12.1, BA.4/5, BF.7 (Omicron subvariants).

Clinical Development Milestones and Achievements as at the Date of This Report

- Following commercial launch in China since July 2022, we sold substantially all available products of the amubarvimab/romlusevimab combination, with a revenue of RMB51.6 million and availability in over 25 provinces and more than 358 hospitals nationwide. And as part of its commitment to ensuring humanitarian access and contributing to the containment of the pandemic outbreak, the Company donated nearly 3,000 doses for emergency use to 21 cities and 22 hospitals in China prior to the commercial launch.
- In January 2023, the amubarvimab/romlusevimab combination is the recommended antiviral treatment for COVID-19 in both the 10th COVID-19 Diagnosis and Treatment Guideline and the 4th COVID-19 Diagnosis and Treatment Protocol for Severe/Critical Cases.
- The Company has made the decision to discontinue its amubarvimab/romlusevimab antibody combination program and has stopped manufacturing efforts in order to redirect resources to high-priority programs. This determination is based on constantly evolving COVID-19 trends including the upcoming expiration of the federal Public Health Emergency by the U.S. Department of Health and Human Services in May 2023, as well as protracted regulatory inspections at our CDMO sites. The Company is working with the U.S. FDA to withdraw the EUA application at an appropriate time following the completion of activities required by the regulatory authority and also with the China's NMPA to withdraw the BLA in the third quarter of 2023 once all necessary regulatory requirements have been completed. No significant revenue is expected in the future from the commercialization of amubarvimab/romlusevimab combination either in China or in the U.S. or other territories.

Other Corporate Developments

- We expanded our executive leadership with appointments that strengthened the Board structure and corporate development initiatives, with the additions of Dr. Ankang Li, Chief Strategy Officer and Chief Financial Officer, to the Board as an executive Director and the chair of the Strategy Committee, and Dr. Taiyin Yang as an independent non-executive Director and the co-chair of the Audit and Risk Committee. New additions to the Brii Bio senior leadership team included Dr. Susannah Cantrell, Chief Business Officer, Dr. Eleanor de Groot, Chief Technology Officer, Dr. Aleksandar Skuban, Central Nervous System Diseases Therapy Area Head, and Karen D. Neuendorff, Chief People Officer.
- We strengthened the China leadership team, which included the appointments of Dr. Qing Zhu as Head of China R&D, and Mr. Rico Liang as General Manager, Greater China.
- In May 2022, the Company was added to the MSCI China Small Cap Index, an international benchmark for global institutional investors seeking to optimize their investment portfolios.
- We commercially launched amubarvimab/romlusevimab combination as a long-acting COVID-19 neutralizing antibody in China and formed strategic partnership with China Resources Pharmaceutical Commercial Group to advance the commercialization of amubarvimab/romlusevimab combination therapy.

- We foster partnerships with key maternal health advocacy groups to address patients' needs and preferences in the U.S., including supporting the Postpartum Support International's Climb Out of the Darkness event, and sponsoring the 20/20 Mom Annual Forum, Maternal Mental Health Now, the 35th Annual Postpartum Support International Conference and the 2022 Black Maternal & Mental Health Summit.

- The Company continues to receive broad industry recognition for its corporate and clinical development accomplishments across more than ten awards and feature lists, including: "50 Women in Tech" by Forbes China, "2022 Annual Biotechnology Innovation" by China Times, "Top 10 Chinese Pharmaceutical Listed Companies in ESG Investment Value in 2022" by Healthcare Executives, "2022-2023 Gold Bell Seal for Workplace Mental Health" by Mental Health America, etc.

- In 2022, the Company also received an "A" rating from MSCI ESG Rating, a globally recognized assessment of a company's resilience to long-term ESG risks. We are committed to addressing the toughest public health challenges through ground-breaking innovation and insights, as well as enhancing the accessibility of innovative medicines. We have officially stepped into the patient advocacy space and incorporated patient advocacy in all aspects of our work of helping global patients. Our patient centricity plan to properly involve advocates in our drug development and discovery process has made great progress and we continue to make advancements in 2022. We are more dedicated than ever to environmental protection and adhere to the concept of green business.

R&D

We are a biotech company primarily engaged in pharmaceutical R&D activities. We believe that R&D is the key to driving our therapeutic strategy and maintaining our competitiveness in the biopharmaceutical industry.

Patients' needs play an integral role in determining which diseases we target. Currently, our portfolio aims to find more viable solutions to prevalent diseases that impact a growing number of people with infectious diseases and mental illnesses. We intentionally target diseases where we have clear insights into patients' needs or preferences.

Our teams are geographically delineated by disease indication with different emphases in the U.S. and China to better leverage our capabilities and create additional competitive advantages. In the U.S., we are developing our CNS and HIV programs, as well as leveraging our partners' clinical data to move through clinical development more swiftly in China, or participate in late-stage global studies, where our focal programs are HBV, MDR/XDR and COVID-19. China is also where we maintain closer regulatory access and a commercial team. The rapid approval and commercialization of our COVID-19 neutralizing antibodies combination is an excellent example of how our international teams work together. While our U.S. and China teams currently have separate therapeutic areas of focus, we are united in our operations and our shared vision to deliver world-class medicines to patients.

Our R&D collaborations and in-house R&D capabilities facilitate our global sourcing of innovative therapies for China and global markets. We have built our product candidates by leveraging our in-house R&D capabilities, R&D collaborations and support from our strong scientific advisory board and veteran investors. Additionally, we have R&D collaborations with global pharmaceutical and biotech companies, leading CROs, CMOs, CDMOs, research institutions and other strategic partners. Our cross-border organic operations are one of our competitive advantages and we plan to extend this capability and our capacity to our organization. With the planned expansion of our depressive disorders pipeline, we may consider establishing additional laboratories that serve our international goals, such as advancing our U.S. capabilities.

Our in-house R&D capabilities are led by industry veterans who impart the Company with their large pharma experience in drug discovery all the way through commercialization. Our leaders include Chief Executive Officer Dr. Zhi Hong; Chief Medical Officer Dr. Li Yan; Head of Discovery Dr. Lianhong Xu; Head of China Research and Development Dr. Qing Zhu; Infectious Disease Therapy Area Head Dr. David Margolis; and CNS Diseases Therapy Area Head Dr. Aleksandar Skuban.

With widely respected members in the Board who are well regarded in the industry, our R&D process and drug candidate selection are guided by a leading team of experts. Our diverse Board members hold exceptional industry experience across multiple scientific and corporate disciplines, including leadership at large biopharmaceutical companies, specialization in infectious diseases, and track record of successfully bringing biologic candidates through the clinical development, regulatory review and commercialization process.

By design, our multi-pronged R&D strategies entail R&D expenses that vary with the number and scale of projects each year. Our R&D expenses were RMB440.6 million for the year ended December 31, 2022. We intend to continue to leverage our technology and R&D capabilities to broaden our life sciences research and application capabilities and product candidate portfolio.

Commercialization

For our pipeline candidates, we maintain a mix of in-licensed Greater China rights and global rights.

Our COVID-19 antibody cocktail therapy, amubarvimab/romlusevimab, was commercialized in China in July 2022. Substantially all available products have been sold, with a recognized revenue of RMB51.6 million and availability in 25 provinces and 358 hospitals nationwide.

As at the date of this report, beyond commercialization of our COVID-19 therapy, our efforts have focused on building our drug candidate pipeline. Most of our programs are in different stages of clinical development. As most of our candidates are engaged in ongoing clinical trials and the COVID-19 program is discontinued, we do not anticipate sales or commercialization of drug candidates in the immediate future.

As our pipeline matures, we will further evaluate strategic commercialization for our various drug candidates.

FUTURE DEVELOPMENT

Our mission is to develop and bring transformative therapies to underserved markets, addressing critical public health needs, and becoming a leader in infectious diseases and central nervous system disease solutions.

In 2022, we re-dedicated our focus to our core development programs in HBV in China, where we are an industry frontrunner, as well as our psychiatric disorders programs, where we are accelerating our clinical development in depressive disorders treatment in the U.S.

Our strategic priorities for 2023 are to:

- Together with our partner Vir, further evaluating our combination treatment regimens under development for a functional cure for HBV infection leveraging the additional data available from several ongoing trials later this year, and plan to select a combination treatment regimen for the next stage of development in the Greater China;
- Continue to advance the clinical development of BRII-296 for the treatment of PPD/MDD, anxiety and other depressive disorders, as well as to advance BRII-297 for the treatment of various anxiety and depressive disorders;
- Enter a strategic partnership for our HIV program in the U.S. for continued development of our current product candidates as a long-acting, once-weekly single tablet regimen for the treatment of HIV patients;
- Expand our pipeline through in-house discovery and additional licensing options. Explore business development opportunities that expedite global regulatory approval by in-licensing therapies for use in China and out-licensing internally discovered therapeutic candidates for use in international markets; and
- Continue to expand our organization in China and the U.S. to support our business development and establish a global patient-centric/people strategy built on our strong cultural foundation that lives through our mission to tackle the world's biggest challenges in public health.

FINANCIAL REVIEW

1. Revenue

Our revenue derives from the successful commercial launch of our long-acting amubarvimab/romlusevimab combination amounted to RMB51.6 million for the year ended December 31, 2022. Revenue is recognised when control of the goods has been transferred, being when the goods have been delivered to the specified location designated by the customers.

2. Other income

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Bank interest income	37,204	6,490
Government grants	70,310	92,542
Others	343	–
	107,857	99,032

Our other income increased by RMB8.9 million from RMB99.0 million for the year ended December 31, 2021 to RMB107.9 million for the year ended December 31, 2022. This was primarily attributable to the increase in the bank interest income increased by RMB30.7 million. The increase of bank interest income was partially offset by the decrease of government grants income of RMB22.2 million. These grants mainly represent the incentive and other subsidies from the PRC government which are for R&D activities and are recognized upon compliance with the attached conditions.

3. Other gains and losses

Our other gains and losses decreased by RMB57.4 million from gains of RMB45.1 million for the year ended December 31, 2021 to losses of RMB12.3 million for the year ended December 31, 2022. The decrease was primarily attributable to the differences resulting from the depreciation in foreign currency exchange rates on the carrying amount of financial assets denominated in a foreign currency.

4. Fair value loss on financial liabilities at FVTPL

Our fair value loss on financial liabilities at FVTPL decreased by RMB3,598.8 million from RMB3,598.8 million for the year ended December 31, 2021 to nil for the year ended December 31, 2022. Fair value loss on financial liabilities measured at FVTPL consists of the issues of our Series A, Series B, and Series C preferred shares issued or outstanding during the year ended December 31, 2021. The amount of loss represents the increase in fair value of the preferred shares.

After the automatic conversion of all preferred shares into Shares upon the closing of the Global Offering in July 2021, we did not recognize any further gains or losses on fair value changes from these preferred shares.

5. Fair value loss on equity instrument at FVTOCI

Our fair value loss on equity instrument at FVTOCI increased by RMB24.0 million from loss of RMB6.1 million for the year ended December 31, 2021 to loss of RMB30.1 million for the year ended December 31, 2022. The amounts represent the decrease of fair value of equity instrument at FVTOCI which is a listed equity investment in a biopharmaceutical company listed in the USA. The decrease was primarily attributable to the drop of quoted market price.

6. R&D expenses

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Third-party contracting costs	253,020	367,069
Employee costs	169,544	117,134
Licensing fee	6,728	6,453
Depreciation and amortization	2,745	2,716
Others	8,597	1,243
Total	440,634	494,615

Our R&D expenses decreased by RMB54.0 million from RMB494.6 million for the year ended December 31, 2021 to RMB440.6 million for the year ended December 31, 2022. The decrease was primarily due to the decrease in third party contracting costs relating to COVID-19 programs, which was partially offset by an increase of RMB52.4 million in the employee costs for our continuous development in clinical.

7. **Administrative expenses**

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Employee costs	100,849	146,688
Professional fees	33,490	21,579
Depreciation and amortization	14,315	14,546
Office expenses	2,992	3,750
Others	16,983	21,841
Total	168,629	208,404

Our administrative expenses decreased by RMB39.8 million from RMB208.4 million for the year ended December 31, 2021 to RMB168.6 million for the year ended December 31, 2022. This was primarily attributable to a decrease of RMB45.9 million in employee costs from RMB146.7 million for the year ended December 31, 2021 to RMB100.8 million for the year ended December 31, 2022. Such decrease was primarily attributable to the decrease in share-based compensation expenses.

In addition, our professional fees increased by RMB11.9 million mainly due to the professional services required as a listed company following the Global Offering.

8. **Selling and marketing expenses**

Our selling and marketing expenses were RMB26.9 million for the year ended December 31, 2022.

This was primarily attributable to the commercialization of COVID-19 therapy.

9. **Liquidity and Capital resources**

As at December 31, 2022, our bank and cash balances, including restricted bank deposits and time deposits, decreased to RMB2,999.3 million from RMB3,355.1 million as at December 31, 2021. The decrease is primarily due to payout of daily operations and third party contracting costs.

10. Non-IFRS measures

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS, we also use adjusted loss for the year and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the IFRS. We believe that these adjusted measures provide useful information to Shareholders and potential investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

Adjusted loss for the year represents the loss for the year excluding the effect of certain non-cash items and one-time events, namely the loss on fair value changes of the conversion feature of preferred shares (financial liabilities measured at fair value through profit or loss), share-based compensation expenses and listing expenses. The term adjusted loss for the year is not defined under the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS. The presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. However, we believe that this and other non-IFRS measures are reflections of our normal operating results by eliminating potential impacts of items that the management does not consider to be indicative of our operating performance, and thus facilitate comparisons of operating performance from year-to-year and company-to-company to the extent applicable.

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

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Loss for the year	(489,781)	(4,191,084)
Added:		
Fair value loss on financial liabilities at fair value through profit or loss	–	3,598,847
Share-based compensation expenses	77,928	79,370
Listing expenses	–	32,137
Adjusted loss for the year	(411,853)	(480,730)

The table below sets forth a reconciliation of the R&D expenses to adjusted R&D expenses during the years indicated:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
R&D expenses for the year	(440,634)	(494,615)
Added:		
Share-based compensation expenses	44,245	16,962
Adjusted R&D expenses for the year	(396,389)	(477,653)

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Administrative expenses for the year	(168,629)	(208,404)
Added:		
Share-based compensation expenses	25,448	62,408
Adjusted administrative expenses for the year	(143,181)	(145,996)

The table below sets forth a reconciliation of the selling and marketing expenses to adjusted selling and marketing expenses during the years indicated:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Selling and marketing expenses for the year	(26,861)	–
Added:	–	
Share-based compensation expenses	8,235	–
Adjusted selling and marketing expenses for the year	(18,626)	–

11. Key financial ratios

The following table sets forth the key financial ratios for the dates indicated:

	As at December 31, 2022	As at December 31, 2021
Current ratio(1)	1,343%	1,215%
Gearing ratio(2)	NM	NM

(1) Current ratio is calculated using current assets divided by current liabilities as of the same date.

(2) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by total equity and multiplied by 100%. Gearing ratio is not meaningful as we do not have any interest-bearing borrowings.

12. Indebtedness

Borrowings

As at December 31, 2022, the Group did not have any unutilized bank facilities, material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured.

Contingent Liabilities

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

Lease Liabilities

We lease our office places under operating lease arrangements. Leases for office places are negotiated for terms ranging mainly from one to five years. As at December 31, 2022, the Group had lease liabilities of RMB12.7 million recognized under IFRS 16.

13. Significant investments, material acquisitions and disposals

As at December 31, 2022, we did not hold any significant investments. Save as disclosed in this report, the Group did not have any concrete future plans for material investments or capital assets as at December 31, 2022. For the year ended December 31, 2022, we did not have material acquisitions or disposals of subsidiaries, associates, and joint ventures.

14. Charge on the Group's assets

As at December 31, 2022, none of the Group's assets were charged with any parties or financial institutions (December 31, 2021: nil).

15. Foreign exchange exposure

We are exposed to foreign exchange risk arising from certain currency exposures. Our reporting currency is RMB, but a significant portion of our operating transactions, assets, and liabilities are denominated in other currencies such as USD and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at December 31, 2022, the Group's restricted bank deposits, time deposits with original maturity over three months and bank balances and cash were denominated as to 40% in US dollars, 36% in Hong Kong dollars, and 24% in RMB.

16. Employees and remuneration

As at December 31, 2022, we had a total of 146 employees. The following table sets forth the total number of employees by function as at December 31, 2022:

Function	Number of employees	% of total
R&D	89	61.0%
Administration	43	29.5%
Selling and marketing	14	9.5%
Total	146	100%

We enter into individual employment contracts with our employees to cover matters such as wages, benefits, equity incentive, and grounds for termination. We generally formulate our employees' remuneration package to include salary, bonus, equity incentive and allowance elements. Our compensation programs are designed to remunerate our employees based on their performance, measured against specified objective criteria. We also provide our employees with welfare benefits in accordance with applicable regulations and our internal policies.

The Group also has adopted share incentive schemes for the purpose of providing incentives and rewards to its employees.

In accordance with applicable regulations in the PRC, we participate in a pension contribution plan, a medical insurance plan, an unemployment insurance plan, and a personal injury insurance plan for our employees. We have made adequate provisions in accordance with applicable regulations. Additionally, in accordance with PRC regulations, we make annual contributions toward a housing fund, a supplemental medical insurance fund, and a maternity fund.

We provide formal and comprehensive company-level and department-level training to our new employees followed by on-the-job training. We also provide training and development programs to our employees from time to time to ensure their awareness and compliance with our various policies and procedures. Some of the training is conducted jointly by different groups and departments serving different functions but working with or supporting each other in our day-to-day operations.

The total remuneration cost incurred by the Group for the year ended December 31, 2022 was RMB294 million, as compared to RMB264 million for the year ended December 31, 2021.

17. Treasury policy

Majority of our cash arises from equity funding. Such cash can only be invested in relatively liquid and low-risk instruments such as bank deposits or money market instruments. The primary objective of our investments is to generate finance income at a yield higher than the interest rate of current bank deposits, with an emphasis on preserving principal and maintaining liquidity.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. Zhi HONG, aged 59, was appointed as a Director on March 2, 2018, and re-designated as an executive Director and appointed as the chairman of the Board on March 24, 2021. He currently acts as a member of the Nomination Committee and the chief executive officer of the Company. He was the chairman of the Nomination Committee from July 13, 2021 to September 1, 2022, and the chairman of the Strategy Committee from July 13, 2021 to September 30, 2022.

Since January 2018, Dr. Hong has been serving as a director and the chief executive officer of Brii Biosciences, Inc. Since February 2019, he has been serving as a director and the chairman of the board of Brii Biosciences (Shanghai) Co. Limited* (騰盛博藥醫藥技術（上海）有限公司) ("**Brii Shanghai**") and Brii Biosciences (Beijing) Co. Limited* (騰盛博藥醫藥技術（北京）有限公司) ("**Brii Beijing**"). In addition, since May 2018 and November 2018 respectively, he has been serving as a director of Brii Biosciences Offshore Limited and Brii Biosciences (Hong Kong) Co. (騰盛博藥醫藥技術（香港）有限公司) ("**Brii HK**").

Dr. Hong has over 25 years of experience in the biopharmaceutical industry. Prior to founding the Group, he was a senior vice president of GlaxoSmithKline plc., a pharmaceuticals, vaccines and consumer healthcare products company listed on the New York Stock Exchange in the United States (stock code: GSK), and he was responsible to head the infectious diseases therapy area unit from April 2007 to March 2018. He was also a director of ViiV Healthcare Limited ("**ViiV**"), a subsidiary of GlaxoSmithKline plc. in the United Kingdom engaged in the research and development of HIV medicines, and he was responsible for overseeing the research and development of HIV treatment and prevention therapies from October 2009 to March 2018. He was an executive vice president of research and chief scientific officer of Ardea Biosciences, Inc., a biopharmaceutical company in the United States, and he was responsible for the research and development of infectious diseases and oncology from December 2006 to March 2007. He was a vice president and head of research of Bausch Health Companies Inc. (formerly known as Valeant Pharmaceuticals International), a pharmaceutical company listed on the New York Stock Exchange in the United States (stock code: BHC), and he was responsible for the research and development of infectious diseases, oncology and neuroscience R&D from June 2000 to March 2007.

Dr. Hong obtained his Bachelor of Science in Biochemistry from Fudan University in China in July 1985 and a Ph.D. in Biochemistry from State University of New York in the United States in January 1992.

Dr. Ankang LI (李安康), aged 45, was appointed as an executive Director and the chairman of the Strategy Committee with effect from September 30, 2022 and as the chief executive officer of TSB Therapeutics, an indirect non-wholly owned subsidiary of the Company, with effect from September 16, 2022. He has been serving as the chief financial officer, company secretary and chief strategy officer of our Company since September 1, 2020, April 8, 2021 and March 22, 2022, respectively. Dr. Li is responsible for overseeing financial, accounting, legal, intellectual property, corporate development, procurement, investor relations and communication on matters of the Group. Dr. Li has also been serving as a director of Brii Beijing, Brii Shanghai, and Brii HK since August 2021, July 2021 and June 2021, respectively.

Dr. Li has more than ten years of experience in investment banking, business development, legal transaction and biomedical research. Prior to joining the Group, he was the chief financial officer of Terns Pharmaceuticals, Inc., a clinical-stage biopharmaceutical company listed on NASDAQ Stock Exchange in the United States (stock code: TERN), and he was responsible for overseeing financial operation from June 2019 to August 2020. He was an executive director within the corporate finance department division of Goldman Sachs, an investment bank, and he was responsible for providing financial advisory services from January 2018 to June 2019. He was a director of the business development department of MSD R&D (China) Co., Ltd., a China subsidiary of a global pharmaceutical company Merck Sharp & Dohme Corporation ("**MSD**"), and he was responsible for overseeing business development and licensing transactions of MSD Asia Pacific Innovation Hub from September 2016 to December 2017. He was an associate of Ropes & Gray LLP, a global law firm, and he was responsible for providing legal advisory services in corporate transactions from August 2014 to September 2016. He was an associate of Davis Polk & Wardwell LLP, a global law firm, and he was responsible for providing legal advisory services in corporate transactions from September 2012 to August 2014. From September 2007 to September 2009, he was a research associate of Salk Institute for Biological Studies, a scientific research institute in the United States, conducting postdoctoral scientific research.

Dr. Li obtained his Bachelor of Science in Biochemistry from Fudan University in China in July 1999, a Master of Science in Biological Sciences from National University of Singapore in Singapore in October 2002, a Ph.D. in Biomedical Sciences from Baylor College of Medicine in the United States in June 2007 and a Juris Doctor degree from The University of Chicago Law School in the United States in June 2012. Dr. Li was also admitted to the New York Bar in January 2013 and was qualified as a Chartered Financial Analyst of the CFA Institute in August 2016.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. Robert Taylor NELSEN, aged 59, was appointed as a Director on June 22, 2018 and re-designated as a non-executive Director on March 24, 2021. He has been a member of the Strategy Committee since July 13, 2021.

Since 1994, Mr. Nelsen has been serving as a co-founder and managing director of ARCH Venture Partners, a venture capital firm focused on early-stage technology companies, and he has played a significant role in the early sourcing, financing and development of more than 30 biopharmaceutical companies. In addition, he has been serving as a non-executive director, the chairman of the board, the chairman of the nomination committee and a member of the strategy committee of Hua Medicine (a company listed on the Stock Exchange (stock code: 2552) which is principally engaged in the development of a global first-in-class oral drug for the treatment of diabetes) since May 2018. He has also been serving as a director of Prime Medicine, Inc (stock code: PRME) since October 2022, Sana Biotechnology, Inc (stock code: SANA) since September 2018, Lyell Immunopharm (stock code: LYEL) since August 2018, and Vir Biotechnology Inc. (stock code: VIR) since January 2017, all of which are companies listed on NASDAQ Stock Exchange in the United States.

Mr. Nelsen previously served as a director of Renovation Healthcare Acquisition Corp. (stock code: REVH) from March 2021 to April 2022, Sienna Biopharmaceuticals, Inc. (stock code: SNNA) from August 2015 to October 2018, Syros Pharmaceuticals, Inc. (stock code: SYRS) from August 2012 to June 2018, Juno Therapeutics, Inc. (stock code: JUNO) from August 2013 to March 2018, KYTHERA Biopharmaceuticals, Inc. (stock code: KYTH) from January 2006 to December 2014, Agios Pharmaceuticals Inc. (stock code: AGIO) from December 2007 to June 2017, Sage Therapeutics, Inc. (stock code: SAGE) from September 2013 to March 2016, Bellerophon Therapeutics, Inc. (stock code: BLPH) from February 2014 to November 2015, Adolor Corporation (stock code: ADLR) from November 1994 to May 2004, Illumina, Inc. (stock code: ILMN) from June 1998 to August 2006, Fate Therapeutics, Inc. (stock code: FATE) from September 2007 to June 2014, NeurogesX, Inc. (stock code: NGSX) from July 2000 to July 2013, Unity Biotechnology, Inc. (stock code: UBX) from November 2011 to December 2020, Karuna Therapeutics Inc. (stock code: KRTX) from August 2018 to June 2021, Beam Therapeutics Inc. (stock code: BEAM) from June 2017 to June 2021, and Denali Therapeutics, Inc. (stock code: DNLI) from May 2015 to June 2022, all of which are companies listed on NASDAQ Stock Exchange in the United States. Subsequent to June 29, 2012, NGSX shares were quoted on the Over the Counter Bulletin Board in the United States. Mr. Nelsen also previously served as a trustee of Fred Hutchinson Cancer Research Center.

Mr. Nelsen obtained his Bachelor of Science with majors in Economics and Biology from the University of Puget Sound in the United States in June 1985 and a Master of Business Administration from the University of Chicago in the United States in June 1987.

Independent Non-Executive Directors

Dr. Martin J MURPHY JR, aged 80, was appointed as an independent non-executive Director on June 22, 2021 (with effect from July 13, 2021). Dr. Murphy currently acts as the chairman of the Remuneration Committee and a member of the Nomination Committee. He was a member of the Audit and Risk Committee from July 13, 2021 to September 1, 2022.

Dr. Murphy Jr has been serving as the chairman and the chief executive officer of AlphaMed Consulting, Inc., a biomedical consulting company, since March 2003. He provides executive consultation on cancer drug development, clinical trial design, key thought leader identification and strategic analysis of big data and artificial intelligence to both corporate executives as well as cancer drug developers. Dr. Murphy Jr was the founding chief executive officer of CEO Roundtable on Cancer, a non-profit organization that works to develop and implement initiatives that reduce the risk of cancer, from August 2000 to January 2020. He received the Charles A. Sanders Life Sciences Award presented by Life Sciences Consortium and CEO Roundtable on Cancer in November 2019. Dr. Murphy Jr has been the Emeritus Director of the CEO Roundtable on Cancer since January 2021. He has also been a fellow of the American Society of Clinical Oncology since 2013.

Dr. Murphy Jr was awarded a Master of Science in Biology from New York University in the United States in February 1967, a Ph.D in Biology from New York University in the United States in June 1969 and a Doctor of Medical Science (honoris causa) from Queen's University of Belfast in the United Kingdom in July 2009.

Ms. Grace Hui TANG, aged 63, was appointed as an independent non-executive Director on June 22, 2021 (with effect from July 13, 2021). Ms. Tang currently acts as the co-chairlady of the Audit and Risk Committee and a member of the Remuneration Committee.

Ms. Tang has been serving as a director and a member of the audit committee of Textainer Group Holdings Limited, a container leasing company listed on the New York Stock Exchange in the United States (stock code: TGH) since July 2020, a director and the chair of the audit committee of ECARX Holdings Inc, a company listed in the NASDAQ Stock Exchange (stock code: ECX) since March 2021, a director and members of the audit committee and the operation committee of Elkem ASA, a company listed on the Oslo Stock Exchange (stock code: ELK) since April 2021. She has been serving as a professor and interviewer of Peking University's Guanghua School of Management, and she is responsible for teaching graduate accounting program and interviewing MBA candidates since September 2018. Ms. Tang held several positions in China, Hong Kong and US Silicon Valley offices in PricewaterhouseCoopers, an accounting firm, from March 1990 to June 2020 and her last position therein was partner in the assurance department in China office and she was responsible for overseeing audit work.

Ms. Tang obtained her Bachelor of Science with majors in Accounting from the University of Utah in the United States in June 1982 and a Master of Business from Utah State University in the United States in June 1984. Ms. Tang has been a certified public accountant of the California Board of Accountancy of the United States since December 1993. She has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since July 1995. She has been a fellow of the Hong Kong Institute of Certified Public Accountants since March 2003.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yiu Wa Alec TSUI (徐耀華), aged 73, was appointed as an independent non-executive Director on June 22, 2021 (with effect from July 13, 2021). Mr. Tsui currently acts as members of the Audit and Risk Committee and the Remuneration Committee. Mr. Tsui was a member of the Nomination Committee from July 13, 2021 to September 1, 2022.

Mr. Tsui has over 40 years of experience in finance and administration, corporate and strategic planning, information technology and human resources management. Mr. Tsui has been an independent non-executive director of a number of companies listed on the Stock Exchange, namely, COSCO Shipping International (Hong Kong) Co., Ltd. (a company engaged in ship-related businesses) (stock code: 517) since February 2004, Pacific Online Limited (a company engaged in the provision of Internet advertising services) (stock code: 543) since November 2007 and Hua Medicine (a company engaged in the development a global first-in-class oral drug for the treatment of diabetes) (stock code: 2552) since September 2018. He has also been serving as the independent director of a number of companies listed on NASDAQ Stock Exchange in the United States, namely, ATA Creativity Global (a company providing educational services) (stock code: AACG) since January 2008 and Melco Resorts & Entertainment Limited (a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia) (stock code: MLCO) since December 2006. Since August 2000, he has also been an independent non-executive director of Industrial & Commercial Bank of China (Asia) Limited, a company previously listed on the Stock Exchange (stock code: 349) and was delisted with effect from December 21, 2010. In addition, Mr. Tsui has been serving as a director to WAG Worldsec Management Consultancy Limited, a consulting company, and he is responsible for setting the strategic direction of the company and the day-to-day management of the company since April 2006.

Mr. Tsui served as independent non-executive directors in various other Hong Kong listed companies, including China Oilfield Services Limited (an integrated oilfield services providers) (stock code: 2883) from June 2009 to June 2015, China Power International Development Limited (a Chinese electric power company) (stock code: 2380) from March 2004 to December 2016, Summit Ascent Holdings Limited (a company engaged in leisure facilities and services) (stock code: 102) from March 2011 to September 2018, Kangda International Environmental Company Limited (a company engaged in the constructions and operations of wastewater treatment business) (stock code: 6136) from October 2013 to April 2019, DTXS Silk Road Investment Holdings Company Limited (a company engaged in e-commerce business) (stock code: 620) from December 2015 to May 2020 and Melco Resorts and Entertainment (Philippines) Corporation (a company which owns and operates casinos) listed on the Philippine Stock Exchange (stock code: MRP) from December 2012 to November 2020.

Mr. Tsui was the chairman and director of WAG Worldsec Corporate Finance Limited, a private professional consulting services and financial solutions company, and he was responsible for setting the strategic direction of the company, the supervision of regulatory activities licensed under the SFC and the day-to-day management of the company from November 2003 to February 2017. He was the chief executive of WAG Financial Services Group Limited, a financial service company, and he was responsible for setting the strategic direction of the company, the supervision of regulatory activities licensed under the SFC and the day-to-day management of the company from April 2001 to November 2006. He was also the chairman of Hong Kong Securities Institute from December 2001 to December 2004. He was the consultant of the Shenzhen Stock Exchange from July 2001 to June 2002. He joined the Stock Exchange as the executive director of the finance and operations services division in January 1994 and served various positions in the Stock Exchange, including the chief executive of the Stock Exchange from February 1997 to August 2000 and the chief operating officer of Hong Kong Exchanges and Clearing Limited from March 2000 to August 2000. Before that, he held several positions in the SFC since January 1989, including the general manager of the finance and information technology department. He held several positions in China Light & Power Co., Ltd. (currently known as CLP Power Hong Kong Limited, a wholly-owned subsidiary of CLP Holdings Limited which is listed on the Stock Exchange (stock code: 2)) from May 1980 to December 1988 and his last position therein was manager of the financial planning and analysis department. He was an analyst of Arthur Andersen & Co., an accounting firm, from October 1976 to May 1979.

Mr. Tsui was admitted as a member of the Hong Kong Securities and Investment Institute in November 1998 and became the senior fellow of the Hong Kong Securities and Investment Institute in September 2014. Mr. Tsui obtained his Bachelor of Science in Industrial Engineering from the University of Tennessee in the United States in June 1975 and a Master of Engineering from the University of Tennessee in the United States in August 1976. He also completed the Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University in the United States in August 1993.

Mr. Gregg Huber ALTON, aged 57, was appointed as an independent non-executive Director on June 22, 2021 (with effect from July 13, 2021). Mr. Alton currently acts as the chairman of the Nomination Committee and a member of the Strategy Committee.

Mr. Alton has been serving as a director and a member of the audit committee of Novavax, Inc., a vaccine development company listed on NASDAQ Stock Exchange in the United States (stock code: NVAX) since November 2020 and December 2020, respectively. He has been serving as a director, the chairman of the audit committee, and a member of the compensation committee of Corcept Therapeutics Incorporated, a pharmaceuticals company listed on NASDAQ Stock Exchange (stock code: CORT) since March 2020. Further, Mr. Alton has been serving as a director, a member of the audit committee and the chair of the nominating and corporate governance committee of Enochian Biosciences Inc., a pharmaceuticals company listed on NASDAQ Stock Exchange (stock code: ENOB) since December 2019.

Mr. Alton held several positions in Gilead Sciences, Inc. ("**Gilead**"), a biopharmaceutical company listed on NASDAQ Stock Exchange in the United States (stock code: GILD) from October 1999 to January 2020, including general counsel, chief patient officer, interim chief executive officer and senior advisor of Gilead, and he was responsible for the company's government affairs, public affairs, patient outreach and engagement initiatives, and led the company's international commercial operations and corporate affairs groups. Mr. Alton was an associate at Cooley Godward, LLP, a law firm, between November 1993 to December 1996, and June 1998 to October 1999. He was an associate attorney at Mintz Levin P.C., a law firm, from January 1997 to May 1998.

Mr. Alton obtained his Bachelor of Arts with a major in legal studies from the University of California in Berkeley, the United States in May 1989, and a Doctor of Jurisprudence from The Leland Stanford Junior University in the United States in June 1993. Mr. Alton was also admitted as an attorney and counselor at law by the supreme court of the state of California between June 1994 and July 2019.

Dr. Taiyin YANG (楊台瑩), aged 69, was appointed as an independent non-executive Director on September 1, 2022. Dr. Yang currently acts as the co-chairlady of the Audit and Risk Committee and a member of the Strategy Committee. Dr. Yang has more than four decades of experience in developing and manufacturing medicines in several therapeutic categories. Dr. Yang has been serving as a director of the board and a member of the audit committee of Kodiak Sciences Inc., a biopharmaceutical company listed on NASDAQ Stock Exchange in the United States (stock code: KOD), since December 2019. She has been serving as a director of the board and a member of the nominating and governance committee of Kronos Bio, Inc., a biopharmaceutical company listed on NASDAQ Stock Exchange in the United States (stock code: KRON), since March 2021 and a member of its audit committee since August 2022, respectively. She has been serving as a member of the expert scientific advisory committee of Medicines for Malaria Venture, a non-profit research and development organization, since March 2020. She has been serving as a member of the scientific advisory board of Sionna Therapeutics since August 2022.

Dr. Yang held several positions in Gilead, a biopharmaceutical company listed on NASDAQ Stock Exchange in the United States (stock code: GILD), from March 1993 to July 2022, including director of analytical chemistry and senior vice president of pharmaceutical development and manufacturing. Her last position at Gilead was executive vice president of pharmaceutical development and manufacturing, during which she was responsible for development and manufacturing for Gilead's small molecules, biologics and antibody-drug conjugates in development programs and commercial products. She directed operations of process, device and formulation development, manufacturing, packaging, analytical operations, laboratory information systems and data science, quality assurance, regulatory affairs, chemistry, manufacturing and controls processes program management, product distribution, supply chain management and site operations including production, quality control, technical services, facility, engineering and environment, health and safety. Under her leadership, Gilead developed the world's first human immunodeficiency virus single tablet regimen in 2006 and advanced numerous compounds from early-stage development to market, reaching millions of people around the world. During her tenure at Gilead, she also served as the executive sponsor for Gilead Asian Interest Network, an employee resource group established in April 2018, to promote, support and encourage inclusion and diversity. Before that, she held various positions in Syntex Corporation from January 1980 to March 1993, including staff researcher, department head of methods development and director of chemical analysis, supporting drug development.

Dr. Yang has been admitted as a fellow of the American Institute for Medical and Biological Engineering in March 2021 and was elected as a member of the National Academy of Engineering in February 2022. Dr. Yang obtained a Bachelor of Science Degree in Chemistry from the National Taiwan University in Taiwan, the People's Republic of China in June 1974, and a Ph.D. in Organic Chemistry from University of Southern California in the United States in January 1980.

SENIOR MANAGEMENT

Our senior management team, in addition to our Directors listed above, is as follows:

Dr. Susannah CANTRELL, aged 54, was appointed as Chief Business Officer of the Company with effect from July 11, 2022. Dr. Cantrell brings with her more than 20 years of healthcare and biotechnology industry experience spanning global pipeline strategy, sales, operations, marketing and new product commercialization.

Prior to joining Brii Bio, Dr. Cantrell served as Chief Operating Officer and Chief Business Officer at Second Genome from November 2020 to July 2022, overseeing all aspects of operations across the growing company, including R&D, finance and facilities, among other key functions. Prior to that, she was Executive Vice President and Chief Commercial Officer at Tricida, Inc. from January 2019 to November 2020, where she established and built a high-performing U.S.-focused commercial organization. Dr. Cantrell held the role of Vice President and Head of Global Commercial Strategy and Marketing Oncology at Gilead where she was instrumental in leading and growing the company's oncology and inflammation businesses from November 2011 to January 2019. She also held various senior level and sales and marketing positions early on in her career at global pharmaceutical giants, Genentech, Inc/Roche Holding AG and GlaxoSmithKline plc.

Dr. Cantrell holds a B.A. in Biology from Westminster College in May 1991 and a Ph.D. in Biochemistry from the University of Missouri-Columbia in May 1998.

Dr. Eleanor (Ellee) DE GROOT, aged 54, was appointed as Chief Technology Officer of the Company with effect from August 2022. Dr. de Groot has more than two decades of experience leading a wide range of streamlined global operations across growing biotechnology companies, from early to late-stage clinical development and commercial-scale manufacturing.

Prior to joining Brii Bio, Dr. de Groot held key leadership roles during her career with Alaunos Therapeutics, Inc. from July 2015 to May 2022, most recently serving as Executive Vice President of Operations where she oversaw the development of novel cell therapy programs and led clinical manufacturing, quality and process development. In addition, Dr. de Groot held multiple roles of increasing responsibility within chemistry, manufacturing, and controls processes management in Helsinn Therapeutics, Inc. and its predecessor companies from April 2002 to July 2015 where she directed preparations for drug product commercialization, including global regulatory engagement, technology transfers and collaborations with key business partners worldwide.

Dr. de Groot holds both a Ph.D. and a Master of Science degree in chemical engineering from Stanford University in June 1995 and June 1991, respectively. She also held a Bachelor of Science degree in chemical engineering from Massachusetts Institute of Technology in June 1990 and a Master of Business Administration from Rice University in May 2014.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Rico LIANG (梁旭),aged 55, was appointed as General Manager, Greater China of the Company with effect from September 16, 2022. He was the Vice President, Scientific and Medical Affairs of the Company from March 2021 to September 15, 2022 and the Head of Clinical Operation of the Company from January 2022 to September 15, 2022, responsible for leading external scientific engagements with key opinion leaders, medical associations and patient communities to facilitate trial execution and therapy launch preparation.

Prior to joining the Group, Mr. Liang held several positions in Gilead China from February 2017 to February 2021, including the head of marketing, the head of human immunodeficiency virus sales and the executive marketing director, and he was responsible for commercial strategy design and implementation and leading marketing team to successfully deliver launches for innovative treatments. He was the senior marketing director of AbbVie Inc. China from May 2016 to February 2017, and he was responsible for building out hepatitis C virus marketing team and developing its portfolio strategy. He was the marketing director of Roche from July 2013 to May 2016, and he was responsible for leading several marketing programs to turn around Pegasys business. He held several positions in Novartis China from April 2004 to July 2013, including brand manager, senior global brand manager and medical advisor, during which he was responsible for Sebivo launch and medical strategies for diabetes pipeline and pain pipeline. He held several positions in Amgen Inc. from December 1996 to February 2002, including professional sales representative, senior professional sales representative and regional product manager. He was a medical practitioner at Beijing Fuxing Hospital from July 1991 to November 1996 working in internal medicine and intensive care unit.

Mr. Liang obtained his Bachelor of Medicine from Capital University of Medical Science in China in July 1991 and a Master of Commerce in Marketing from Macquarie University in Australia in February 2004.

Dr. David MARGOLIS, aged 48, has been serving as the vice president (head of infectious diseases therapy area) of our Company since October 1, 2020. Prior to joining the Group, Dr. Margolis was Medical Director and Senior Medical Director for both GlaxoSmithKline plc. from January 2010 to May 2015 and ViiV from June 2015 to September 2020, serving as the lead physician for the clinical development program for the long-acting integrase inhibitor, cabotegravir. Within this role he created and executed the strategic plan for the clinical development of this first long-acting treatment regimen in HIV, CAB+RPV, inclusive of the clinical collaborations with Janssen Pharmaceuticals, Inc., The International Maternal Pediatric Adolescent AIDS Clinical Trials (IMPAACT) Network and the AIDS Clinical Trials Group, resulting in worldwide regulatory submissions and the first approval and launch of this novel approach to HIV therapy. Dr. Margolis also oversaw the clinical collaboration with the NIH for the evaluation of cabotegravir for the prevention of HIV and has worked across all stages of clinical development from pre-clinical discovery through Phase 3 and post-marketing studies. While at GlaxoSmithKline plc. and ViiV, Dr. Margolis maintained a clinical infectious disease practice, serving as an Assistant Consulting Professor in the Infectious Diseases Department of Duke University Medical Center for 8 years, caring for patients with infectious diseases and serving as the lead attending for the infectious disease fellow's clinic.

Dr. Margolis received his MD from Duke University School of Medicine in June 2002, concurrent with a Master of Public Health at the University of North Carolina, Chapel Hill in May 2000 and then completed an Internal Medicine residency at University of Colorado Health Science Center in June 2005 and a fellowship in Infectious Diseases at University of California at San Diego in La Jolla in December 2009, with a research focus on infectious diseases in the immunocompromised host.

Dr. Karen D. NEUENDORFF, age 47, has been serving as the chief people officer (head of human resources) of our Company since January 27, 2022. Before joining the Group, Dr. Neuendorff served as the Senior Vice President, Human Resources at WeDriveU from June 2019 to January 2022, a division of the premier transportation firm National Express LLC, where she led HR strategy, recruiting and talent management, and acted as a trusted advisor to senior leaders and operational talent alike. Prior to her time at WeDriveU, Dr. Neuendorff served as Vice President, Global Human Resources at Nexant Inc. for 14 years from October 2005 to June 2019, where she managed operational functions for the organization to create a unified, value-based culture and brand globally. Throughout her career, she has converted business vision into HR initiatives that improved performance, profitability, growth and employee engagement on a global scale. Dr. Neuendorff holds a Bachelor of Arts degree in Psychology from the University of San Francisco in May 1997. She is also certified by the Human Resource Certification Institute as a Senior Professional in Human Resources (SPHR, SHRM-SCP) from June 2010 and July 2015, a Global Professional in Human Resources (GPHR) from June 2012, and a California Professional in Human Resources (PHR-CA) from May 2011.

Dr. Aleksandar SKUBAN, aged 54, was appointed as Head of CNS disease therapy area of the Company with effect from August 23, 2022. Dr. Skuban brings to Brii Bio more than 25 years of global pharmaceutical R&D experience with an extensive medical, scientific and business leadership track record of achievements, including leading more than 30 studies across therapeutic areas from early-stage proof-of-concept studies, through complex development programs with positive regulatory outcomes, with a focus on CNS diseases.

Prior to joining Brii Bio, Dr. Skuban served as Senior Vice President of Clinical Development at Better Therapeutics, Inc. from November 2021 to August 2022, where he shaped research strategy to enable rapid development of new indications for prescription digital therapeutics. At Better Therapeutics, Inc., he also led the first-ever successful study with proof-of-concept digital therapeutic for treatment of nonalcoholic steatohepatitis/nonalcoholic fatty liver disease. Prior to that, he served as an Executive Medical Director leading clinical development in Alexion Pharmaceuticals, Inc. from September 2020 to November 2021 and took many leadership roles at Otsuka Pharmaceuticals Co., Ltd, including the establishing of a new function as the first Head of Global Clinical Intelligence, as well as serving as Global Head of Medical Safety, from June 2013 to September 2020. Dr. Skuban also held a number of clinical development director roles at Merck & Co., Inc and Sanofi-Aventis Inc., between March 2005 and June 2013.

He earned a M.D. (Cum Laude) from Semmelweis University of Medicine, Budapest, Hungary in 1996, and had attended the School of Medicine at the University of Novi Sad, Novi Sad, Yugoslavia (Serbia), between 1987 and 1991.

Mr. Coy STOUT, aged 51, has been serving as the head of patient advocacy of the Company since October 1, 2022. He was the senior vice president (head of U.S. market access and patient advocacy) of our Company from September 27, 2021 to September 30, 2022.

Prior to joining the Group, Mr. Stout served as the Vice President of U.S. Commercial Access and Reimbursement of Gilead, overseeing key federal accounts at Gilead. He held increasing leadership positions at Gilead during his 17-year tenure, including roles focused on commercial access and reimbursement and worked closely with government affairs and policy teams to inform product planning initiatives. In addition to his expertise in drug coverage, innovative payment models and patient support programs, Mr. Stout has a proven track record of leading access and reimbursement efforts for more than 30 product launches. As a life-long advocate for patient care, he also has experience overseeing teams in community-based settings as a licensed social worker dedicated to supporting people living with HIV/AIDS.

Mr. Stout obtained Bachelor of Science in Psychology and Master of Social Work degrees in Clinical/Medical Social Work from the University of Alabama in August 1992 and May 1994, respectively.

Dr. Lianhong XU, aged 56, has been serving as the head of discovery of the Company since October 1, 2022. She was the senior vice president (head of medicinal chemistry) of the Company from April 1, 2018 to September 30, 2022. Prior to joining our Group, Dr. Xu was a senior director, medicinal chemistry in the medicinal chemistry department of Gilead, a biopharmaceutical company in the United States, and she was responsible for leading antiviral projects and conducting medicinal chemistry research and small molecule drug discovery, which resulted in several commercial drugs from May 1998 to April 2018.

Dr. Xu obtained her Bachelor of Science in Chemistry from Nankai University in China in July 1987. She also obtained her Master of Arts and a Ph.D. both from Rice University in the United States.

Dr. Li YAN, aged 54, has been serving as the chief medical officer of our Company since April 2, 2018. Prior to joining our Group, Dr. Yan served as the vice president and head unit physician of the pharma research and development division in GlaxoSmithKline plc., a pharmaceuticals, vaccines and consumer healthcare products company listed on the New York Stock Exchange in the United States (stock code: GSK). He was responsible for overall global oncology development activities. In addition, Dr. Yan is an adjunct professor in Yonsei University, at which he is responsible for teaching and research.

Dr. Yan obtained his Bachelor of Medicine from Peking University Health Science Center (formerly known as the Beijing Medical University) in China in January 1991 and a Ph.D. in Anatomy from The University of Kansas in the United States in December 1996.

Dr. Qing ZHU, aged 55, has been appointed as the Head of China R&D of the Company with effect from October 1, 2022. She was the Senior Vice President (Head of Biopharmaceutical Research) of the Company from July 16, 2020 to September 30, 2022 and the Vice President (Head of Biopharmaceutical Research) of the Company from April 2, 2018 to July 15, 2020.

Prior to joining the Group, Dr. Zhu held several positions in MedImmune, LLC (a subsidiary of Astrazeneca plc, which is a pharmaceutical company listed on London Stock Exchange in the United Kingdom (stock code: AZN) and New York Stock Exchange in the United States (stock code: AZN)) from August 2007 to March 2018 and her last position therein was director and head of virology group and she was responsible for research and development of antiviral programs. Before that, she was a scientist in Novartis Pharmaceuticals Corporation, a pharmaceutical company in the United States, and she was responsible for translational research from April 2006. She was a scientist in Chiron Corporation, a biotech company in the United States, and she was responsible for leading research projects from April 2004 to April 2006. She was a postdoctoral associate in Fox Chase Cancer Center, a research institute in the United States, and she completed postdoctoral training from May 2001 to April 2004.

Dr. Zhu obtained her Bachelor of Science in Microbiology from ShanXi University in China in August 1989 and a Ph.D. in Molecular and Cell Biology Program from University of Maryland in the United States in July 2000.

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

PRINCIPAL ACTIVITIES

We are a biotech company primarily engaged in pharmaceutical R&D activity. The principal activities of the Group are research and develop advancing therapies for significant infectious diseases and CNS diseases, with primary operations based in China and the United States.

An analysis of the principal activities of the Group during the Reporting Period is set out in note 5 to the consolidated financial statements.

RESULTS

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

FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended December 31, 2022 (2021: nil).

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, June 20, 2023. The notice of the AGM will be despatched to the Shareholders in due course.

BUSINESS REVIEW

A review of the business of the Group during the Reporting Period as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) is provided in the "Management Discussion and Analysis" of this report. An analysis of the Group's performance during the Reporting Period using key financial performance indicators is provided in the Financial Review on pages 22 to 29 of this report. The results of the Group for the Reporting Period are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 95 to 96 in this report.

Risks and Uncertainties Relating to the Group's Business

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

- The Group depends substantially on the success of our drug candidates, all of which are currently in pre – clinical or clinical development. The Group may be unable to successfully complete development, obtain regulatory approval and commercialize the drug candidates of the Group, or experience significant delays.
- The Group faces substantial competition, which may result in others discovering, developing or commercializing competing drugs before or more successfully than the Group does.
- The Group had incurred significant net losses in each period since the inception, expect to incur net losses for the foreseeable future and may never achieve or maintain profitability.
- The Group will need to obtain additional financing to fund our operations and, if financing is not available on terms acceptable to the Group or at all, the Group may be unable to complete the development and commercialization of the Group's primary drug candidates.
- The business and operations of the Group could be adversely affected by the effects of health pandemics or epidemics, including the outbreak of COVID-19.
- The Group may be unable to establish, protect or enforce intellectual property rights of the Group adequately.

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

Environmental Policies and Performance

The Company is committed to operating its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable PRC laws and regulations.

Further details of the Company's environmental policies and performance are disclosed in the environmental, social and governance report of the Company for the year ended December 31, 2022.

Compliance with Laws and Regulations

During the Reporting Period, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last four financial years are set out in the section headed "Financial Summary" of this report. This summary does not form part of the audited consolidated financial statements of the Group for the year ended December 31, 2022.

USE OF NET PROCEEDS FROM LISTING

Use of Proceeds during the Reporting Period

On July 13, 2021, the Company was successfully listed on the Stock Exchange. The net proceeds received by the Group from the Global Offering and the partial exercise of the over-allotment option (after deducting underwriting fee and relevant expenses) amounted to approximately HK$2,613.8 million. During the Reporting Period, the Company had utilized such net proceeds in accordance with the purposes as set out in the Prospectus.

As of December 31, 2022, our Company has not yet fully utilized the net proceeds from the Global Offering (the "**Net Proceeds**") of approximately HK$1,789.7 million (the "**Unutilized Net Proceeds**").

Change in Use of Proceeds from the Global Offering

The Board, having considered the reasons set out in "Reasons for the Change in Use of Proceeds" below, resolved to change the use of the Unutilized Net Proceeds. The change and the revised allocation of the Net Proceeds and Unutilized Net Proceeds are set out in the table below:

Original use of proceeds as disclosed in the Prospectus	Original allocation of Net Proceeds as disclosed in the Prospectus	Original percentage of total Net Proceeds as disclosed in the Prospectus	Amount of unutilized Net Proceeds as of December 31, 2021	Amount of utilized Net Proceeds during the Reporting Period	Amount of utilized Net Proceeds as of December 31, 2022	Amount of Unutilized Net Proceeds as of December 31, 2022	Changed use of proceeds	Revised allocation of Net Proceeds	Revised percentage of total Net Proceeds	Revised amount of Unutilized Net Proceeds as of December 31, 2022
	HK$ million		*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*		*HK$ million*		*HK$ million*
1. Used for our HBV functional cure programs	1,437.6	55%	1,394.6	264.3	307.3	1,130.3	1. Same as original	994.1	38.0%	686.8
1.1 To fund ongoing and planned clinical trials and preparation for regulatory filings for BRII-179/BRII-835 combination therapy in chronic HBV patients	522.8	20%	508.1	47.4	62.1	460.7	1.1 To fund ongoing and planned clinical trials and preparation for regulatory filings for developing combination regimens containing BRII-179, BRII-835 or BRII-877	837.3 (aggregate allocation of Net Proceeds to the original items 1.1 to 1.4 was HK$1,280.8 million in total)	32.0% (aggregate percentage of total Net Proceeds of the original items 1.1 to 1.4 was 49% in total)	530.0
1.2 To fund planned clinical trials and preparation for regulatory filings for BRII179/PEG-IFN-α combination therapy in chronic HBV patients	418.2	16%	418.1	20.0	20.1	398.1	- (Consolidated into revised item 1.1)	- (Consolidated into revised item 1.1)	- (Consolidated into revised item 1.1)	- (Consolidated into revised item 1.1)

Original use of proceeds as disclosed in the Prospectus	Original allocation of Net Proceeds as disclosed in the Prospectus	Original percentage of total Net Proceeds as disclosed in the Prospectus	Amount of unutilized Net Proceeds as of December 31, 2021	Amount of utilized Net Proceeds during the Reporting Period	Amount of utilized Net Proceeds as of December 31, 2022	Amount of Unutilized Net Proceeds as of December 31, 2022	Changed use of proceeds	Revised allocation of Net Proceeds	Revised percentage of total Net Proceeds	Revised amount of Unutilized Net Proceeds as of December 31, 2022
	HK$ million		*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*		*HK$ million*		*HK$ million*
1.3 To fund planned clinical trials and preparation for regulatory filings for BRII-179 in combination with other drug candidates with complimentary mechanism of actions	209.1	8%	191.4	178.7	196.4	12.7	– (Consolidated into revised item 1.1)	– (Consolidated into revised item 1.1)	– (Consolidated into revised item 1.1)	– (Consolidated into revised item 1.1)
1.4 Used to fund additional ongoing and planned clinical trials and the preparation for registration filings for BRII-835	130.7	5%	120.2	18.2	28.7	102.0	– (Consolidated into revised item 1.1)	– (Consolidated into revised item 1.1)	– (Consolidated into revised item 1.1)	– (Consolidated into revised item 1.1)
1.5 Used for regulatory milestone payments for BRII-179	26.1	1%	26.1	–	–	26.1	1.2 Same as original 1.5	26.1	1%	26.1
1.6 Used for the launch and commercialization of BRII-179 (as a monotherapy and/or combination therapy)	130.7	5%	130.7	–	–	130.7	1.3 Used for the launch and commercialization of HBV curative treatment regimens	130.7	5%	130.7
2. Used for our HIV programs, funding the ongoing and planned clinical trials and preparation for registration filings for BRII-778 and BRII-732	392.1	15%	342.6	55.8	105.3	286.8	2. Used for our HIV programs, funding the ongoing and planned non-clinical studies, clinical trials and preparation for registration filings for BRII-732 and BRII-753	176.0	7%	70.7

Original use of proceeds as disclosed in the Prospectus	Original allocation of Net Proceeds as disclosed in the Prospectus	Original percentage of total Net Proceeds as disclosed in the Prospectus	Amount of unutilized Net Proceeds as of December 31, 2021	Amount of utilized Net Proceeds during the Reporting Period	Amount of utilized Net Proceeds as of December 31, 2022	Amount of Unutilized Net Proceeds as of December 31, 2022	Changed use of proceeds	Revised allocation of Net Proceeds	Revised percentage of total Net Proceeds	Revised amount of Unutilized Net Proceeds as of December 31, 2022
	HK$ million		*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*		*HK$ million*		*HK$ million*
3. Used for our MDR/XDR gram-negative infections programs	392.1	15%	382.3	24.3	34.1	358.0	3. Same as original	294.0	11%	259.9
3.1 To fund the ongoing and planned clinical trials and preparation for registration filings for BRII-636, BRII-672 and BRII-693	235.2	9%	225.4	15.8	25.6	209.6	3.1 Same as original	234.5	9%	208.9
3.2 Used for regulatory milestone payments for BRII-636, BRII-672 and BRII-693	156.9	6%	156.9	8.5	8.5	148.4	3.2 Same as original	59.5	2%	51.0
4. To fund the ongoing and planned clinical trials and preparation for registration filings for BRII-296	130.6	5%	110.6	96.0	116.0	14.6	4. Used for our CNS programs, funding the ongoing and planned non-clinical studies, clinical trials and preparation for registration filings for BRII-296, BRII-297 and other pre-clinical/clinical candidates	496.3	19%	380.3
5. Used for our early-stage pipeline, business development initiatives, working capital and general corporate purposes	261.4	10%	5.0	5.0	264.1	–	5. Used for discovery and business development activities for pipeline expansion	392.0	15%	334.8
							6. Used for working capital and general corporate purposes	261.4	10%	57.2
Total	2,613.8	100%	2,235.1	445.4	824.1	1,789.7		2,613.8	100%	1,789.7

The Company expects to fully utilize the Unutilized Net Proceeds after the proposed change by the end of 2025.

Reasons for the Change in Use of Proceeds

The reasons for the above changes in the proposed applications of the Net Proceeds and re-allocation of the Unutilized Net Proceeds are as follows:

a) The Company is building a novel and first-in-class clinical portfolio of HBV therapeutic candidates alongside our strategic partners that may be used in various combinations to improve the probability of achieving a high rate of functional cure for different subpopulations of HBV patients in China. Since the listing in July 2021, the Company has exercised the option on BRII-877 to enhance its leading position in HBV functional cure development. In addition to BRII-179, BRII-835 and BRII-877 have progressed into multiple Phase 2 clinical studies and emerged as promising clinical candidates for HBV functional cure. The Company is taking a holistic approach to design development plans and future commercialization strategies for the existing HBV pipeline assets. Therefore, original items 1, 1.1, 1.2, 1.3, 1.4 and 1.6 have been consolidated and/or updated, and the allocation of the Unutilized Net Proceeds to fund such assets (i.e. original items 1.1, 1,2, 1,3, 1.4 and 1.6 above) is thus consolidated to reflect the approach.

b) The Company and its strategic partner, Vir, are conducting various clinical trials to evaluate different combination regimens for HBV functional cure. This coordinated approach makes it possible for the Company to determine and prioritize the combination regimens with the highest probability of success earlier. Therefore, the allocation of the Unutilized Net Proceeds to fund the development of combination regimens is adjusted downwards to reflect the expected improved development efficiency.

c) The Group has adjusted its focus of R&D resource allocation to concentrate its resources on the core pipeline products that possess greater strategic priority, and to reduce the resources devoted to non-core pipeline products after careful evaluation. Therefore, the portion of the Unutilized Net Proceeds allocated to original item 2 and 3 (non-core products) is adjusted downwards.

d) The Company made the decision in the second half of 2022 to discontinue development of BRII-778 based on PK data from a completed Phase 1 study. The Company is exploring partnership opportunities to continue developing BRII-732 as part of a potential oral, once-weekly, long-acting combination treatment option for HIV patients. The Company continues to be committed to developing innovative long-acting treatment regimens for HIV patients and has selected BRII-753, a new clinical candidate discovered internally, as a long-acting subcutaneous injection therapy with the goal to extend the dosing schedule to once monthly, once quarterly or twice-yearly. The adjustment to the portion of the Unutilized Net Proceeds allocated to original item 2 have also considered the discontinuation of BRII-778 and the addition of BRII-753.

e) The Company has made substantial progress in CNS programs since the listing. The internally discovered CNS programs have become the Company's business focus in the U.S. The Company is in preparation for its Phase 2 POC study in depressive disorders and is actively working to expand the clinical indications for BRII-296. It has also conducted IND-enabling studies with BRII-297 targeting various anxiety and depressive disorders and plans to initiate Phase 1 study in 2023. Therefore, original item 4 has been updated and a greater portion of the Unutilized Net Proceeds is re-allocated thereto to reflect the current strategic focus on the CNS programs and the expected increase in R&D activities in CNS, mainly due to the update in development plan for BRII-296 and the addition of BRII-297.

f) The Company has set out the strategic priority to expand its pipeline through in-house discovery and additional licensing options. In addition, considering our rapid development after the Listing, the Board considered that it would be appropriate to further divide original item 5 into revised items 5 and 6 to reflect the initiative in a standalone item, and reallocate additional Unutilized Net Proceeds to revised items 5 and 6.

The Board has considered that the strategic direction of the Company is still in line with the disclosures in the Prospectus in spite of the change in use of the Unutilized Net Proceeds as stated above. The Board confirms that there is no material change in the business nature of the Company as set out in the Prospectus, and considers that the change in the use of the Net Proceeds is fair and reasonable as this would allow the Company to deploy its financial resources more effectively and efficiently to advance the pipeline products of the Company, and is therefore in the best interest of our Company and the Shareholders as a whole.

Save as the changes disclosed above, there are no other proposed changes in the use of the Net Proceeds. The Unutilized Net Proceeds will be applied in a manner consistent with the above planned applications and remains subject to change based on our current and future development of market conditions and actual business needs.

MAJOR CUSTOMERS AND SUPPLIERS

Major customers

For the year ended December 31, 2022, the Group's five largest customers and the Group's largest customer accounted for approximately 94.0% and 68.5%, respectively, of the Group's total revenue. (2021: nil)

Major suppliers

For the year ended December 31, 2022, the Group's five largest suppliers accounted for 58.2% (2021: 52.7%) of the Group's total purchases and our single largest supplier accounted for 14.3% (2021: 29.4%) of the Group's total purchases.

During the Reporting Period, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued Shares of the Company) had any interest in the Group's five largest suppliers or customers.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the Reporting Period are set out in notes 24 and 25 to the consolidated financial statements, respectively.

DEBENTURES

The Company did not issue any debentures since its incorporation.

RESERVES

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

DISTRIBUTABLE RESERVES

As of December 31, 2022, we did not have any distributable reserves.

BANK LOANS AND OTHER BORROWINGS

As of December 31, 2022, the Group did not have any unutilized bank facilities, material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured.

REPORT OF DIRECTORS

DIRECTORS

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

Executive Directors

Dr. Zhi Hong *(Chairman and Chief Executive Officer)*

Mr. Yongqing Luo *(resigned with effect from September 15, 2022)*

Dr. Ankang Li *(appointed with effect from September 30, 2022)*

Non-executive Directors

Mr. Robert Taylor Nelsen

Dr. Axel Bouchon *(resigned with effect from September 30, 2022)*

Independent non-executive Directors

Dr. Martin J Murphy Jr

Ms. Grace Hui Tang

Mr. Yiu Wa Alec Tsui

Mr. Gregg Huber Alton

Dr. Taiyin Yang *(appointed with effect from September 1, 2022)*

In accordance with article 16.19 of the Articles of Association, Mr. Yiu Wa Alec Tsui, Mr. Gregg Huber Alton and Ms. Grace Hui Tang shall retire by rotation and, being eligible, have offered themselves for re-election as Directors at the AGM.

In accordance with article 16.2 of the Articles of Association, any director appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office until the next following general meeting of the Company after his appointment. Accordingly, Dr. Taiyin Yang who was appointed as an independent non-executive Director by the Board with effect from September 1, 2022 and Dr. Ankang Li who was appointed as an executive Director by the Board with effect from September 30, 2022 will hold office as the Director until the AGM and, being eligible, have offered themselves for re-election as Director at the AGM.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out in section headed "Directors and Senior Management" of this report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the appointment effective date. Either party has the right to give not less than 30 days' written notice to terminate the agreement.

Each of the non-executive Directors and the independent non-executive Directors has entered into an appointment letter with the Company. The initial term for their appointment letters shall commence from the appointment effective date and shall continue for three years, which may be terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than 30 days' prior notice in writing.

None of the Directors has a service contract or an appointment letter which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

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.

CONTROLLING SHAREHOLDERS' INTERESTS OR CONTRACT OF SIGNIFICANCE

The Company has no controlling shareholders (as defined in the Listing Rules) during the Reporting Period.

EMOLUMENT POLICY

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual qualifications, industry experience, position and performance of the Directors and senior management and comparable market practices.

The Group also has adopted three share incentive schemes, namely the Pre-IPO Share Incentive Plan, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme for the purpose of providing incentives and rewards to its employees, including Directors. Please refer to the paragraph headed "Share Incentive Schemes" in this report for further details.

As of December 31, 2022, the Group had an aggregate of 146 full-time employees (2021: 113).

Details of the emoluments of the Directors and the five highest paid individuals during the Reporting Period are set out in note 12 to the consolidated financial statements.

No Directors have waived or agreed to waive any emoluments during the Reporting Period.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 29 to the consolidated financial statements.

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

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

Name of Director/Chief executive	Capacity/Nature of Interest	Number of Shares/ underlying Shares	Approximate Percentage of Shareholding in the Company[1]	Long position/Short position/Lending pool
Mr. Robert Taylor Nelson[2]	Interest in controlled corporation	90,410,418	12.43%	Long position
Dr. Zhi Hong[3]	Trustee	16,400,000	2.26%	Long position
	Beneficial owner	19,952,514	2.74%	Long position
	Founder of discretionary trust	16,000,000	2.20%	Long position
Dr. Ankang Li[4]	Beneficial owner	7,910,000	1.09%	Long position
Dr. Martin J Murphy Jr[5]	Beneficial owner	87,000	0.0%	Long position
Ms. Grace Hui Tang[6]	Beneficial owner	87,000	0.01%	Long position
Mr. Yiu Wa Alec Tsui[7]	Beneficial owner	87,000	0.01%	Long position
Mr. Gregg Huber Alton[8]	Beneficial owner	87,000	0.01%	Long position
Dr. Taiyin Yang[9]	Beneficial owner	327,000	0.04%	Long position

Notes:

1. The calculation is based on the total number of 727,202,947 Shares in issue as at December 31, 2022.

2. ARCH Venture Fund IX, L.P. directly held 45,205,210 Shares. The general partner of ARCH Venture Fund IX, L.P. is ARCH Venture Partners IX, L.P., the general partner of which is ARCH Venture Partners IX, LLC. ARCH Venture Partners IX, LLC is owned by several individuals, but its voting power is controlled as to one-third by each of Mr. Robert Taylor Nelsen (our non-executive Director), Mr. Clinton Bybee and Mr. Keith Crandell. In addition, ARCH Venture Fund IX Overage, L.P. directly held 45,205,208 Shares. The general partner ARCH Venture Fund IX Overage, L.P. is ARCH Venture Partners IX Overage, L.P., the general partner of which is ARCH Venture Partners IX, LLC. For the purpose of the SFO, Mr. Robert Taylor Nelsen is deemed to be interested in the Shares held by ARCH Venture Fund IX, L.P. and ARCH Venture Fund IX Overage, L.P. in aggregate.

3. Dr. Zhi Hong is interested or deemed to be interested in an aggregate of 52,352,514 Shares, including (i) 32,514 Shares directly held by him; (ii) his entitlements to receive up to 12,000,000 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Incentive Plan, subject to the vesting conditions; (iii) his entitlements to receive up to 6,714,500 Shares pursuant to the exercise of options granted to him under the Post-IPO Share Option Scheme, subject to the vesting conditions; (iv) 1,205,500 Shares underlying the RSUs granted to him under the Post-IPO Share Award Scheme, subject to the vesting conditions; (v) 16,400,000 Shares held by the Jingfan Huang 2020 Revocable Trust and the Zhi Hong 2020 Revocable Trust, of which he is the trustee; and (vi) 16,000,000 Shares held by the Hong Family 2020 Irrevocable Trust, of which he is the grantor.

4. Dr. Ankang Li is interested in an aggregate of 7,910,000 Shares, including (i) 920,082 Shares directly held by him; (ii) his entitlements to receive up to 3,066,668 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Incentive Plan, subject to the vesting conditions; (iii) his entitlements to receive up to 2,478,000 Shares pursuant to the exercise of options granted to him under the Post-IPO Share Option Scheme, subject to the vesting conditions; and (iv) 1,445,250 Shares underlying the RSUs granted to him under the Post-IPO Share Award Scheme, subject to the vesting conditions.

5. Dr. Martin J Murphy Jr is interested in an aggregate of 87,000 Shares, including (i) 14,000 Shares directly held by him; and (ii) 73,000 Shares underlying the RSUs granted to him under the Post-IPO Share Award Scheme, subject to the vesting conditions.

6. Ms. Grace Hui Tang is interested in an aggregate of 87,000 Shares, including (i) 14,000 Shares directly held by her; and (ii) 73,000 Shares underlying the RSUs granted to her under the Post-IPO Share Award Scheme, subject to the vesting conditions.

7. Mr. Yiu Wa Alec Tsui is interested in an aggregate of 87,000 Shares, including (i) 14,000 Shares directly held by him; and (ii) 73,000 Shares underlying the RSUs granted to him under the Post-IPO Share Award Scheme, subject to the vesting conditions.

8. Mr. Gregg Huber Alton is interested in an aggregate of 87,000 Shares, including (i) 14,000 Shares directly held by him; and (ii) 73,000 Shares underlying the RSUs granted to him under the Post-IPO Share Award Scheme, subject to the vesting conditions.

9. Dr. Taiyin Yang is interested in 327,000 Shares underlying the RSUs granted to her under the Post-IPO Share Award Scheme, subject to the vesting conditions.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

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

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Company[1] (%)	Long position/Short position/Lending pool
Booming Passion Limited[2]	Beneficial interest	105,821,112	14.55%	Long position
Boyu Capital Fund III, L.P.[2]	Interest of controlled corporation	105,821,112	14.55%	Long position
Boyu Capital General Partner III, L.P.[2]	Interest of controlled corporation	105,821,112	14.55%	Long position
Boyu Capital General Partner III, Ltd.[2]	Interest of controlled corporation	105,821,112	14.55%	Long position
Boyu Capital Group Holdings Ltd.[2]	Interest of controlled corporation	111,894,958	15.39%	Long position
XYXY Holdings Ltd.[2]	Interest of controlled corporation	111,894,958	15.39%	Long position
Mr. Xiaomeng Tong[2]	Interest of controlled corporation	111,894,958	15.39%	Long position
ARCH Venture Fund IX, L.P.[3]	Beneficial interest	45,205,210	6.22%	Long position
ARCH Venture Fund IX Overage, L.P.[3]	Beneficial interest	45,205,208	6.22%	Long position
ARCH Venture Partners IX, L.P.[3]	Interest of controlled corporation	45,205,210	6.22%	Long position
ARCH Venture Partners IX Overage, L.P.[3]	Interest of controlled corporation	45,205,208	6.22%	Long position
ARCH Venture Partners IX, LLC[3]	Interest of controlled corporation	90,410,418	12.43%	Long position
Mr. Clinton Bybee[3]	Interest of controlled corporation	90,410,418	12.43%	Long position
Mr. Keith Crandell[3]	Interest of controlled corporation	90,410,418	12.43%	Long position
YF Bright Insight Limited[4]	Beneficial interest	48,495,664	6.67%	Long position
Yunfeng Fund III, L.P.[4]	Interest of controlled corporation	48,495,664	6.67%	Long position
Yunfeng Investment III, Ltd.[4]	Interest of controlled corporation	48,495,664	6.67%	Long position
Mr. Yun Ma[4]	Interest of controlled corporation	48,495,664	6.67%	Long position
Mr. Feng Yu[4]	Interest of controlled corporation	54,569,510	7.50%	Long position
Invesco Advisers, Inc.[5]	Investment manager	43,351,738	5.96%	Long position

Notes:

1. The calculation is based on the total number of 727,202,947 Shares in issue as at December 31, 2022.

2. Booming Passion Limited directly held 105,821,112 Shares. Booming Passion Limited is wholly owned by Boyu Capital Fund III, L.P., the general partner of which is Boyu Capital General Partner III, L.P. The general partner of Boyu Capital General Partner III, L.P. is Boyu Capital General Partner III, Ltd., which is wholly owned by Boyu Capital Group Holdings Ltd. XYXY Holdings Ltd. is the controlling shareholder of Boyu Capital Group Holdings Ltd. Mr. Xiaomeng Tong holds 100% of the outstanding shares of XYXY Holdings Ltd. In addition, Aqua Ocean Limited directly held 4,329,846 Shares. Aqua Ocean Limited is wholly owned by Boyu Capital Opportunities Master Fund. All voting power in Boyu Capital Opportunities Master Fund is held by Boyu Capital Investment Management Limited, which is wholly owned by Boyu Capital Group Holdings Ltd. Furthermore, Boyu Capital Opportunities Master Fund directly held 1,744,000 Shares.

   For the purpose of the SFO, (i) each of Boyu Capital Fund III, L.P., Boyu Capital General Partner III, L.P. and Boyu Capital General Partner III, Ltd. is deemed to be interested in the Shares held by Booming Passion Limited; (ii) each of Boyu Capital Group Holdings Ltd., XYXY Holdings Ltd. and Mr. Xiaomeng Tong is deemed to be interested in the Shares held by Booming Passion Limited, Aqua Ocean Limited and Boyu Capital Opportunities Master Fund in aggregate.

3. ARCH Venture Fund IX, L.P. directly held 45,205,210 Shares. The general partner of ARCH Venture Fund IX, L.P. is ARCH Venture Partners IX, L.P., the general partner of which is ARCH Venture Partners IX, LLC. ARCH Venture Partners IX, LLC is owned by several individuals, but its voting power is controlled as to one-third by each of Mr. Robert Taylor Nelsen (our non-executive Director), Mr. Clinton Bybee and Mr. Keith Crandell. In addition, ARCH Venture Fund IX Overage, L.P. directly held 45,205,208 Shares. The general partner ARCH Venture Fund IX Overage, L.P. is ARCH Venture Partners IX Overage, L.P., the general partner of which is ARCH Venture Partners IX, LLC.

   For the purpose of the SFO, each of ARCH Venture Partners IX, LLC, Mr. Robert Taylor Nelsen (as set out above), Mr. Clinton Bybee and Mr. Keith Crandell is deemed to be interested in the Shares held by ARCH Venture Fund IX, L.P. and ARCH Venture Fund IX Overage, L.P. in aggregate.

4. YF Bright Insight Limited directly held 48,495,664 Shares. YF Bright Insight Limited is owned by Yunfeng Fund III, L.P., its parallel fund and certain co-investment funds as to 79.47%, 20.03% and 0.5% respectively. The general partner of each of Yunfeng Fund III, L.P., its parallel fund and the co-investment funds is Yunfeng Investment III, Ltd. Yunfeng Investment III, Ltd. is owned by Mr. Feng Yu and Mr. Yun Ma as to 60% and 40%, respectively. In addition, Youyu Global Limited directly held 6,073,846 Shares. Youyu Global Limited is wholly owned by Yunfeng Financial Group Ltd., a company whose shares are listed on the Stock Exchange (stock code: 376). Yunfeng Financial Group Ltd. is controlled by Jade Passion Limited, which is in turn controlled by Key Imagination Limited. Key Imagination Limited is controlled by Yunfeng Financial Holdings Limited, which is in turn controlled by Mr. Feng Yu.

   For the purpose of the SFO, (i) each of Yunfeng Fund III, L.P., Yunfeng Investment III, Ltd. and Mr. Yun Ma is deemed to be interested in the Shares held by YF Bright Insight Limited; and (ii) Mr. Feng Yu is deemed to be interested in the Shares held by YF Bright Insight Limited and Youyu Global Limited in aggregate.

5. With various funds and accounts which Invesco Advisers, Inc. acts as investment adviser, as at December 31, 2022, Invesco Advisers, Inc. was in control of an aggregate of 43,351,738 Shares as investment manager. For the purpose of the SFO, Invesco Advisers, Inc. is deemed to be interested in the 43,351,738 Shares.

Save as disclosed above, as at December 31, 2022, the Directors are not aware of any other persons (other than the Directors or chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE INCENTIVE SCHEMES

We have adopted three share incentive schemes, namely Pre-IPO Share Incentive Plan, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. For details of the principal terms of the Pre-IPO Share Incentive Plan, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme, please refer to Appendix IV to the Prospectus.

Pre-IPO Share Incentive Plan

The Pre-IPO Share Incentive Plan was approved and adopted by the Shareholders on October 30, 2018 and subsequently amended on August 27, 2020 and February 26, 2021. The purpose of the Pre-IPO Share Incentive Plan is to promote the success of the Company and the interests of its shareholders by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons and to further link the interests of award recipients with those of the Company's shareholders generally. Further details of the Pre-IPO Share Incentive Plan are set out in the Prospectus and note 25 to the consolidated financial statements.

A summary of the principal terms of the Pre-IPO Share Incentive Plan is set out below:

Eligible Participants

Those eligible to participate in the Pre-IPO Share Incentive Plan include officers, directors, employees, advisers or consultants of our Company or any of its affiliates as determined, authorized and approved by the Board or one or more committees appointed by the Board (the "**Administrator**").

Maximum Number of Shares Available for Issue under the Pre-IPO Share Incentive Plan

The overall limit on the number of underlying Shares which may be delivered pursuant to awards granted under the Pre-IPO Share Incentive Plan is 35,816,502 Shares of the Company's authorized but unissued ordinary shares with a par value of US$0.000005 each, representing approximately 4.9% of the total issued share capital of the Company as at the date of this report, subject to any adjustments for other dilutive issuances.

Under the Pre-IPO Share Incentive Plan, there is no specific limit on the maximum number of Shares which may be granted to a single eligible participant, except that no option may be granted to any person who, at the time the option is granted, owns outstanding shares of the Company (or any of its affiliates) possessing more than 10% of the total combined voting power of all classes of shares of the Company (or any of its affiliates).

Consideration

Nil consideration is required to be paid by the grantees for the grant of awards under the Pre-IPO Share Incentive Plan. There is no specific exercise period of the options granted under the Pre-IPO Share Incentive Plan, which shall be exercisable when they become vested, but each option shall expire not more than 10 years after the date of grant. The Pre-IPO Share Incentive Plan does not require a minimum period for which an award must be held or a performance target which must be achieved before an award can be vested. The Administrator will determine the vesting and/or exercisability provisions of each award (which may be based on performance criteria, passage of time or other factors or any combination thereof), which will be set forth in the applicable award agreement. Unless the Administrator otherwise expressly provides, once exercisable an award will remain exercisable until the expiration or earlier termination of the award.

Determination of Exercise Price

The exercise price of an option may be a fixed price based on the par value of an ordinary share of the Company or variable price related to the fair market value of an ordinary share of the Company. The exercise price of all the options and share awards granted under the Pre-IPO Share Incentive Plan is between US$0.035 and US$1.33.

Life of the Pre-IPO Share Incentive Plan

The Pre-IPO Share Incentive Plan commenced on October 30, 2018 (the "**Effective Date**") and will terminate at the close of business on the day before the 10th anniversary of the Effective Date. After the termination of the Pre-IPO Share Incentive Plan either upon such stated expiration date or its earlier termination by the Board, no additional awards may be granted under the Pre-IPO Share Incentive Plan, but previously granted awards (and the authority of the Administrator with respect thereto, including the authority to amend such awards) shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the Pre-IPO Share Incentive Plan. The remaining life of the Pre-IPO Share Incentive Plan is approximately 5.8 years.

Outstanding Share Options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Incentive Plan as of December 31, 2022. No options were granted since the Listing Date and up to December 31, 2022. For further details on the movement of the options during the Reporting Period, please see note 25 to the consolidated financial statements.

In connection with the listing of the Shares on the Stock Exchange on July 13, 2021, the Board has approved that upon listing, the Company will not grant any additional share options or awards under the Pre-IPO Share Incentive Plan. As at December 31, 2022, pursuant to the Pre-IPO Share Incentive Plan, the Company had granted to directors, employees and consultants of the Group outstanding options to subscribe for 21,113,463 Shares, representing approximately 2.9% of the total issued share capital of the Company as at December 31, 2022, and representing approximately 2.9% of the total issued share capital of the Company as at the date of this report. There are no participants with options granted in excess of the 1% individual limit for the purpose of Rule 17.03D of the Listing Rules.

Details of the movements of the options granted under the Pre-IPO Share Incentive Plan during the Reporting Period are as follows

Name or category of grantee	Exercise price	Date of grant	Vesting commencement date	Number of options: Outstanding as at January 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2022	Notes
1. Directors										
Dr. Zhi Hong *Chairman, Chief executive officer and executive Director*	US$0.68	September 18, 2020	October 31, 2020	5,000,000	-	-	-	-	5,000,000	1
	US$0.68	September 18, 2020	October 31, 2020	3,000,000	-	-	-	-	3,000,000	2
	US$0.68	September 18, 2020	September 18, 2020	4,000,000	-	-	-	-	4,000,000	3
Mr. Yongqing Luo[7]	US$0.13	September 18, 2020	September 11, 2021	7,000,000	-	(3,354,000)[8]	-	(3,646,000)	-	4
Dr. Ankang Li *Executive Director*[7]	US$0.13	September 18, 2020	August, 31, 2021	2,800,000	-	(933,332)[9]	-	-	1,866,668	4
	US$0.13	September 18, 2020	July 13, 2022	1,200,000	-	-	-	-	1,200,000	5
2. Employees										
Employees (in aggregate)	From US$0.035 to US$1.33	From October 30, 2018 to June 4, 2021	From July 1, 2018 to June 7, 2022	8,772,835	-	(2,160,613)[10]	-	(1,155,042)	5,457,180	1, 4, 5, 6
3. Other grantees										
Others (in aggregate)	From US$0.035 to US$1.33	From October 30, 2018 to May 14, 2021	From July 1, 2018 to May 14, 2022	633,615	-	(44,000)[11]	-	-	589,615	1, 6
Total:									21,113,463	

1. In accordance with a vesting schedule, the Shares subject to the corresponding options will be vested in 24 substantially equal monthly installments with the first installment vesting on the vesting commencement date occurs. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of 10 years from the date of grant.

2. In accordance with a vesting schedule, the Shares subject to the corresponding options will be vested in 48 substantially equal monthly installments with the first installment vesting on the vesting commencement date occurs. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of 10 years from the date of grant.

3. In accordance with a vesting schedule, the first 1,333,334 Shares subject to the corresponding options will be vested upon the achievements by the Group of one of the four milestones as specified in the relevant award agreement, the second 1,333,334 Shares will be vested upon the achievements by the Group of one of the remaining three milestones, and the remaining 1,333,332 Shares will be vested upon the achievements by the Group of one of the remaining two milestones, in each case the satisfaction of any milestones will be determined by the Board in its sole discretion. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of 10 years from the date of grant.

4. In accordance with a vesting schedule, 25% of the Shares subject to the corresponding options will be vested on the vesting commencement date, and the remaining 75% of the Shares subject to the corresponding options will be vested in 36 substantially equal monthly installments with the first installment vesting on the last day of the month following the month in which the vesting commencement date occurs. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of is 10 years from the date of grant.

5. In accordance with a vesting schedule and subject to the satisfaction of certain IPO vesting conditions as specified in the relevant award agreement, 25% of the Shares subject to the corresponding options will be vested on the first anniversary of the completion of the IPO, and 75% of the Shares subject to the corresponding options will be vested in a series of 36 successive equal monthly installments for each monthly period of the relevant grantee's continuous full-time employment with the Company thereafter. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of 10 years from the date of grant.

6. In accordance with a vesting schedule, 100% of the Shares subject to the corresponding options will be vested on the vesting commencement date. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of 10 years from the date of grant.

7. Mr. Yongqing Luo ceased to act as executive Director on September 15, 2022, and Dr. Ankang Li was appointed as executive Director on September 30, 2022.

8. The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the Reporting Period was HK$5.67.

9. As the options were exercised only once during the Reporting Period according to the respective vesting schedule, the weighted average closing price of the Shares immediately before the date on which the options were exercised equals to the closing price of the Shares immediately before the date on which the options were exercised, which was HK$29.60.

10. The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the Reporting Period was HK$17.06.

11. The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the Reporting Period was HK$15.70.

12. Closing price of the Shares is not applicable as the Shares of the Company were not listed at the date of grant.

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was approved by the Shareholders on June 22, 2021. The purpose of the Post-IPO Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Further details of Post-IPO Share Option Scheme are set out in the Prospectus and note 25 to the consolidated financial statements.

A summary of the principal terms of the Post-IPO Share Option Scheme is set out below:

Eligible Participants

Any directors (including executive directors, non-executive directors and independent non-executive directors), employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

Maximum Number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Group shall not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Stock Exchange, such 10% limit represents 70,620,092 Shares, representing approximately 9.7% of the total issued share capital of the Company as at the date of this report.

Limit of Each Participant

Unless approved by Shareholders in a general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Share Option Scheme and any other share option scheme of our Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the Shares in issue for the time being.

Duration

The Post-IPO Share Option Scheme will remain in force for a period of 10 years commencing on the Listing Date, after which, no further options shall be offered or granted, but in all other respects the provisions of the Post-IPO Share Incentive Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. The remaining life of the Post-IPO Share Option Scheme is approximately 8.5 years.

Exercise of Option

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Post-IPO Share Option Scheme. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Post-IPO Share Option Scheme for the holding of an option before it can be exercised, and a grantee is not required to achieve any performance targets before any options granted under the Post-IPO Share Option Scheme can be exercised.

Exercise Price

Pursuant to the Post-IPO Share Option Scheme, the participants may subscribe for the Shares on the exercise of an option granted under the Post-IPO Share Option Scheme at a price determined by the Board provided that it shall not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

Consideration

A nominal consideration of HK$1.00 must be paid upon acceptance of the grant of an option, and such payment must be made within 5 business days from the date the share option grant offer is made to the grantee.

As at December 31, 2022, pursuant to the Post-IPO Share Option Scheme, the Company had granted to directors and employees of the Group outstanding options to subscribe for 39,915,000 Shares, representing approximately 5.5% of the total issued share capital of the Company as at December 31, 2022, and representing approximately 5.5% of the total issued share capital of the Company as at the date of this report. There are no participants with options granted and to be granted in excess of the 1% individual limit for the purpose of Rule 17.03D of the Listing Rules and no grants to related entity participant (as defined in Chapter 17 of the Listing Rules) or service provider (as defined in Chapter 17 of the Listing Rules). The number of options available for grant under the Post-IPO Share Option Scheme at at January 1, 2022 and December 31, 2022 is 55,249,592 and 29,877,092, respectively.

Details of the movements of the options granted under the Post-IPO Share Option Scheme during the Reporting Period are as follows:

			Number of options							
Name or category of grantee	Date of grant	Exercise price	Outstanding as at January 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2022	Closing price of the Shares immediately before the date of grant	Notes
1. Directors										
Dr. Zhi Hong *Chairman, Chief executive officer and executive Director*	September 17, 2021	HK$47.60	4,152,500	-	-	-	-	4,152,500	HK$48.5	2
	September 21, 2022	HK$6.45	-	2,562,000	-	-	-	2,562,000	HK$5.91	3
Mr. Yongqing Luo *Executive Director*[13]	September 17, 2021	HK$47.60	2,768,500	-	-	-	(2,768,500)	-	HK$48.5	4
Dr. Ankang Li *Executive Director*[13]	September 17, 2021	HK$47.60	1,413,000	-	-	-	-	1,413,000	HK$48.5	5
	September 21, 2022	HK$6.45	-	1,065,000	-	-	-	1,065,000	HK$5.91	6

Name or category of grantee	Date of grant	Exercise price	Number of options: Outstanding as at January 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2022	Closing price of the Shares immediately before the date of grant	Notes
2. Employees										
Employees (in aggregate)	September 17, 2021	HK$47.60	5,332,500	-	-	-	(986,500)	4,346,000	HK$48.5	7
	December 3, 2021	HK$43.41	876,000	-	-	-	(125,000)	751,000	HK$40.8	8
	March 29, 2022	HK$10.33	-	5,924,000	-	-	(676,500)	5,247,500	HK$9.15	9
	June 24, 2022	HK$9.16	-	2,376,000	-	-	(83,500)	2,292,500	HK$8.57	10
	September 21, 2022	HK$6.45	-	16,702,500	-	-	(114,000)	16,588,500	HK$5.91	11
	December 15, 2022	HKD8.64	-	1,497,000	-	-	-	1,497,000	HK$8.33	12
Total:								39,915,000		

Notes:

1. The exercise period of the options granted under the Post-IPO Share Option Scheme commences on the date on which they are vested in accordance with the relevant vesting schedule and ends on the expiry of 10 years from the relevant date of grant.

2. The vesting schedule of the options is as follows:

   (i) in relation to 262,500 options granted: 25% shall vest on September 17, 2022; 25% shall vest on September 17, 2023; 25% shall vest on September 17, 2024; and 25% shall vest on September 17, 2025;

   (ii) 3,890,000 options shall vest over three years from the date of grant subject to the fulfilment of certain performance targets relating to the Company determined by the Board which are specified in the relevant grant letter,

   where the options shall be exercisable upon vesting.

3. The vesting schedule of the options is as follows: in relation to 2,562,000 options granted: 25% shall vest on September 21, 2023; 25% shall vest on September 21, 2024; 25% shall vest on September 21, 2025; and 25% shall vest on September 21, 2026, where the options shall be exercisable upon vesting.

4. The vesting schedule of the options is as follows:

   (i) in relation to 175,000 options granted: 25% shall vest on September 17, 2022; 25% shall vest on September 17, 2023; 25% shall vest on September 17, 2024; and 25% shall vest on September 17, 2025;

   (ii) 2,593,500 options shall vest over three years from the date of grant subject to the fulfilment of certain performance targets relating to the Company determined by the Board which are specified in the relevant grant letter,

   where the options shall be exercisable upon vesting.

5. The vesting schedule of the options is as follows:

   (i) in relation to 116,500 options granted: 25% shall vest on September 17, 2022; 25% shall vest on September 17, 2023; 25% shall vest on September 17, 2024; and 25% shall vest on September 17, 2025;

(ii) 1,296,500 options shall vest over three years from the date of grant subject to the fulfillment of certain performance targets relating to the Company determined by the Board which are specified in the relevant grant letter,

where the options shall be exercisable upon vesting.

6. The vesting schedule of the options is as follows: in relation to 1,065,000 options granted: 25% shall vest on September 21, 2023; 25% shall vest on September 21, 2024; 25% shall vest on September 21, 2025; and 25% shall vest on September 21, 2026, where the options shall be exercisable upon vesting.

7. The vesting schedule of the options is as follows:

(i) in relation to 2,021,500 options granted: 25% shall vest on the first anniversary of the employment commencement date or the promotion date of each grantee; 25% shall vest on the second anniversary of the employment commencement date or the promotion date of each grantee; 25% shall vest on the third anniversary of the employment commencement date or the promotion date of each grantee; 25% shall vest on the fourth anniversary of the employment commencement date or the promotion date of each grantee;

(ii) in relation to 514,500 options granted: 5% shall vest on September 17, 2022; 10% shall vest on September 21, 2023; 40% shall vest on September 21, 2024; and 45% shall vest on September 21, 2025;

(iii) 2,796,500 options shall vest over three years from the date of grant subject to the fulfilment of certain performance targets relating to the Company determined by the Board which are specified in the relevant grant letter,

where the options shall be exercisable upon vesting.

8. The vesting schedule of the options is as follows:

(i) in relation to 674,000 options granted: 25% shall vest on the first anniversary of the employment commencement date or the promotion date of each grantee; 25% shall vest on the second anniversary of the employment commencement date or the promotion date of each grantee; 25% shall vest on the third anniversary of the employment commencement date or the promotion date of each grantee; 25% shall vest on the fourth anniversary of the employment commencement date or the promotion date of each grantee;

(ii) 202,000 options shall vest over three years from the employment commencement date subject to the fulfilment of certain performance targets relating to the Company determined by the Board which are specified in the relevant grant letter of the grantees,

where the options shall be exercisable upon vesting.

9. The vesting schedule of the options is as follows:

(i) in relation to 966,000 options granted: 25% shall vest on the first anniversary of the promotion date of each grantee; 25% shall vest on the second anniversary of the promotion date of each grantee; 25% shall vest on the third anniversary of the promotion date of each grantee; and 25% shall vest on the fourth anniversary of the promotion date of each grantee;

(ii) in relation to 1,938,500 options granted: 25% shall vest on the first anniversary of the employment commencement date of each grantee; 25% shall vest on the second anniversary of the employment commencement date of each grantee; 25% shall vest on the third anniversary of the employment commencement date of each grantee; and 25% shall vest on the fourth anniversary of the employment commencement date of each grantee;

(iii) in relation to 1,396,500 options granted: 5% shall vest on March 29, 2023; 10% shall vest on March 29, 2024; 40% shall vest on March 29, 2025; and 45% shall vest on March 29, 2026;

(iv) in relation to 1,350,500 options granted: 25% shall vest on March 29, 2023; 25% shall vest on March 29, 2024; 25% shall vest on March 29, 2025; and 25% shall vest on March 29, 2026;

(v) 135,500 options shall vest over three years from the employment commencement date of each grantee upon the achievements by the Group of certain program milestones determined by the Board which are specified in the relevant grant letter of the grantees; and

(vi) 137,000 options shall vest over three years from the employment commencement date of each grantee upon the achievements by the Group of certain market capitalization milestones determined by the Board which are specified in the grant letter of the grantees,

where the options shall be exercisable upon vesting.

10. The vesting schedule of the options is as follows:

    (i) in relation to 2,313,500 options granted: 25% shall vest on the first anniversary of the employment commencement date of each grantee; 25% shall vest on the second anniversary of the employment commencement date of each grantee; 25% shall vest on the third anniversary of the employment commencement date of each grantee; and 25% shall vest on the fourth anniversary of the employment commencement date of each grantee; and

    (ii) in relation to 62,500 options granted: 25% shall vest on the first anniversary of the promotion date of each grantee; 25% shall vest on the second anniversary of the promotion date of each grantee; 25% shall vest on the third anniversary of the promotion date of each grantee; and 25% shall vest on the fourth anniversary of the promotion date of each grantee,

    where the options shall be exercisable upon vesting.

11. The vesting schedule of the options is as follows:

    (i) in relation to 15,628,000 options granted: 25% shall vest on the first anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee; 25% shall vest on the second anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee; 25% shall vest on the third anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee; 25% shall vest on the fourth anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee;

    (ii) 1,074,500 options shall vest over three years from the date of grant subject to the fulfillment of certain performance targets relating to the Company's program milestones determined by the Board which are specified in the relevant grant letter,

    where the options shall be exercisable upon vesting.

12. The vesting schedule of the options is as follows: in relation to 1,497,000 options granted: 25% shall vest on the first anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee; 25% shall vest on the second anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee; 25% shall vest on the third anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee; 25% shall vest on the fourth anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee, where the options shall be exercisable upon vesting.

13. Mr. Yongqing Luo ceased to act as executive Director on September 15, 2022, and Dr. Ankang Li was appointed as executive Director on September 30, 2022.

14. Details of the fair value of the options granted under the Post-IPO Share Option Scheme at the date of grant and the accounting standard and policy adopted are set out in Note 25 to the consolidated financial statements.

Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme was approved by the Shareholders on June 22, 2021. The purpose of the Post-IPO Share Award Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. Further details of the Post-IPO Share Award Scheme are set out in the Prospectus and note 25 to the consolidated financial statements.

Eligible Participants

Any directors (including executive directors, non-executive directors and independent non-executive directors), employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

Share Awards

A share award may be granted in the form of Restricted Shares or RSU under the Post-IPO Share Award Scheme. Restricted Shares are Shares awarded to the participant under the Post-IPO Share Award Scheme. RSU is a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one Share, such unit to be used solely for the determination of the payment to eventually be made to the participant upon vesting of the applicable award.

Maximum Number of Shares

Shares which may be issued pursuant to all share awards to be granted under the Post-IPO Share Award Scheme must not in aggregate exceed 5% of the Shares in issue on the Listing Date, such 5% limit represents 35,310,046 Shares, representing approximately 4.9% of the total issued share capital of the Company as at the date of this report. There is no restriction on the maximum entitlement of each participant under the Post-IPO Share Award Scheme. Under the Post-IPO Share Award Scheme, there is no specific limit on the maximum number of share award which may be granted to a single eligible participant, but the maximum share award entitlement of each participant of the Post-IPO Share Award Scheme shall not exceed the limits as required under the Listing Rules.

Grant of Share Award

On and subject to the terms of the Post-IPO Share Award Scheme, the Board shall be entitled (but shall not be bound) at any time within the life of the Post-IPO Share Award Scheme to make an offer of a share award to participant, as the Board may in its absolute discretion select. The Post-IPO Share Award Scheme does not require a minimum period for which a share award must be held or a performance target which must be achieved before a share award can be vested. Share awards may be granted on such terms and conditions as the Board shall determine. Such terms may include any minimum period(s) for which the grantee must be employed or in service to our Group and/or any minimum performance target(s) that must be achieved, before the share award shall vest in whole or in part, and may include at the discretion of the Board such other terms either on a case by case basis or generally.

Acceptance of Share Award

An offer of the grant of a share award shall be deemed to have been accepted and the share award to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein. No such offer shall be open for acceptance after the expiry of the period of 10 years commencing on the Listing Date or after the Post-IPO Share Award Scheme has been terminated in accordance with the provisions hereof, whichever is the earlier. In addition, acceptance of an award of Restricted Shares under the Post-IPO Share Award Scheme shall be subject to payment of such consideration to the Company as the Board may determine or as required by applicable law. There is no requirement on the purchase price payable in respect of the share award granted under the Post-IPO Share Award Scheme.

Duration

The Post-IPO Share Award Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date, after which, no further share awards shall be offered or granted, but in all other respects the provisions of the Post-IPO Share Award Scheme shall remain in full force and effect to the extent necessary to give effect to the settlement of any share awards granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Award Scheme. The remaining life of the Post-IPO Share Award Scheme is approximately 8.5 years.

As at December 31, 2022, pursuant to the Post-IPO Share Award Scheme, the Company had granted to directors and employees of the Group outstanding RSUs representing 13,291,613 Shares, accounting for approximately 1.8% of the total issued share capital of the Company as at December 31, 2022, and accounting for approximately 1.8% of the total issued share capital of the Company as at the date of this report. There are no participants with share awards granted and to be granted in excess of the 1% individual limit for the purpose of Rule 17.03D of the Listing Rules and no grants to related entity participant (as defined in Chapter 17 of the Listing Rules) or service provider (as defined in Chapter 17 of the Listing Rules). The number of awards available for grant under the Post-IPO Share Award Scheme at at January 1, 2022 and December 31, 2022 is 35,310,046 and 22,375,046, respectively.

Details of the movements of the RSUs granted under the Post-IPO Share Award Scheme as at December 31, 2022 are as follows:

Name or category of grantee	Date of grant	Fair value as at the date of grant	Number of RSUs: Outstanding as at January 1, 2022	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2022	Closing price of the Shares immediately before the date of grant	Notes
1. Directors										
Dr. Zhi Hong	January 20, 2022	HK$22.75	–	911,000	(32,514)[19]	(12,986)	–	865,500	HK$22.65	2
Chairman, Chief executive officer and executive Director	September 21, 2022	HK$5.64	–	340,000	–	–	–	340,000	HK$5.91	3
Mr. Yongqing Luo[17]	January 20, 2022	HK$22.75	–	607,000	–	–	(607,000)	–	HK$22.65	4
Executive Director										
Dr. Ankang Li[17]	January 20, 2022	HK$22.75	–	324,000	(20,250)[19]	–	–	303,750	HK$22.65	5
Executive Director	September 21, 2022	HK$5.64	–	1,141,500	–	–	–	1,141,500	HK$5.91	6
Dr. Axel Bouchon[17]										
Non-executive Director	January 20, 2022	HK$22.75	–	84,000	–	(84,000)	–	–	HK$22.65	7
Dr. Martin J Murphy Jr	January 20, 2022	HK$22.75	–	42,000	(14,000)[20]		–	28,000	HK$22.65	8
Independent Non-executive Director	September 21, 2022	HK$5.64	–	45,000	–	–	–	45,000	HK$5.91	9
Ms. Grace Hui Tang	January 20, 2022	HK$22.75	–	42,000	(14,000)[20]	–	–	28,000	HK$22.65	8
Independent Non-executive Director	September 21, 2022	HK$5.64	–	45,000	–	–	–	45,000	HK$5.91	9

Name or category of grantee	Date of grant	Fair value as at the date of grant	Number of RSUs: Outstanding as at January 1, 2022	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2022	Closing price of the Shares immediately before the date of grant	Notes
Mr. Yiu Wa Alec Tsui	January 20, 2022	HK$22.75	–	42,000	(14,000)[20]	–	–	28,000	HK$22.65	8
Independent Non-executive Director	September 21, 2022	HK$5.64	–	45,000	–	–	–	45,000	HK$5.91	9
Mr. Gregg Huber Alton	January 20, 2022	HK$22.75	–	42,000	(14,000)[20]	–	–	28,000	HK$22.65	8
Independent Non-executive Director	September 21, 2022	HK$5.64	–	45,000	–	–	–	45,000	HK$5.91	9
Dr. Taiyin Yang *Independent Non-executive Director*	September 21, 2022	HK$5.64	–	327,000	–	–	–	327,000	HK$5.91	10
2. Employees										
Employees (in aggregate)	January 20, 2022	HK$22.75	–	3,314,250	(410,397)[21]	(98,115)	(480,250)	2,325,488	HK$22.65	11
	March 29, 2022	HK$9.46	–	2,033,500	(28,125)[21]	–	(230,000)	1,775,375	HK$9.15	12
	June 24, 2022	HK$9.16	–	981,000	–	–	(32,000)	949,000	HK$8.57	13
	September 21, 2022	HK$5.64	–	4,590,500	–	–	(15,000)	4,575,500	HK$5.91	14
	December 15, 2022	HK$8.06	–	396,500	–	–	–	396,500	HK$8.33	15
Total:								13,291,613		

Notes:

1. All the RSUs were granted to the grantees at nil consideration. Once the RSUs are vested in accordance with the relevant vesting schedule, the underlying Shares will be transferred to the grantees at nil consideration.

2. The vesting schedule of the RSUs is as follows: (i) in relation to 182,000 RSUs granted: 25% shall vest on September 17, 2022; 25% shall vest on September 17, 2023; 25% shall vest on September 17, 2024; and 25% shall vest on September 21, 2025; (ii) in relation to 729,000 RSUs granted: the grant will vest upon the achievements by the Group of certain milestones determined by the Board which are specified in the relevant award agreements.

3. The vesting schedule of the RSUs is as follows: in relation to 340,000 RSUs granted: 25% shall vest on September 21, 2023; 25% shall vest on September 21, 2024; 25% shall vest on September 21, 2025; 25% shall vest on September 21, 2026. The RSUs granted would be satisfied by way of purchase of existing Shares on the secondary market using the Company's internal resources.

4. The vesting schedule of the RSUs is as follows: (i) in relation to 121,000 RSUs granted: 25% shall vest on September 17, 2022; 25% shall vest on September 17, 2023; 25% shall vest on September 17, 2024; and 25% shall vest on September 17, 2025; (ii) in relation to 486,000 RSUs granted: the grant will vest upon the achievements by the Group of certain milestones determined by the Board which are specified in the relevant award agreements.

5. The vesting schedule of the RSUs is as follows: (i) in relation to 81,000 RSUs granted: 25% shall vest on September 17, 2022; 25% shall vest on September 17, 2023; 25% shall vest on September 17, 2024; and 25% shall vest on September 17, 2025; (ii) in relation to 243,000 RSUs granted: the grant will vest upon the achievements by the Group of certain milestones determined by the Board which are specified in the relevant award agreements.

6. The vesting schedule of the RSUs is as follows: in relation to 1,141,500 RSUs granted: 25% shall vest on September 21, 2023; 25% shall vest on September 21, 2024; 25% shall vest on September 21, 2025; 25% shall vest on September 21, 2026.

7. The vesting schedule of the RSUs is as follows: in relation to 84,000 RSUs granted: one-third of the grant will vest on July 13, 2022, one-third of the grant will vest on July 13, 2023 and the remaining one-third of the grant will vest on July 13, 2024. The RSUs granted would be satisfied by way of purchase of existing Shares on the secondary market using the Company's internal resources.

8. The vesting schedule of the RSUs is as follows: in relation to 42,000 RSUs granted: one-third of the grant will vest on July 13, 2022, one-third of the grant will vest on July 13, 2023 and the remaining one-third of the grant will vest on July 13, 2024. The RSUs granted would be satisfied by way of purchase of existing Shares on the secondary market using the Company's internal resources.

9. The vesting schedule of the RSUs is as follows: in relation to 45,000 RSUs granted: the grant will vest on September 21, 2023. The RSUs granted would be satisfied by way of purchase of existing Shares on the secondary market using the Company's internal resources.

10. The vesting schedule of the RSUs is as follows: in relation to 327,000 RSUs granted: one-third of the grant will vest on September 1, 2023, one-third of the grant will vest on September 1, 2024 and the remaining one-third of the grant will vest on September 1, 2025. The RSUs granted would be satisfied by way of purchase of existing Shares on the secondary market using the Company's internal resources.

11. The vesting schedule of the RSUs is as follows: (i) in relation to 578,000 RSUs granted: 25% shall vest on September 17, 2022; 25% shall vest on September 17, 2023; 25% shall vest on September 17, 2024; and 25% shall vest on September 17, 2025; (ii) in relation to 1,603,250 RSUs granted: 25% shall vest on the first anniversary of the employment commencement date of each grantee; 25% shall vest on the second anniversary of the employment commencement date of each grantee; 25% shall vest on the third anniversary of the employment commencement date of each grantee; 25% shall vest on the fourth anniversary of the employment commencement date of each grantee; (iii) in relation to 399,000 RSUs granted: 5% shall vest on September 17, 2022; 10% shall vest on September 17, 2023; 40% shall vest on September 17, 2024; and 45% shall vest on September 17, 2025; (iv) in relation to 734,000 RSUs granted: the grant will vest upon the achievements by the Group of certain milestones determined by the Board which are specified in the relevant award agreements.

12. The vesting schedule of the RSUs is as follows: (i) in relation to 1,448,000 RSUs granted: 25% shall vest on the first anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee; 25% shall vest on the second anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee; 25% shall vest on the third anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee; 25% shall vest on the fourth anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee; (ii) in relation to 494,500 RSUs granted: 5% shall vest on March 29, 2023; 10% shall vest on March 29, 2024; 40% shall vest on March 29, 2025; 45% shall vest on March 29, 2026; (iii) in relation to 91,000 RSUs granted: 50% shall vest over three years from the employment commencement date of each grantee upon the achievements by the Group of certain program milestones determined by the Board which are specified in the relevant award agreements; and 50% shall vest over three years from the employment commencement date of each grantee upon the achievements by the Group of certain market capitalization milestones determined by the Board which are specified in the relevant award agreement.

13. The vesting schedule of the RSUs is as follows: (i) in relation to 981,000 RSUs granted: 25% shall vest on the first anniversary of the employment commencement date, or the promotion date each grantee; 25% shall vest on the second anniversary of the employment commencement date, or the promotion date of each grantee; 25% shall vest on the third anniversary of the employment commencement date, or the promotion date of each grantee; 25% shall vest on the fourth anniversary of the employment commencement date, or the promotion date of each grantee.

14. The vesting schedule of the RSUs is as follows: (i) in relation to 4,319,500 RSUs granted: 25% shall vest on the first anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee; 25% shall vest on the second anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee; 25% shall vest on the third anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee; 25% shall vest on the fourth anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee; (ii) in relation to 271,000 RSUs granted: the grant shall vest over three years from the employment commencement date of each grantee upon the achievements by the Group of certain program milestones determined by the Board which are specified in the relevant award agreements.

15. The vesting schedule of the RSUs is as follows: in relation to 396,500 RSUs granted: 25% shall vest on the first anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee; 25% shall vest on the second anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee; 25% shall vest on the third anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee; 25% shall vest on the fourth anniversary of the employment commencement date, or the promotion date, or the date of grant of each grantee.

16. During the Reporting Period, the purchase price of the cancelled RSUs is nil.

17. Mr. Yongqing Luo ceased to act as executive Director on September 15, 2022, Dr. Axel Bouchon ceased to act as non-executive Director on September 30, 2022 and Dr. Ankang Li was appointed as executive Director on September 30, 2022.

18. Details of the fair value of the awards granted under the Post-IPO Share Award Scheme at the date of grant and the accounting standard and policy adopted are set out in Note 25 to the consolidated financial statements.

19. As the RSUs held by the grantees were vested only once during the Reporting Period according to the respective vesting schedules, the weighted average closing price of the Shares immediately before the date on which the RSUs were vested equals to the closing price of the Shares immediately before the date on which the RSUs were vested, which was HK$6.80.

20. As the RSUs held by the grantees were vested only once during the Reporting Period according to the respective vesting schedules, the weighted average closing price of the Shares immediately before the date on which the RSUs were vested equals to the closing price of the Shares immediately before the date on which the RSUs were vested, which was HK$10.98.

21. The weighted average closing price of the Shares immediately before the dates on which the RSUs were vested during the Reporting Period was HK$8.45.

22. Any unvested Shares held by the trustee of the Post-IPO Share Award Scheme appointed by the Company, Kastle Limited, will abstain from voting on matters that require Shareholders' approval under the Listing Rules.

Additional Information of the Share Incentive Schemes

The number of Shares that may be issued in respect of options and awards granted under the Share Incentive Schemes during the year ended December 31, 2022 divided by the weighted average number of the Shares in issue for the year ended December 31, 2022 is 5.75%.

EQUITY-LINKED AGREEMENTS

Other than the Pre-IPO Share Incentive Plan, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme, no equity-linked agreements that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the year ended December 31, 2022 or subsisted at the end of the year ended December 31, 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

TAX RELIEF AND EXEMPTION

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed below, none of the Directors of the Company or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the Reporting Period.

Mr. Robert Taylor Nelsen, a non-executive Director, currently serves as a director of Vir, a company listed on the NASDAQ stock exchange (stock code: VIR). Vir is a clinical-stage immunology company focused on the development of products to treat and prevent serious infectious diseases. In addition to the research and development activities of HBV, Vir is engaged in research and development activities for drug candidates targeting COVID-19, and hence might directly or indirectly compete with the Company in terms of HBV, COVID-19 or other drug candidates that it may pursue. As at December 31, 2022, Mr. Robert Taylor Nelsen may be deemed to be interested in (i) approximately 12.43% of the total number of issued Shares and (ii) approximately 14.6% of Vir's outstanding shares, through shares held by entities affiliated with ARCH Venture Partners. For further details in relation to Mr. Robert Taylor Nelsen's interests in Vir, please refer to the section headed "Directors and Senior Management" in the Prospectus.

While Mr. Robert Taylor Nelsen currently holds directorships in five other biopharmaceutical companies listed on the NASDAQ stock exchange or the Stock Exchange, the Directors are of the view that Mr. Robert Taylor Nelsen will be able to devote sufficient time to discharge his duties and responsibilities as a non-executive Director. The Directors do not believe that the directorships currently held by Mr. Robert Taylor Nelsen will result in his having insufficient time to act as our non-executive Director or improperly discharge his fiduciary duties as a Director of the Company. The Board is of the view that Mr. Robert Taylor Nelsen is capable for the role as a non-executive Director of the Company.

CONNECTED TRANSACTIONS

On January 20, 2022, the Board announced that the Company proposed to grant 911,000 RSUs to Dr. Zhi Hong (an executive Director) and 607,000 RSUs to Mr. Yongqing Luo (an executive Director) (collectively, the "Grants") under the Post-IPO Share Award Scheme on January 20, 2022, at nil consideration, subject to acceptance and the independent Shareholders' approval at an extraordinary general meeting of the Company. The RSUs granted under the Grants include time-based RSUs which would be vested in tranches over four years and milestone-based RSUs which would be vested upon the achievements by the Group of certain milestones determined by the Board which are specified in the relevant award agreements. Based on the closing price on January 20, 2022, the market value of the RSUs granted to each of Dr. Zhi Hong and Mr. Yongqing Luo under the Grants amounts to approximately HK$20,725,250 and HK$13,809,250 respectively. The RSUs granted under the Grants would be satisfied by new Shares to be issued by the Company.

As each of Dr. Zhi Hong and Mr. Yongqing Luo is an executive Director, each of Dr. Zhi Hong and Mr. Yongqing Luo is a connected person of the Company under Rule 14A.07 of the Listing Rules. The Grants and the transactions contemplated thereunder (including the allotment and issue of any new Shares thereunder) constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement, and the Independent Shareholders' approval requirements. As announced on June 22, 2022, the relevant resolutions in respect of the Grants and the transactions contemplated thereunder were passed by the independent Shareholders at the extraordinary general meeting of the Company held on the same day.

For further details, please refer to the announcement of the Company dated January 20, 2022 and the circular of the Company dated March 29, 2022.

Details on related party transactions for the year ended December 31, 2022 are set out in note 26 to the consolidated financial statements. Save as disclosed above and other than connected transactions that are exempted under Rule 14A.73 of the Listing Rules, none of the related party transactions as disclosed in note 26 to the consolidated financial statements constitute connected transaction or continuing connected transaction of the Group which has to be disclosed in accordance with Chapter 14A of the Listing Rules. Save as disclosed above and other than connected transactions that are exempted under Rule 14A.73 of the Listing Rules, there were no connected transaction nor continuing connected transaction of the Group which has to be disclosed in accordance with the Chapter 14A of the Listing Rules during the Reporting Period. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DONATIONS

During the Reporting Period, the Group made no charitable and other donations.

SIGNIFICANT LEGAL PROCEEDINGS

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

PERMITTED INDEMNITY PROVISION

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

SUBSEQUENT EVENTS

Business update related to Silicon Valley Bank ("SVB")

The Board is aware that Silicon Valley Bank was closed on March 10, 2023 by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation（"**FDIC**") as receiver. As disclosed in the announcement of the Company dated March 12, 2022, the Company and its subsidiaries held less than 9% of its total cash and bank balances (including cash, cash equivalents and time deposits with original maturity of up to 12 months with multi-tenor rates and flexibility for early uplift) at SVB as of February 28, 2023. On March 12, 2023, the Treasury of the United States, Federal Reserve of the United States, and FDIC jointly announced that all depositors with SVB will have access to all of their money at SVB starting Monday, March 13. Following such announcement and as the date of this report, the Company and its subsidiaries have full access to all the bank balances at SVB.

Cancellation of Share Options and Restricted Share Units and Grant of Share Options and Restricted Share Units

On April 12, 2023, the Company cancelled (i) a total of 3,260,084 Options granted to 8 Existing Option Grantees under the Milestone Grants in accordance with the terms of the Post-IPO Share Option Scheme and the relevant grant letters, which were all granted to the senior management members of the Company, including 1,296,667 Options granted to Dr. Zhi Hong and 432,167 Options granted to Dr. Ankang Li under the Milestone Grants being cancelled; and (ii) a total of 739,483 RSUs granted to 8 Existing RSUs Grantees under the Milestone Grants in accordance with the terms of the Post-IPO Share Award Scheme and the relevant grant letters, which were all granted to the senior management members of the Company, including 243,000 RSUs granted to Dr. Zhi Hong and 81,000 RSUs granted to Dr. Ankang Li under the Milestone Grants being cancelled.

On April 12, 2023, the Company granted an aggregate of 3,281,000 Options to 56 Option Grantees in accordance with the terms of the Post-IPO Share Option Scheme, subject to acceptance by the Option Grantees. The Company also granted an aggregate of 870,500 RSUs to 56 RSU Grantees in accordance with the terms of the Post-IPO Share Award Scheme, subject to acceptance by the RSU Grantees.

For details, please refer to the announcements of the Company dated April 12, 2023 and April 19, 2023. The capitalized terms used in the above paragraphs shall have the same meanings as those defined in such announcements.

AUDIT AND RISK COMMITTEE

The Board has established the Audit and Risk Committee which currently comprises three independent non-executive Directors, namely Ms. Grace Hui Tang, Dr. Taiyin Yang and Mr. Yiu Wa Alec Tsui. Each of Ms. Grace Hui Tang and Dr. Taiyin Yang serves as the co-chairlady of the Audit and Risk Committee, who has the professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules. The primary duties of the Audit and Risk Committee are to review and supervise the Company's financial reporting process and risk management and internal controls.

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

Deloitte Touche Tohmatsu was appointed as the auditor of the Company during the Reporting Period. The Company did not change its auditor since the Listing Date.

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

On behalf of the Board
Dr. Zhi Hong
Chairman
Hong Kong, March 24, 2023

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended December 31, 2022.

CORPORATE CULTURE AND STRATEGY

Brii Biosciences Limited, as a biotechnology company focusing on developing innovative treatment for infectious diseases and CNS disorders, is devoted to tackle public health challenges through breakthrough scientific innovation and critical patients' insights. To achieve the mission, the Company strives to be diligent and devoted to excellence. Led by a visionary and experienced leadership team, the Company has considerable scientific expertise and a proven ability to progress therapeutic assets from discovery to commercial approval. The Company also embraces a value of **patients first, trust, integrity and quality**, of which, patients' insight and trust from our stakeholders set the forefront of our decision making, and the Company's operation is guided by high standard of business model code and strict quality control of the whole product life cycle.

The Board believes that strong corporate governance provides a solid foundation to achieve the corporate mission and values. With this fundamental, the Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and enhance corporate value and accountability. This philosophy extends from the Board to our management team and employees at all levels and in every aspect of our business. During the Reporting Period, the Company continued to enhance sound corporate governance. On the Board level, four Board committees, namely, the Audit and Risk Committee, the Nomination Committee, the Remuneration Committee and the Strategy Committee, have been established to assume different responsibilities to enhance the function of the Board to cover different corporate governance topics. Professional training sessions were also performed across the Company to facilitate the awareness of well practice in corporate governance and compliance, so as to ensure the Company is in compliance with the latest corporate governance requirements.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance. During the Reporting Period, the Company has complied with all the applicable code provisions of the CG Code save and except for the following deviation from code provision C.2.1 of the CG Code.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Accordingly, the appointment of Dr. Zhi Hong as the chairman of the Board and the chief executive officer of the Company deviates from the relevant code provision. Dr. Zhi Hong, as the founder of the Group, has extensive experience in the biopharmaceutical industry and has served in the Company since its establishment. Dr. Zhi Hong is in charge of overall management, business, strategic development and scientific research and development of the Group. The Board considers that vesting the roles of the chairman of the Board and the chief executive officer of the Company in the same person, Dr. Zhi Hong, is beneficial to the management of the Group. The Board also believes that the combined role of the chairman of the Board and the chief executive officer of the Company can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board.

The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises two executive Directors, one non-executive Director and five independent non-executive Directors, and therefore has a strong independent element in its composition. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding securities transactions of the Directors (the "**Company's Code**") on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code and the Company's Code during the Reporting Period. No incident of non-compliance of the Model Code or the Company's Code by the relevant employees who are likely to be in possession of unpublished inside information of the Company was noted by the Company.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required of a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time in performing them.

The Board currently comprises the following Directors:

Executive Directors

Dr. Zhi Hong *(Chairman and Chief Executive Officer)*

Dr. Ankang Li

Non-executive Director

Mr. Robert Taylor Nelsen

Independent non-executive Directors

Dr. Martin J Murphy Jr

Ms. Grace Hui Tang

Mr. Yiu Wa Alec Tsui

Mr. Gregg Huber Alton

Dr. Taiyin Yang

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" of this report.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

None of Directors have any financial, business, family or other material/relevant relationships with one another.

Board Meetings, General Meetings and Directors' Attendance Records

Code provision C.5.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication.

During the Reporting Period, the Board convened six Board meetings. The attendance record of each Director at the Board, Board committee meetings and general meetings of the Company held are listed below:

	Attendance/Number of Meetings						
Name of Directors	Board Meetings	Audit and Risk Committee	Remuneration Committee	Nomination Committee	Strategy Committee	Annual General Meeting	Extraordinary General Meeting
Executive Directors							
Dr. Zhi Hong[1]	6/6	N/A	N/A	1/1	N/A	1/1	1/1
Mr. Yongqing Luo[2]	4/4	N/A	N/A	N/A	N/A	1/1	1/1
Dr. Ankang Li[3]	1/1	N/A	N/A	N/A	1/1	N/A	N/A
Non-executive Directors							
Mr. Robert Taylor Nelsen	4/6	N/A	N/A	N/A	1/1	0/1	0/1
Dr. Axel Bouchon[4]	3/5	N/A	N/A	N/A	N/A	0/1	0/1
Independent Non-executive Directors							
Dr. Martin J Murphy Jr[5]	6/6	2/2	2/2	1/1	N/A	1/1	1/1
Ms. Grace Hui Tang	6/6	2/2	2/2	N/A	N/A	1/1	1/1
Mr. Yiu Wa Alec Tsui[6]	6/6	2/2	2/2	1/1	N/A	1/1	1/1
Mr. Gregg Huber Alton[7]	6/6	N/A	N/A	N/A	1/1	0/1	0/1
Dr. Taiyin Yang[8]	1/2	N/A	N/A	N/A	1/1	N/A	N/A

Notes:

1. Dr. Zhi Hong has ceased to be the chairman of the Nomination Committee and remains as a member of the Nomination Committee with effect from September 1, 2022. He has also ceased to be the chairman of the Strategy Committee with effect from September 30, 2022.

2. Mr. Yongqing Luo has resigned as executive Director with effect from September 15, 2022.

3. Dr. Ankang Li has been appointed as an executive Director and the chairman of the Strategy Committee with effect from September 30, 2022.

4. Dr. Axel Bouchon has resigned as a non-executive Director and has ceased to be a member of the Strategy Committee with effect from September 30, 2022.

5. Dr. Martin J Murphy Jr has ceased to be a member of the Audit and Risk Committee with effect from September 1, 2022.

6. Mr. Yiu Wa Alec Tsui has ceased to be a member of the Nomination Committee with effect from September 1, 2022.

7. Mr. Gregg Huber Alton has been appointed as the chairman of the Nomination Committee with effect from September 1, 2022.

8. Dr. Taiyin Yang has been appointed as an independent non-executive Director and the co-chairlady of the Audit and Risk Committee with effect from September 1, 2022. She has been also appointed as a member of the Strategy Committee with effect from September 30, 2022.

Apart from regular Board meetings, the chairman of the Board also held a meeting with the independent non-executive Directors without the presence of other Director during the Reporting Period.

Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing not less than one third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the independence requirement set out in the Listing Rules.

Appointment and Re-election of Directors

Each of the Directors is engaged on a service contract (in the case of the executive Directors) or a letter of appointment (in the case of the non-executive Director and independent non-executive Directors) for a specific term of three years, which is renewable by mutual consent and subject to the Listing Rules and the Articles of Association.

The Articles of Association provides that all Directors appointed to fill a casual vacancy or as an addition to the Board shall be subject to election by Shareholders at the next following general meeting of the Company.

Every Director (including those appointed for a specific term) shall also be subject to retirement and re-election by rotation at least once every three years at the annual general meetings of the Company under the Articles of Association.

Responsibilities of the Directors

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

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

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

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

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

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

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

Board Independence

The Company values the interests of Shareholders and has established appropriate mechanisms to ensure independent views and input are available to the Board. At present, the majority of the Board is comprised of independent non-executive Directors which ensures a strong independent element on the Board. The chairman of the Board also meets with the independent non-executive Directors regularly without the presence of other Directors. In addition, all Directors are entitled to seek advice from independent professional advisors at the Company's expense.

The Company has also established channels through formal and informal means whereby Directors can express their views in an open manner, and in a confidential manner, should circumstances requires. All Directors are encouraged to express their independent opinions and constructive challenges during the meetings.

During the Reporting Period, the Board has reviewed the implementation and effectiveness of such mechanism and is satisfied with the results. The Board will keep reviewing the mechanism and make adjustments or amendments in due course.

Continuous Professional Development of Directors

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Besides, meetings with senior management of the Company were also arranged.

During the Reporting Period, all of the Directors participated in a training session conducted by the legal advisers of the Company. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, continuing connected transaction, disclosure of interests and regulatory updates. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge his or her duties. The table below summarises the participation of each of the Directors in continuous professional development during the Reporting Period:

Name of Directors	Participated in continuous professional development Note
Dr. Zhi Hong	√
Dr. Ankang Li	√
Mr. Robert Taylor Nelsen	√
Dr. Martin J Murphy Jr	√
Ms. Grace Hui Tang	√
Mr. Yiu Wa Alec Tsui	√
Mr. Gregg Huber Alton	√
Dr. Taiyin Yang	√

Note: Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit and Risk Committee, the Remuneration 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 authority and duties. The terms of reference of the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee are published on the websites of the Company and the Stock Exchange and are available to Shareholders upon request.

The majority of the members of the Remuneration Committee, the Audit and Risk Committee and the Nomination Committee, as well as half of the members in the Strategy Committee, are independent non-executive Directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit and Risk Committee

The Audit and Risk Committee currently consists of three independent non-executive Directors, namely Ms. Grace Hui Tang, Dr. Taiyin Yang and Mr. Yiu Wa Alec Tsui. Each of Ms. Grace Hui Tang and Dr. Taiyin Yang, being the co-chairlady of the Audit and Risk Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference of the Audit and Risk Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit and Risk Committee include, but not limited to, assisting the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

The Audit and Risk Committee is also responsible for performing the functions set out in code provision A.2.1 of the CG Code. These include developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the Company's financial controls, risk management and internal control systems; reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors of the Company; and reviewing the Company's compliance with the CG Code from time to time adopted by the Company and the disclosure in the corporate governance report to be contained in the Company's annual report. The Audit and Risk Committee has performed the above functions and reported to the Board during the Reporting Period.

The Audit and Risk Committee held two meetings during the Reporting Period to review and consider the final results and the audited financial statements of the Group for the year ended 31 December 2022 and the interim results and the interim report of the Group for the six months ended 30 June 2022, as well as the effectiveness of the internal control and risk management system of the Group.

The Audit and Risk Committee also met the external auditor once during the Reporting Period without the presence of the executive Directors and the management.

The Company's annual results for the year ended December 31, 2022 have been reviewed by the Audit and Risk Committee.

Remuneration Committee

The Remuneration Committee currently consists of three independent non-executive Directors, namely Dr. Martin J Murphy Jr, Mr. Yiu Wa Alec Tsui and Ms. Grace Hui Tang. Dr. Martin J Murphy Jr is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Remuneration Committee include, but are not limited to, making recommendations to the Board on our policy and structure for all remuneration of Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration, determining the specific remuneration packages of all Directors and senior management of the Company and reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee held one meeting during the Reporting Period to review and make recommendations to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and senior management of the Company, and other related matters. No material matters relating to share schemes under Chapter 17 of the Listing Rules were required to be reviewed or approved by the Remuneration Committee during the Reporting Period.

Pursuant to code provision E.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended December 31, 2022 is as follows:

Remuneration bands	Number of persons
HK$0 to HK$8,000,000	8
HK$8,000,001 and above	2

Nomination Committee

The Nomination Committee currently consists of one executive Director, namely Dr. Zhi Hong, and two independent non-executive Directors, namely Dr. Martin J Murphy Jr and Mr. Gregg Huber Alton. Mr. Gregg Huber Alton is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors.

The Nomination Committee has adopted a nomination policy which is incorporated in the terms of reference of the Nomination Committee and sets out the selection criteria and nomination procedures for identifying and recommending candidates for appointment or re-appointment of Director. The Nomination Committee shall evaluate and select candidates based on the criteria by reference to character and integrity, business experience relevant and beneficial to the Company, qualifications including professional qualifications, skills and knowledge that are relevant to the Company’s business and corporate strategy, willingness to devote adequate time to discharge duties as a member of the Board and other significant commitments, present needs of the Board for particular expertise, skills or experience and whether the candidates would satisfy those needs, requirement for the Board to have independent non-executive Directors in accordance with the Listing Rules and whether the candidates for independent non-executive Directors would be considered independent with reference to the independence guidelines set out in the Listing Rules and the Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board. The Directors appointed and re-elected as Directors during the Reporting Period was subject to a stringent nomination procedure in accordance with the nomination policy and the board diversity policy of the Company, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company’s strategy.

The Nomination Committee held one meeting during the Reporting Period to review the current structure and the independence of the independent non-executive Directors of the Board. The Nomination Committee also discussed about possibly expanding the Board membership in the future and the corporate succession planning.

Board Diversity Policy

Pursuant to Rule 13.92 of the Listing Rules, the nomination committee (or the Board) shall have a policy concerning diversity of Board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report. In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company has adopted the board diversity policy (the "**Board Diversity Policy**") which sets out our objectives and approach to achieve and maintain diversity of the Board. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Board Diversity Policy specifies that the appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, ethnicity, language, cultural and educational background, industry and professional experience.

The Nomination Committee is responsible for reviewing the diversity of the Board, and it will continue to monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee reviews the implementation of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives on an annual basis.

Currently, the Board comprises eight members, including two executive Directors, one non-executive Director and five independent non-executive Directors. Among which, two of the eight-members Board are female Directors. The Directors have a balanced mix of gender, knowledge, skills, perspectives and experience, including overall management and strategic development, business, science, investment, accounting and consulting. They obtained professional and academic qualifications including business administration, medical science, biology, economics, accounting, industrial engineering and legal studies. Furthermore, the Board possesses members spanning a wide range of ages, from 45 years old to 80 years old.

The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion 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 high standard of operation. Taking into account our existing business model and specific needs as well as the different background of the Directors, in the opinion of the Board, the current composition of the Board satisfies the Board Diversity Policy, and the Board and the Nomination Committee will assess the Board composition regularly, at least on an annual basis. We will also continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this report:

	Female	Male
Board	25.0% (2)	75.0% (6)
Senior Management	41.7% (5)	58.3% (7)
Other employees	70.3% (90)	29.7% (38)
Overall workforce	69.3% (97)	36.4% (51)

Taking into account of the Company's business model and our objectives in diversity and inclusion, we consider that at present there is a reasonable gender diversity in the Group's workforce, and will continue to monitor the need to maintain or, if desired or necessary, increase diversity.

Strategy Committee

The Strategy Committee currently consists of one executive Director, namely Dr. Ankang Li, one non-executive Director, namely Mr. Robert Taylor Nelsen, and two independent non-executive Directors, namely Mr. Gregg Huber Alton and Dr. Taiyin Yang. Dr. Ankang Li is the chairman of the Strategy Committee.

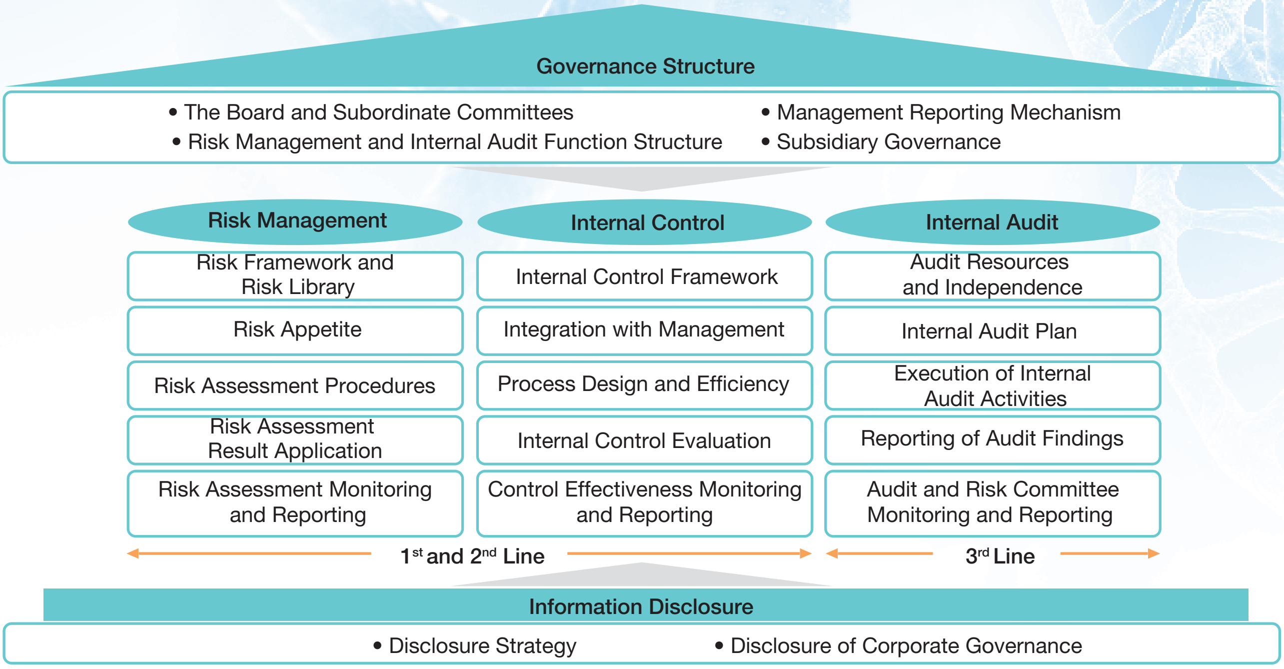
The main duties of the Strategy Committee include, without limitation, assisting the full Board, in conjunction with management, in addressing the Company's overall mission, vision and strategic direction. Areas of focus include providing to the Board and management, as applicable, input and recommendations with respect to key strategic initiatives and major R&D programs and partnerships, assisting management in establishing a strategic planning process, identifying and addressing organizational challenges and evaluating strategic alternatives.

The Strategy Committee held one meeting during the Reporting Period to review and discuss the future development strategy of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it has the overall responsibility to maintain sound and effective risk management and internal control systems (the "**Systems**"), including financial, operational and compliance controls, for the Company and to review their effectiveness to safeguard the Company's assets, to protect Shareholders' values, and to identify and manage the risks so that they can be understood, reduced, mitigated, transferred or avoided to achieve business objectives. The Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

During the Reporting Period, a comprehensive review of corporate governance situation was conducted to evaluate the compliance with the provisions of the CG Code regarding the Systems. The review has also considered the adequacy of resources, qualifications, and experience of staff of the Company's accounting and financial reporting functions, and their training programs and budget. Such review is performed on an annual basis.



Governance Structure

The Board has entrusted the Audit and Risk Committee with the responsibility to develop and review the Systems and the Company's policies and practices on corporate governance and make recommendations to the Board. Management delegated by the Board leads and directs actions and applications of resources to achieve the objectives of the organization with design, implementation, and monitoring of the Systems. Management of the Company also maintains a continuous dialogue with the Board and reports on outcomes linked to the objectives of the organization and risks.

Three-line risk management framework

The established three-line risk management framework functions to ensure the Company's healthy and efficient operations continuously. First-line role performed by the functional departments comprises delivery of products or services and managing risks in daily operation. Second-line role performed by the supporting departments such as financial, legal, compliance and quality assurance provides complementary expertise, supports, monitors, controls, and integrates challenge related to the management of risk. related to the management of risk. In particular, company-wide exercises have been launched to rationalize the existing policies and procedures so as to further emphasize the internal control objectives through the risk management procedures from identification, evaluation, remedy to monitor.

Third-line role performed by audit function provides independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management. An external independent third party engaged by the Company has conducted reviews of the Company's core business processes. Key focuses of the review include:

- Supervising and evaluating the truth, validity and effectiveness of financial revenues and expenditures, financial budgets, business performance and other related economic activities of the Company
- Examining the effectiveness of internal control
- Effectively implementing the relevant regulations and decisions of the Company

Identified deficiencies in operations and opportunities were communicated to senior management of the respective business units to enforce the remediation.

In view of the Company's size and stage, the Company has not established internal audit function as of December 31, 2022. The Board will review from time to time to assess the necessity of setting up an internal audit function.

The Company has established policies and procedures to regulate the transactions in the Company's securities conducted by Directors and relevant employees, identification and disclosure of notifiable and connected transactions, as well as management of the Company's inside information.

Besides, during the Reporting Period, the Company persistently dedicated efforts in enhancing the maturity of the corporate governance infrastructure including the systems across various business units and functions.

01 **Enhance clinical development capabilities** - Establish an in-house clinical research team for preclinical research.

02 **Optimize product pipeline layout** - Establish multiple product pipelines and develop products that have better efficacy and competitive advantage.

03 **Adhere to prudent investment principle** - Optimize investment policy to further strengthen investment risk control.

04 **Improve the mechanism of internal training and information sharing** - Establish an internal information sharing platform and provide comprehensive training for employees

05 **Dedicate efforts in overall lifecycle quality management system** - Establish the Audit and Risk Committee to monitor and control the quality and safety of the products and services at all stages of the product life cycle.

06 **Scale up risk management team** - Bring in experienced professionals and engage external advisors with diverse experience to enhance risk management in quality control, IP and legal, etc.

07 **Integrate Risk Management into Corporate Culture** - Establish the Code of Conduct and set up whistleblower channels to demonstrate a commitment to integrity and ethical values.

08 **Monitor the operation of Risk Management Framework** - Perform regular review of the adequacy and effectiveness of risk management and internal control systems

Based on the ongoing efforts devoted by the Company and external reviews carried out by external advisor, the Board concluded that the risk management and internal control systems of the Company are effective and adequate. There are neither material irregularities nor areas of material concerns that would have significant adverse impacts on the Company's financial positions or results of operations.

Information Disclosure

The Company regulates the handling and dissemination of inside information in compliance with requirements of the SFO and the Listing Rules. The Company discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. For the confidential information related to the Company's business, every employee is required to enter into an invention and confidentiality agreement with the Company, which describes the obligation to hold the Company's confidential information in strictest confidence.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended December 31, 2022.

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

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

DIVIDEND POLICY

The Company has never declared or paid regular cash dividends on its ordinary shares. The Company currently expects to retain all future earnings for use in the operation and expansion of the business and does not anticipate paying cash dividends in the foreseeable future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act (As Revised) of the Cayman Islands.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid/payable to the external auditor of the Company, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended December 31, 2022 is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Services	2,093
Non-audit Services	
– interim review	915
TOTAL	3,008

JOINT COMPANY SECRETARIES

Dr. Ankang Li, an executive Director, the chief financial and chief strategy officer and a joint company secretary of the Company, is responsible for making recommendations to the Board on corporate governance matters, and ensuring compliance with the policies and procedures of the Board and applicable laws, rules and regulations.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Wing Tsz Wendy Ho, an executive director of corporate services of Tricor Services Limited (a corporate secretarial service provider), as another joint company secretary of the Company to assist Dr. Ankang Li in performing his duties as the company secretary of the Company. The primary corporate contact person of Ms. Wing Tsz Wendy Ho at the Company is Dr. Ankang Li, one of the joint company secretaries of the Company.

During the Reporting Period, Dr. Ankang Li and Ms. Wing Tsz Wendy Ho had undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

Pursuant to article 12.3 of the Articles of Association, extraordinary general meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or the Cayman Islands Companies Act for Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards to proposing a person for election as a Director of the Company, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director of the Company" which is published on the Company's website.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Address: 3rd Floor, Building 7, Zhongguancun Dongsheng International Science Park No. 1 North Yongtaizhuang Road, Haidian District, Beijing, 100192 China
Email:	ir@briibio.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

The Company maintains a website at www.briibio.com as a communication platform with Shareholders and investors of the Company, where the financial information and other relevant information of the Company are available for public access.

Shareholders' Communication Policy

The Company has in place a shareholders' communication policy (the "**Shareholders' Communication Policy**"). The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. During the Reporting Period, the Company held two general meetings and various communication events were held through the well-established channels. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy during the Reporting Period and the results were satisfactory.

The Company has established a number of channels, such as Shareholders' enquiries, corporate communication, relevant websites, Shareholders' meetings and investment market communication, for maintaining an on-going dialogue with its Shareholders. For detailed of these channels, please refer to the Shareholders' Communication Policy published on the website of the Company.

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Company has not made any changes to the Memorandum and Articles of Association. An up-to-date version of the Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF BRII BIOSCIENCES LIMITED
騰盛博药生物科技有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited these consolidated financial statements of Brii Biosciences Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 95 to 167, which comprise the consolidated statement of financial position at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to these consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of these Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants (including International Independence Standards) (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of these consolidated financial statements of the current period. This matter was addressed in the context of our audit of these consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
Cut-off of outsourcing research and development expenses	
During the year ended December 31, 2022, the Group incurred research and development ("**R&D**") expenses of RMB440.6 million. The recording of outsourcing service fees to the appropriate financial reporting period and the corresponding accruals at the end of the reporting period based on the progress of the R&D projects. Outsourcing service fees of RMB3.4 million were accrued at December 31, 2022 as set out in Note 22 to these consolidated financial statements. We identified the cut-off of outsourcing service fees as a key audit matter due to its significant amount and the risk of not accruing outsourcing service fees incurred for services provided by contract research organisations and contract manufacturing organisations (collectively referred to as the "**Outsourced Service Providers**") in the appropriate financial reporting period.	Our procedures performed on the cut-off of the outsourcing service fees included: • Understanding of key controls in relation to the accrual of the outsourcing service fees and evaluating the design and implementation and operating effectiveness of these controls; • For the expenses accrued to the Outsourced Service Providers at December 31, 2022, performing test of details, on a sample basis, by: (1) checking the respective contract terms and/or milestones of the relevant agreements and the progress reported by the representatives of the relevant Outsourced Service Providers; (2) sending confirmation to confirm the progress of the outsourcing services provided for the year ended December 31, 2022; and • Checking the subsequent payment to Outsourced Service Providers, on sample basis, to evaluate the adequacy of the outsourcing service fees accrual at the year end.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include these consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THESE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 these consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether these 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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.

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of these 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 of the Company.

- Conclude on the appropriateness of the directors of the Company's 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 these 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 these consolidated financial statements, including the disclosures, and whether these 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 these consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We communicate with those charged with governance 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 those charged with governance 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 matter communicated with those charged with governance, we determine the matter that was of most significance in the audit of these consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter 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 the independent auditor's report is Chan Chun Kit Tommy.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 24, 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

		Year ended December 31,	
		2022	2021
	Notes	RMB'000	RMB'000
Revenue	6	51,626	–
Other income	7	107,857	99,032
Other gains and losses, net	8	(12,289)	45,062
Research and development expenses		(440,634)	(494,615)
Administrative expenses		(168,629)	(208,404)
Selling and marketing expenses		(26,861)	–
Fair value loss on financial liabilities at fair value through profit or loss ("**FVTPL**")		–	(3,598,847)
Finance costs	9	(851)	(1,175)
Listing expenses		–	(32,137)
Loss before tax	10	(489,781)	(4,191,084)
Income tax expense	11	–	–
Loss for the year		(489,781)	(4,191,084)
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		297,388	23,833
Fair value loss on equity instrument at fair value through other comprehensive income ("**FVTOCI**")		(30,110)	(6,072)
		267,278	17,761
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(15,953)	(75,628)
Other comprehensive income (expense) for the year		251,325	(57,867)
Total comprehensive expense for the year		(238,456)	(4,248,951)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

	Notes	Year ended December 31, 2022 RMB'000	2021 RMB'000
Loss for the year attributable to:			
Owners of the Company		(484,312)	(4,163,849)
Non-controlling interests		(5,469)	(27,235)
		(489,781)	(4,191,084)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(232,987)	(4,221,716)
Non-controlling interests		(5,469)	(27,235)
		(238,456)	(4,248,951)
Loss per share	13		
– Basic and diluted (RMB)		(0.67)	(9.48)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2022

	Notes	At December 31, 2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	15	7,345	12,573
Right-of-use assets	16	12,177	20,862
Intangible assets	17	146,887	9,506
Financial assets at FVTPL	18	139,794	117,790
Equity instrument at FVTOCI	19	6,234	34,241
Rental deposits	20	2,513	2,786
		314,950	197,758
Current assets			
Deposits, prepayments and other receivables	20	77,640	58,882
Restricted bank deposits	21	1,875	319
Time deposits with original maturity over three months	21	1,806,812	499,647
Cash and cash equivalents	21	1,190,572	2,855,093
		3,076,899	3,413,941
Current liabilities			
Other payables	22	164,937	218,860
Lease liabilities	23	9,500	8,969
Deferred income		54,676	52,884
		229,113	280,713
Net current assets		2,847,786	3,133,228
Total assets less current liabilities		3,162,736	3,330,986

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2022

	Notes	At December 31, 2022 RMB'000	2021 RMB'000
Non-current liabilities			
Lease liabilities	23	3,156	12,647
Deferred income		2,083	7,083
		5,239	19,730
Net assets		3,157,497	3,311,256
Capital and reserves			
Share capital	24	24	23
Share premium and reserves		3,194,590	3,342,881
Equity attributable to owners of the Company		3,194,614	3,342,904
Non-controlling interests	31	(37,117)	(31,648)
Total equity		3,157,497	3,311,256

These consolidated financial statements on pages 95 to 167 were approved and authorised for issue by the board of directors on March 24, 2023 and are signed on its behalf by:

ZHI HONG
DIRECTOR

ANKANG LI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

	Attributable to owners of the Company										
	Share capital RMB'000	Treasury shares held in trust RMB'000	Share premium RMB'000	Investments revaluation reserve RMB'000	Translation reserve RMB'000	Other reserve RMB'000 (note a)	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total (deficits) equity RMB'000
At January 1, 2021	7	–	74,332	18,529	77,922	(75,917)	40,887	(1,874,049)	(1,738,289)	(4,413)	(1,742,702)
Loss for the year	–	–	–	–	–	–	–	(4,163,849)	(4,163,849)	(27,235)	(4,191,084)
Other comprehensive expense	–	–	–	(6,072)	(51,795)	–	–	–	(57,867)	–	(57,867)
Total comprehensive expense for the year	–	–	–	(6,072)	(51,795)	–	–	(4,163,849)	(4,221,716)	(27,235)	(4,248,951)
Issue of new shares of the Company	4	–	2,325,084	–	–	–	–	–	2,325,088	–	2,325,088
Cost of issuing new shares	–	–	(99,737)	–	–	–	–	–	(99,737)	–	(99,737)
Automatic conversion of preferred shares upon the Listing (Note 24)	12	–	6,998,035	–	–	–	–	–	6,998,047	–	6,998,047
Vesting of restricted ordinary shares	–	–	19,091	–	–	–	(19,091)	–	–	–	–
Recognition of equity-settled share-based payments (Note 25)	–	–	–	–	–	–	79,370	–	79,370	–	79,370
Exercise of share options	–	–	261	–	–	–	(120)	–	141	–	141
At December 31, 2021	23	–	9,317,066	12,457	26,127	(75,917)	101,046	(6,037,898)	3,342,904	(31,648)	3,311,256
Loss for the year	–	–	–	–	–	–	–	(484,312)	(484,312)	(5,469)	(489,781)
Other comprehensive (expense) income	–	–	–	(30,110)	281,435	–	–	–	251,325	–	251,325
Total comprehensive (expense) income for the year	–	–	–	(30,110)	281,435	–	–	(484,312)	(232,987)	(5,469)	(238,456)
Repurchase of shares by trust and converted into treasury shares held in trust	–	-*	(678)	–	–	–	–	–	(678)	–	(678)
Recognition of equity-settled share-based payments (Note 25)	–	–	–	–	–	–	77,928	–	77,928	–	77,928
Vesting of restricted ordinary shares and restricted share units	–	-*	7,933	–	–	–	(7,933)	–	–	–	–
Exercising of share options	1	–	27,792	–	–	–	(20,346)	–	7,447	–	7,447
At December 31, 2022	24	–	9,352,113	(17,653)	307,562	(75,917)	150,695	(6,522,210)	3,194,614	(37,117)	3,157,497

* Amount less than RMB1,000

Note: Other reserve represents the adjustment to the non-controlling interests to reflect the changes in the respective share of the carrying amounts of the net liabilities of a subsidiary upon the capital contribution by the Company which resulted in its additional interest in that subsidiary.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Loss before tax	(489,781)	(4,191,084)
Adjustments for:		
Bank interest income	(37,204)	(6,490)
Depreciation of property, plant and equipment	5,228	4,962
Depreciation of right-of-use assets	8,685	9,584
Amortisation of intangible assets	3,119	2,716
Finance costs	851	1,175
Net foreign exchange losses	43,575	–
Share-based payment expenses	77,928	79,370
Fair value gain on money market funds	(5,437)	(109)
Fair value gain on financial assets at FVTPL	(26,249)	(44,686)
Fair value loss on financial liabilities at FVTPL	–	3,598,847
Operating cash flow before movements in working capital	(419,285)	(545,715)
Increase in deposits, prepayments and other receivables	(15,645)	(25,183)
Decrease in other payables	(58,141)	(286,619)
Decrease in deferred income	(3,208)	(21,940)
NET CASH USED IN OPERATING ACTIVITIES	(496,279)	(879,457)
INVESTING ACTIVITIES		
Interest received	34,642	1,623
Receipt of return from money market funds	5,437	107
Placement of time deposits with original maturity over three months	(2,101,905)	(499,647)
Withdrawal of time deposits with original maturity over three months	752,923	20,000
Placement of restricted bank deposits	(2,133)	–
Withdrawal of restricted bank deposits	707	3,438
Payments for rental deposits	–	(248)
Purchase of intangible assets	(139,292)	–
Purchase of property, plant and equipment	–	(1,029)
Proceeds from disposal of financial assets at FVTPL	16,453	–
NET CASH USED IN INVESTING ACTIVITIES	(1,433,168)	(475,756)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Proceeds from exercise of share options	7,447	141
Payments of lease liabilities	(8,960)	(9,745)
Interest paid	(851)	(1,175)
Payment on repurchase of shares by trust	(678)	–
Issuance of new shares of the Company	–	2,325,088
Payments of issue costs	–	(86,630)
Proceeds from issuance of Series B and Series C Preferred Shares (as defined in Note 24 in the 2021 annual report)	–	1,002,455
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(3,042)	3,230,134
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,932,489)	1,874,921
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	2,855,093	1,034,965
Effects of exchange rate changes	267,968	(54,793)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	1,190,572	2,855,093

1. GENERAL INFORMATION

Brii Biosciences Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on December 8, 2017. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on July 13, 2021 (the "**Listing**"). The addresses of the Company's registered office and principal place of business is PO Box 309, Ugland House, Grand Cayman, KY1 – 1104, Cayman Islands and 3rd Floor, Building 7, Zhongguancun Dongsheng, International Science Park, No. 1 North Yongtaizhuang Road, Haidian District, Beijing, People's Republic of China (the "**PRC**"), respectively.

The Company and its subsidiaries (collectively referred to as the "**Group**") are committed to advancing therapies for significant infectious diseases and other illnesses which have significant public health burdens in the PRC and worldwide. The Group is based in the PRC and the United States of America (the "**USA**") and primarily focused on developing therapies for infectious diseases and central nervous system diseases.

The functional currency of the Company and the operating subsidiary incorporated in the USA is United States Dollars ("**US$**"). The functional currency of the PRC operating subsidiaries is Renminbi ("**RMB**"). The presentation currency of these consolidated financial statements is RMB as it best suits the needs of the shareholders and investors.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2022 for the preparation of these consolidated financial statements:

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

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after January 1, 2023.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after January 1, 2024.

The directors of the Company anticipate that the application of all these new and amendments to IFRSs will have no material impact on these consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

The directors of the Company have, at the time of approving these consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these consolidated financial statements.

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to those financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of IFRS16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date and acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases (i.e. the rental of vehicles) that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets represents the amount of the initial measurement of the lease liability.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments included in the measurement of the lease liabilities represents the fixed payments of the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Exchange differences relating to the retranslation of the Group's net assets in US$ to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants for research and development activities are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss upon compliance with the attached conditions.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Share-based payments

Equity-settled share-based payment transactions

Share options/restricted ordinary shares/restricted share units granted to employees and others providing similar services

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

When share options are exercised or the restricted ordinary shares/restricted share units are vested, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in these consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure (Continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, intangible assets and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets with finite useful lives and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, intangible assets and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generated unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, intangible assets and right-of-use assets (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and Cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which are all demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, and form an integral part of the Group’s cash management.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses, net" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit losses ("**ECL**") model on financial assets (including other receivables and deposits, time deposits with original maturity over three months, restricted bank deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all financial assets, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of other receivables, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in these consolidated financial statements.

Research and development expenses

Research and development expenses incurred on the Group's drug product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Research and development expenses which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determines whether the criteria are met for capitalisation. For the years ended December 31, 2021 and 2022, all research and development costs are expensed when incurred.

Key sources of estimation uncertainty

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES (Continued)

Key sources of estimation uncertainty (Continued)

Fair value measurements of financial instruments

The Group's unquoted equity instrument amounted to RMB66,371,000 at December 31, 2022 (2021: RMB60,759,000) is measured at fair value which is determined based on valuation technique using unobservable inputs (i.e. level 3 fair value hierarchy). Judgement and estimation are required in establishing the relevant valuation technique and the relevant inputs thereof. Further disclosures are detailed in Note 28(c). Should any of the judgment and estimation changed, it may lead to a change in the fair value of the unquoted equity investment

Impairment assessment of intangible assets

Intangible assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether such intangible asset is impaired, the directors of the Company have to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicator that may affect the recoverable amount of such intangible asset; (2) whether the carrying amount of such intangible asset can be supported by the recoverable amount, in the case of value-in-use, the net present value of future cash flows which are estimated based upon the continued use of such intangible asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of such intangible asset, the directors of the Company estimate the recoverable amount of the cash generating unit to which such intangible asset belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating unit, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amount.

At December 31, 2022, the carrying amounts of intangible assets from in-license are RMB139,292,000 (2021: nil). Details of the impairment assessment are disclosed in Note 17.

5. SEGMENT INFORMATION

The Group's chief operating decision maker ("**CODM**") has been identified as the Chief Executive Officer of the Group. For the purpose of resource allocation and performance assessment, the CODM reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in Note 3. Accordingly, the Group has only one reportable segment and only entity-wide disclosures are presented.

Geographical information

All of the Group's non-current assets (excluding financial instruments) are located in the PRC and all of the Group's revenue from external customers are located in the PRC.

6. REVENUE

In the current year, the Group derives its revenue from the sale of pharmaceutical products amounted to RMB51,626,000 (2021: nil). Revenue is recognised when control of the goods has been transferred, being when the goods have been delivered to the specified location designated by the customers. Following delivery, the customers have the discretion over the distribution and price to sell the goods and bear the risks of obsolescence and loss in relation to the goods. Payment of the transaction price is due immediately at the point the goods are delivered and transferred to the customer.

The pharmaceutical products sold during the year ended December 31, 2022 were initially put into production solely for research and development purpose before applying for new drug application. However, the manufacturing process of these products was then validated by government authorities for the purpose of regulatory compliance. Following these regulatory approvals, the Group launched commercial sales for these products in July 2022. Since under the normal circumstance, these products could not be sold to external customers, the costs for these products sold amounted to RMB33,216,000, amongst which RMB24,529,000 and RMB8,687,000 were recorded as the Group's research and development expenses for the year ended December 31, 2021 and 2022, respectively.

7. OTHER INCOME

	Year ended December 31, 2022 RMB'000	2021 RMB'000
Bank interest income	37,204	6,490
Government grants (note)	70,310	92,542
Others	343	–
	107,857	99,032

Note: Government grants include the incentive and other subsidies from the PRC government which are specifically for research and development activities are recognised upon compliance with the attached conditions. In the current year, government grants of RMB67.1 million (2021: RMB70.6 million) were received. At December 31, 2022, government grants of RMB56.8 million (2021: RMB60.0 million) have not fully met the relevant conditions and therefore are deferred and recorded as deferred income.

8. OTHER GAINS AND LOSSES

	Year ended December 31, 2022 RMB'000	2021 RMB'000
Net foreign exchange (loss) gain	(43,975)	267
Fair value gain on money market funds (Note 21)	5,437	109
Fair value gain on financial assets at FVTPL	26,249	44,686
	(12,289)	45,062

9. FINANCE COSTS

	Year ended December 31, 2022 RMB'000	2021 RMB'000
Interest on lease liabilities	851	1,175

10. LOSS BEFORE TAX

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Loss before tax for the year has been arrived at after charging:		
Directors' emoluments (Note 12)	25,769	90,851
Other staff costs:		
– salaries and other benefits	161,141	76,025
– discretionary bonus (note)	26,310	52,463
– retirement benefit scheme contributions	6,655	8,795
– share-based payments	73,818	35,688
	267,924	172,971
	293,693	263,822
Depreciation of property, plant and equipment	5,228	4,962
Depreciation of right-of-use assets	8,685	9,584
Amortisation of intangible assets (included in research and development expenses)	3,119	2,716
Auditors' remuneration	1,896	2,018

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

11. INCOME TAX EXPENSE

The Company is incorporated in the Cayman Islands and has no assessable profits for both years.

Brii Bioscience, Inc. is subjected to federal tax rate at 21% and state income tax at rates ranging from 2.5% to 9.9% in the USA.

Pursuant to the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

No provision for income tax expense has been made since the operating subsidiaries of the Company have no assessable profits for both years.

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

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Loss before tax	(489,781)	(4,191,084)
Income tax credit calculated at 25%	(122,445)	(1,047,771)
Tax effect of expenses not deductible for tax purpose	41,311	918,145
Tax effect of income not taxable for tax purpose	(18,506)	(13,806)
Tax effect of tax losses not recognised	72,811	137,627
Tax effect of deductible temporary differences not recognised	52,905	45,634
Effect of research and development expenses that are additionally deducted (note)	(29,238)	(52,675)
Effect of different tax rates of subsidiaries operating in other jurisdictions	3,142	1,586
	–	–

Note: Pursuant to Caishui 2018 circular No. 99, Brii Biosciences (Beijing) Co. Limited and TSB Therapeutics (Beijing) Co. Limited meet the requirement of super deduction of 175% on qualifying research and development expenditures for both years.

At December 31, 2022, the Group has unrecognised tax losses of RMB1,769.3 million (2021: RMB1,462.1 million). No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. At December 31, 2022, unrecognised tax losses of RMB1,311.1 million (2021: RMB1,074.7 million) will expire from 2023 to 2027 (2021: 2023 to 2026), while other tax losses of RMB406.9 million (2021: RMB336.0 million) will be carried forward indefinitely.

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid or payable to the directors and the Chief Executive Officer of the Company (including emoluments for services as employees) for their service provided to the Group during the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Company Ordinance, are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Discretionary bonus RMB'000 (note)	Total RMB'000
For the year ended December 31, 2022						
Executive directors:						
Dr. Zhi Hong (note i)	–	6,800	82	4,888	2,535	14,305
Mr. Ankang Li (note v)	–	4,570	106	5,323	1,316	11,315
Mr. Yongqing Luo (note iii)	–	4,422	79	(9,021)	–	(4,520)
Non-executive directors:						
Mr. Robert Taylor Nelsen	–	–	–	–	–	–
Dr. Axel Bouchon (note iv)	673	–	–	–	–	673
Independent non-executive directors:						
Dr. Martin J Murphy Jr	269	–	–	653	–	922
Ms. Grace Hui Tang	269	–	–	653	–	922
Mr. Yiu Wa Alec Tsui	269	–	–	653	–	922
Mr. Gregg Huber Alton	269	–	–	653	–	922
Dr. Taiyin Yang (note vi)	–	–	–	308	–	308
	1,749	15,792	267	4,110	3,851	25,769
For the year ended December 31, 2021						
Executive directors:						
Dr. Zhi Hong (note i)	–	36,835	75	26,639	1,810	65,359
Mr. Yongqing Luo	–	5,398	85	17,043	2,450	24,976
Non-executive directors:						
Dr. Axel Bouchon	–	–	–	–	–	–
Dr. Lian Yong Chen (note vii)	–	–	–	–	–	–
Mr. Robert Taylor Nelsen	–	–	–	–	–	–
Dr. George Alan Scangos (note vii)	–	–	–	–	–	–
Mr. Nan Peng Shen (note vii)	–	–	–	–	–	–
Mr. Xiaomeng Tong (note vii)	–	–	–	–	–	–
Mr. Feng Yu (note vii)	–	–	–	–	–	–
Independent non-executive directors:						
Dr. Martin J Murphy Jr (note ii)	129	–	–	–	–	129
Ms. Grace Hui Tang (note ii)	129	–	–	–	–	129
Mr. Yiu Wa Alec Tsui (note ii)	129	–	–	–	–	129
Mr. Gregg Huber Alton (note ii)	129	–	–	–	–	129
	516	42,233	160	43,682	4,260	90,851

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Continued)

Notes:

(i) Dr. Zhi Hong is the Chief Executive Officer and executive director of the Company.

(ii) Dr. Martin J Murphy Jr, Ms. Grace Hui Tang, Mr. Yiu Wa Alec Tsui and Mr. Gregg Huber Alton were appointed as independent non-executive directors of the Company on July 13, 2021.

(iii) Mr. Yongqing Luo resigned as executive director of the Company with effect from September 15, 2022.

(iv) Dr. Axel Bouchon resigned as non-executive director of the Company with effect from September 30, 2022.

(v) Dr. Ankang Li was appointed as executive director of the Company on September 30, 2022.

(vi) Dr. Taiyin Yang was appointed as independent non-executive director of the Company on September 30, 2022.

(vii) Dr. Lian Yong Chen, Dr. George Alan Scangos, Mr. Nan Peng Shen, Mr. Xiaomeng Tong and Mr. Feng Yu resigned as non-executive directors of the Company on June 22, 2021.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were paid for their services as directors of the Company and its subsidiaries, if applicable.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Five Highest Paid Employees

The five individuals with the highest emoluments in the Group for the year ended December 31, 2022 include two (2021: two) directors of the Company, details of whose remuneration are set out as above. The emoluments of the remaining three (2021: three) highest paid individuals for the year ended December 31, 2022 are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Salaries and other benefits	7,574	8,240
Discretionary bonus (note)	2,052	2,350
Retirement benefit scheme contributions	260	75
Share-based payments	15,456	13,358
Amounts as inducement for employees to join the Group	–	300
	25,342	24,323

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Continued)

Five Highest Paid Employees (Continued)

The emoluments of the five highest paid individuals (including directors) were within the following bands:

	Year ended December 31,	
	2022 No. of employees	2021 No. of employees
Hong Kong Dollars ("**HK$**") 6,000,001 to HK$6,500,000	–	1
HK$8,000,001 to HK$8,500,000	–	1
HK$8,500,001 to HK$9,000,000	1	–
HK$9,000,001 to HK$9,500,000	1	–
HK$11,000,001 to HK$11,500,000	1	–
HK$13,000,001 to HK$13,500,000	1	–
HK$14,500,001 to HK$15,000,000	–	1
HK$16,500,001 to HK$17,00,000	1	–
HK$30,000,001 to HK$30,500,000	–	1
HK$78,500,001 to HK$79,000,000	–	1
	5	5

Certain directors and five highest paid employees were granted share options or restricted share units in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 25.

No emoluments were paid by the Group to the five highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the management of the Group and five highest paid employees of the Group has waived any emoluments during both years.

Except for those disclosed in Note 26, during the year ended December 31, 2021 and 2022, there are no other loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities. Also, there are no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of both reporting periods or at any time during both years.

In addition, no director's termination benefit subsisted at the end of the year or at any time during the year ended December 31, 2021 and 2022. There are also no consideration provided to or receivable by third parties for making available director's services subsisted at the end of the year or at any time during the year ended December 31, 2021 and 2022.

13. LOSS PER SHARE

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

	Year ended December 31,	
	2022	2021
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share (RMB'000)	(484,312)	(4,163,849)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ('000)	723,478	439,047

For the year ended December 31, 2022, the weighted average number of ordinary shares for the purpose of basic and diluted loss per share excluded the unvested restricted ordinary shares and restricted share units (2021: unvested restricted ordinary shares) of the Company, details of which are set out in Note 25.

The computation of diluted loss per share for the year ended December 31, 2022 did not assume the exercise of share options, the vesting of unvested restricted share units and unvested restricted ordinary shares since their assumed exercise and vesting would result in a decrease in loss per share.

The computation of diluted loss per share for the year ended December 31, 2021 did not assume the exercise of share options, the vesting of unvested restricted ordinary shares, and did not assume the exercise of the over-allotment option for the year ended December 31, 2021 since their assumed exercise and vesting would result in a decrease in loss per share.

14. DIVIDENDS

No dividend was paid or declared by the Company during the year ended December 31, 2021 and 2022, nor has any dividend been proposed subsequent to the end of the reporting period.

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
COST			
At January 1, 2021	337	23,810	24,147
Additions	–	1,029	1,029
At December 31, 2021 and 2022	337	24,839	25,176
DEPRECIATION			
At January 1, 2021	101	7,540	7,641
Provided for the year	67	4,895	4,962
At December 31, 2021	168	12,435	12,603
Provided for the year	68	5,160	5,228
At December 31, 2022	236	17,595	17,831
CARRYING AMOUNTS			
At December 31, 2022	101	7,244	7,345
At December 31, 2021	169	12,404	12,573

The above items of property, plant and equipment are depreciated on a straight-line basis, after taking into account of the residual values, at the rate per annum as follows:

Furniture, fixtures and equipment	20%
Leasehold improvements	Shorter of the lease term or 20%

16. RIGHT-OF-USE ASSETS

	At December 31,	
	2022 RMB'000	2021 RMB'000
Carrying amount		
Properties	12,177	20,862

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Depreciation for the year		
Properties	8,685	9,584
Expense relating to short-term leases	4,209	4,216
Total cash outflow for leases	14,020	15,136
Additions to right-of-use assets	–	3,034

For both years, the Group leases various office for its operations. Lease contracts are entered into for fixed term of 36 months to 60 months. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for motor vehicles and offices. At December 31, 2021 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

In addition, lease liabilities of RMB12,656,000 are recognised with related right-of-use assets of RMB12,177,000 at December 31, 2022 (2021: lease liabilities of RMB21,616,000 and related right-of-use assets of RMB20,862,000). 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.

17. INTANGIBLE ASSETS

	Technical know-how and patent RMB'000	Software RMB'000	In-license RMB'000	Total RMB'000
COST				
At January 1, 2021 and December 31, 2021	13,580	–	–	13,580
Additions	–	1,208	139,292	140,500
At December 31, 2022	13,580	1,208	139,292	154,080
AMORTISATION				
At January 1, 2021	1,358	–	–	1,358
Charge for the year	2,716	–	–	2,716
At December 31, 2021	4,074	–	–	4,074
Charge for the year	2,716	403	–	3,119
At December 31, 2022	6,790	403	–	7,193
CARRYING VALUES				
At December 31, 2022	6,790	805	139,292	146,887
At December 31, 2021	9,506	–	–	9,506

During the year ended December 31, 2022, the Group capitalised the option exercise fee from the in-license arrangements with an independent third party partners amounted to USD20,000,000 (equivalent to RMB139,292,000) (2021: nil). At December 31, 2022, such in-license capitalised as intangible assets relates to a license which is in the progress of research and development and thus it has yet to commence amortisation.

17. INTANGIBLE ASSETS (Continued)

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Technical know-how and patent	5 years
Software	3 years

The useful lives of the technical know-how and patent, and in-license were determined by the management of the Group taking into account the period over which they are expected to be available for use by the Group and the stability of the industry.

In-license, which is intangible asset not yet ready for use, is tested for impairment annually based on the recoverable amount of the cash-generating unit to which the intangible asset is related. The appropriate cash-generating unit is at the product level. Impairment testing on the in-license of the Group was conducted by the management. For the purpose of impairment testing, the recoverable amount of the cash-generating unit is determined based on its fair value, calculated by using the discounted cash flow approach, less costs of disposal. The management determined the recoverable amount of the cash-generating unit based on the following approach and key assumptions:

- The cash-generating units will generate cash inflows starting from the expected date of obtaining regulatory approval, and up to the end of the intellectual property expiry date;
- The cash flow projections are made based on financial budgets prepared by the management till peak year, considering the timing of clinical development and regulatory approval of relevant products. Cash flows beyond peak year are projected at a steady decline rate;
- The probability of success was estimated by the management based on the industrial historical statistics; and
- The pre-tax discount rate used is 15%, which reflects specific risks relating to the relevant products that would be considered by market participants.

Based on the result of the in-license impairment testing, the estimated recoverable amount of the cash-generating unit exceeded its carrying amount at December 31, 2022. Thus, no impairment is noted. The management believes that no reasonably possible change in any of these assumptions would result in an impairment.

18. FINANCIAL ASSETS AT FVTPL

	At December 31, 2022 RMB'000	At December 31, 2021 RMB'000
Listed equity investment	69,590	–
Unlisted equity investments	70,204	117,790
	139,794	117,790

At December 31, 2021, financial assets at FVTPL represents investments in three unlisted entities in the USA focusing on infectious diseases. During the year ended December 31, 2022, one of the three unlisted entities is listed on the NASDAQ Global Market. At December 31, 2022, financial assets at FVTPL represents investments in convertible redeemable preferred shares and ordinary shares of these entities of RMB66,371,000 and RMB73,423,000 (2021: RMB114,281,000 and RMB3,509,000), respectively. The fair value of these financial assets at FVTPL is established by using valuation techniques as disclosed in Note 28(c).

19. EQUITY INSTRUMENT AT FVTOCI

	At December 31, 2022 RMB'000	At December 31, 2021 RMB'000
Listed:		
– Equity securities	6,234	34,241

The amount represents a listed equity investment in a biopharmaceutical company listed on the NASDAQ Global Market. The investment is not held for trading purposes, instead, it is held for long-term strategic purposes. The directors of the Company have elected to designate the investment in equity instrument at FVTOCI as they believe that recognising short-term fluctuations in the investment's fair value in profit or loss would not be consistent with the Group's strategy of holding the investment for long-term purposes and realising its performance potential in the long run. The fair value of the listed equity investment is measured based on quoted market price.

20. RENTAL DEPOSITS/DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Prepayments	19,589	7,365
Rental and other deposits	2,842	2,786
Value-added tax recoverable	46,172	45,537
Interests receivable	8,785	4,873
Other receivables	2,765	1,107
	80,153	61,668
Analysed as:		
Non-current	2,513	2,786
Current	77,640	58,882
	80,153	61,668

21. RESTRICTED BANK DEPOSITS/TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/CASH AND CASH EQUIVALENTS

At December 31, 2022, restricted bank deposits represent bank deposits which are restricted for credit facilities and carry fixed rate interests at 0.01% (2021: 0.01%) per annum.

At December 31, 2022, time deposits with original maturity over three months from the date of placement carry fixed rate interest ranging from 4.70% to 5.09% (2021: 0.16% to 2.55%) per annum.

Cash and cash equivalents comprise cash held by the Group, short-term bank deposits with original maturity of three months or less and low volatility net assets value money market funds. At December 31, 2022, the short-term bank deposits carry interests at market rates ranging from 0.05% to 1.70% (2021: from 0.05% to 0.30%) per annum.

At December 31, 2022, the low volatility net asset value money market funds are measured at fair value of RMB287,623,000 (2021: RMB1,011,649,000).

22. OTHER PAYABLES

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Payables for research and development expenses	113,531	44,111
Other payables for		
– legal and professional fee	2,225	1,042
– others	1,059	1,178
Other tax payables	1,861	1,653
Payroll payables	31,721	23,840
Accrued research and development expenses (note)	3,397	136,835
Accrued issue costs	11,143	10,201
	164,937	218,860

Note: At December 31, 2022, accrued research and development expenses include RMB3,397,000 (2021: RMB135,260,000) for accrued outsourcing services and nil (2021: RMB1,575,000) for other.

The average credit period for purchases of goods/services of the Group is normally within 30 days. Ageing analysis of the Group's payables for research and development expenses based on the invoice dates at the end of the reporting period is as follows:

	At December 31,	
	2022	2021
	RMB'000	RMB'000
0-30 days	12,285	43,327
31-60 days	5,883	780
61-90 days	2,958	4
Over 90 days	92,405	–
	113,531	44,111

23. LEASE LIABILITIES

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	9,500	8,969
Within a period of more than one year but not more than two years	3,156	9,444
Within a period of more than two years but not more than five years	–	3,203
	12,656	21,616
Less: Amount due for settlement with 12 months shown under current liabilities	(9,500)	(8,969)
Amount due for settlement after 12 months shown under non-current liabilities	3,156	12,647

The weighted average incremental borrowing rate applied to lease liabilities is at 4.75% per annum at December 31, 2021 and 2022.

24. SHARE CAPITAL

	Number of shares				
	Class A	Class B	Ordinary Shares	Total	Share capital US$
Authorised					
Ordinary shares of US$0.00001 each (before share subdivision) and US$0.000005 each (after share subdivision)					
At January 1, 2021	317,357,841	20,000,000	–	337,357,841	3,374
Increase in authorised ordinary shares on February 26, 2021 (note i)	40,733,068	30,000,000	191,909,091	262,642,159	2,626
Redesignation of Class A Ordinary Shares and Class B Ordinary Shares to Ordinary Shares	(358,090,909)	(50,000,000)	408,090,909	–	–
Share subdivision (note ii)	–	–	600,000,000	600,000,000	–
At December 31, 2021 and 2022	–	–	1,200,000,000	1,200,000,000	6,000

24. SHARE CAPITAL (Continued)

	Class A			Class B			Ordinary Shares			Total			Equivalent amount of
	Number of shares	Par value per share US$	Amount US$	Number of shares	Par value per share US$	Amount US$	Number of shares	Par value per share US$	Amount US$	Number of shares	Par value per share US$	Amount US$	ordinary shares RMB'000
Issued and fully paid													
At January 1, 2021	101,898,757		1,019	6,750,001		67	-		-	108,648,758		1,086	7
Re-designation of Class A Ordinary Shares and Class B Ordinary Shares to Ordinary Shares	(101,898,757)	0.00001	(1,019)	(6,750,001)	0.00001	(67)	108,648,758	0.00001	1,086	-	-	-	-
Sub-division (note ii)	-	-	-	-	-	-	108,648,758	-	-	108,648,758	-	-	-
Automatic conversion of Preferred Shares upon the Listing	-	-	-	-	-	-	377,323,410	0.000005	1,887	377,323,410	0.000005	1,887	12
Issuance of ordinary shares upon the Listing and over-allotment option (note iii)	-	-	-	-	-	-	125,333,000	0.000005	627	125,333,000	0.000005	627	4
Repurchase and cancellation of ordinary shares (note iv)	-	-	-	-	-	-	(199,376)	0.000005	(1)	(199,376)	0.000005	(1)	-*
Exercise of share options	-	-	-	-	-	-	537,666	0.000005	3	537,666	0.000005	3	-*
At December 31, 2021	-		-	-		-	720,292,216		3,602	720,292,216		3,602	23
Issue of ordinary shares in relation to exercise of share options (Note 25)	-	-	-	-	-	-	6,491,945	0.000005	32	6,491,945	0.000005	32	1
Issue of ordinary shares in relation to vesting of restricted share units (Note 25)	-	-	-	-	-	-	491,286	0.000005	2	491,286	0.000005	2	-*
Repurchase and cancellation of ordinary shares (note iv)	-	-	-	-	-	-	(72,500)	0.000005	-*	(72,500)	0.000005	-*	-*
At December 31, 2022	-		-	-		-	727,202,947		3,636	727,202,947		3,636	24

* Less than USD or RMB1,000

24. SHARE CAPITAL (Continued)

Notes:

(i) On February 26, 2021, the authorised share capital of the Company was increased to US$6,000 divided into 600,000,000 shares, consisting of (i) 358,090,909 Class A ordinary shares at par value of US$0.00001 each, (ii) 50,000,000 Class B ordinary shares at par value of US$0.00001 each, (iii) 86,513,192 Series A Preferred Shares at par value of US$0.00001 each, (iv) 68,592,199 Series B Preferred Shares at par value of US$0.00001 each, and (v) 36,803,700 Series C Preferred Shares at par value of US$0.00001 each.

(ii) Pursuant to written resolutions of the Company's shareholders passed on June 22, 2021, each of the Company's authorised share capital at par value of US$0.00001 each were subdivided into 2 shares with par value of US$0.000005 each, such that following the subdivision, the authorised share capital of the Company is US$6,000 divided into 1,200,000,000 shares with par value of US$0.000005 each (the "**Share Subdivision**").

(iii) In connection with the Listing, 111,580,000 and 13,753,000 ordinary shares of US$0.00005 par value each were issued at HK$22.25 per share for the Company's global offering and the over-allotment of shares, on July 13, 2021 and August 10, 2021 for gross cash proceeds of HK$2,482,655,000 and HK$306,004,000 (equivalent to RMB2,070,113,000 and RMB254,975,000), respectively.

(iv) During the year ended December 31, 2021 and 2022, upon the resignation of the Company's employees whom were granted with restricted ordinary shares, the Company repurchased and cancelled 199,376 and 72,500 shares respectively, representing the unvested portion of the restricted ordinary shares, held by the employees with a reduction of the Company's treasury shares and share capital of RMB6 and RMB1.

25. SHARE-BASED PAYMENT TRANSACTIONS

Restricted ordinary shares

On June 19, 2018, the Company, for the purpose of providing incentive and motivate the key management of the Group, issued 12,600,000 time-based restricted ordinary shares (before Share Subdivision) and 3,500,000 milestone-based restricted ordinary shares (before Share Subdivision) to a director and 6,525,000 time-based restricted ordinary shares (before Share Subdivision) to key management of the Group (collectively referred to as "**Restricted Person**") at a total consideration of approximately RMB1,000 (at US$0.00001 per share before Share Subdivision).

The Company shall have the right to repurchase the unvested shares from the Restricted Person at the initial issuance price upon termination of the Restricted Person's employment or upon his voluntary termination of his employment with the Company (the "**Repurchase Right**") during the vesting period.

25. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Restricted ordinary shares (Continued)

All restricted ordinary shares are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assessment, pledge, encumbrance or charge, directly or indirectly, by the Restricted Person prior to the termination of the Repurchase Right. The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the unvested restricted ordinary shares at the grant date and is recognising the amount as compensation expense over the vesting period for each separately vesting portion of the unvested restricted ordinary shares. Time-based restricted ordinary shares shall have one forth (25%) vested upon first anniversary of grant date and the remaining portion vested ratably on a monthly basis over a 36-months vesting period afterwards. Milestone-based restricted ordinary shares will be vested upon the earlier of (i) the completion of issuance of the Series B Preferred Shares and completion of issuance of the Series C Preferred Shares with valuation higher than the Series B Preferred shares or initial public offering ("**IPO**") on an internationally recognised exchange, whichever is earlier; or (ii) the fifth anniversary of the grant date. The expected vesting period is estimated by directors of the Company based on the most likely outcome of each of the performance condition.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income for the restricted ordinary shares granted are RMB1,654,000 (2021: RMB6,700,000) for the year ended December 31, 2022.

The restricted ordinary shares were valued by the directors of the Company with reference to the valuation carried out by an independent qualified professional valuer which has appropriate qualifications and experience in valuation of similar instruments, on the grant date of the restricted ordinary shares. The fair value of the restricted ordinary shares as determined to be RMB2.2 per share (before share subdivision) as of June 19, 2021.

On June 22, 2021, the Company underwent a share subdivision whereby each issued and unissued share of par value US$0.00001 each in the Company's authorised share capital was subdivided into two shares of US$0.000005 par value each. Each restricted ordinary share was subdivided into two restricted ordinary shares.

During the year ended December 31, 2022, except for 72,500 (2021: nil) restricted ordinary shares were repurchased and cancelled by the Company, the remaining restricted ordinary shares has been vested (2021: 14,081,249).

25. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Post-IPO Share Award Scheme

On June 22, 2021, a Post-IPO share award scheme (the "**Post-IPO Share Award Scheme**") was approved and adopted pursuant to a board resolution passed. The directors of the Company may, from time to time, at its absolute discretion to make an offer of a share award (consisting of either restricted shares or restricted share units (the "**RSUs**")) to an eligible person in accordance with the Post-IPO Share Award Scheme. The overall limit on the number of RSUs under the Post-IPO Share Award Scheme is 35,310,046 shares and the maximum number of shares which may be awarded to any eligible person under the Post-IPO Share Award Scheme shall not exceed 5% of the issued share capital of the Company at July 13, 2021.

The vesting of the Post-IPO RSUs granted is subject to the eligible person remaining at all times after the date of granting and on the vesting date an eligible person of the Post-IPO Share Award Scheme. RSUs granted under the Post-IPO Share Award Scheme consists of time-based RSUs and milestone-based RSU, and shall have a contractual term of 10 years. The time-based RSUs shall have the vesting periods for different batches as follows:

(i) One fourth (25%) of the RSUs shall vest each time on the first, second, third and fourth anniversary of the vesting commencement date.

(ii) Five percent (5%), ten percent (10%), forty percent (40%) and forty-five percent (45%) of the RSUs shall vest each time on the first, second, third and fourth anniversary of the vesting commencement date.

(iii) One third (33.3%) of the RSUs shall vest each time on the first, second and third anniversary of the vesting commencement date.

(iv) All of the RSUs shall vest on the first anniversary of the vesting commencement date.

The expected vesting period of milestone RSUs is estimated by directors of the Company based on the most likely outcome of each of the performance condition.

The grantee may not have any interest or right in the RSUs granted until such Post-IPO RSUs have been vested.

A share award shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favour of or enter into any agreement with any other person over or in relation to such share award (or, prior to vesting of a restricted share award, the shares subject thereto).

In the current year, the Group issued 15,398,250 Post-IPO RSUs to directors of the Company and employees of the Group under the Post-IPO Share Award Scheme. The fair values of the Post-IPO RSUs determined at the dates of grant are measured on the basis of an observable market price (i.e. the Company's closing share price) ranges from HK$5.64 to HK$22.75 per Post-IPO RSU.

25. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Post-IPO Share Award Scheme (Continued)

The following table summarised the Group's Post-IPO RSUs and movement during the reporting period.

	Number of Post-IPO RSUs
At January 1, 2021 and December 31, 2021	–
Granted	15,398,250
Vested	(547,286)
Forfeited	(1,559,351)
At December 31, 2022	13,291,613

Equity-settled share option scheme of the Company

The Company's pre-IPO share incentive plan (the "**Incentive Plan**") was adopted pursuant to a resolution passed on October 30, 2018. The primary purpose of the Incentive Plan is to promote the success of the Company and the interests of its shareholders by providing a mean through which the Company may grant equity-based incentives to attract, motivate, retain and reward employees, directors and consultants (the "Eligible Persons") and to further link the Eligible Persons' interests with those of the Company's shareholders generally.

The Incentive Plan provides for the grant of the following types of share awards: (i) share options, (ii) share appreciation rights, (iii) restricted share awards and (iv) other share awards. The directors of the Company approved up to 3,408,251 Class B non-voting ordinary shares (before share subdivision) of the Company, in which share awards may be granted under the Incentive Plan. On February 19, 2021, resolution was passed by the board of directors of the Company to increase the capacity of the Incentive Plan to 17,908,251 Class B non-voting ordinary shares (before Share Subdivision).

On June 22, 2021, the Company underwent a share subdivision whereby each issued and unissued share of par value US$0.00001 each in the Company's authorized share capital was subdivided into two shares of US$0.000005 par value each. Each option was subdivided into two options.

To enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group, on June 22, 2021, the resolutions conditionally adopted the Post-IPO Share Option Scheme was passed in writing of all shareholders of the Company. The Post-IPO Share Option Scheme provides for the grant of share options.

Set out below are details of the movements of the outstanding options granted under the Incentive Plan and the Post-IPO Share Option Scheme during the reporting period:

25. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

For the year ended December 31, 2022

Option	Name of grantee	Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding at 1.1.2022	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.12.2022
Time-based										
Option A	Consultants and employees	30.10.2018	Note i	Note iii	US$0.035	2,400,000	–	(1,040,406)	(85,594)	1,274,000
Option B	Consultants and employees	3.4.2019 – 16.9.2019	Note i	Note iii	US$0.05	828,666	–	(217,834)	(16,156)	594,676
Option C	Employees	4.2.2020 – 11.12.2020	Note i	Note iii	US$0.13 – US$0.68	21,876,984	–	(4,961,711)	(4,230,127)	12,685,146
Option D	Consultants and employees	18.2.2021 – 3.12.2021	Note i	Note iii	US$0.68 – US$1.33	5,804,800	–	(271,994)	(1,380,665)	4,152,141
Option E	Consultants and employees	29.3.2022 – 15.12.2022	Note i	Note iii	HK$43.41 – HK$47.60 HK$6.454 – HK$10.33	–	28,779,500	–	(874,000)	27,905,500
Sub-total						30,910,450	28,779,500	(6,491,945)	(6,586,542)	46,611,463
Milestone-based										
Option F	Employees	18.9.2020	Note ii	Note iii	US$0.13 – US$0.68	5,200,000	–	–	–	5,200,000
Option G	Employees	4.6.2021 – 3.12.2021	Note ii	Note iii	US$1.06	10,838,500	–	–	(2,968,500)	7,870,000
Option H	Employees	29.3.2022 – 21.9.2022	Note ii	Note iii	HK$43.41 – HK$47.60 HK$6.454 – HK$10.33	–	1,347,000	–	–	1,347,000
Sub-total						16,038,500	1,347,000	–	(2,968,500)	14,417,000
Total						46,948,950	30,126,500	(6,491,945)	(9,555,042)	61,028,463
Exercisable at the end of the year										12,553,945
Weighted average exercise price						US$2.18	US$0.96	US$0.17	US$2.70	US$1.70

25. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

For the year ended December 31, 2021

Option	Name of grantee	Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding at 1.1.2021	Granted during the year	Exercised during the year	Forfeited during the year	Cancelled during the year	Outstanding at 31.12.2021
Time-based											
Option A	Consultants and employees	30.10.2018	Note i	Note iii	US$0.035	2,810,000	–	(360,000)	(50,000)	–	2,400,000
Option B	Consultants and employees	3.4.2019 – 16.9.2019	Note i	Note iii	US$0.05	1,314,000	–	(171,666)	(313,668)	–	828,666
Option C	Employees	4.2.2020 – 11.12.2020	Note i	Note iii	US$0.13 – US$0.68	22,486,400	–	(6,000)	(603,416)	–	21,876,984
Option D	Consultants and employees	18.2.2021 – 3.12.2021	Note i	Note iii	US$0.68 – US$1.33 HK$43.41 – HK$47.60	–	6,980,800	–	(348,000)	(828,000)	5,804,800
Sub-total						26,610,400	6,980,800	(537,666)	(1,315,084)	(828,000)	30,910,450
Milestone-based											
Option F	Employees	18.9.2020	Note ii	Note iii	US$0.13 – US$0.68	5,200,000	–	–	–	–	5,200,000
Option G	Employees	4.6.2021 – 3.12.2021	Note ii	Note iii	US$1.06 HK$43.41 – HK$47.60	–	11,213,500	–	(375,000)	–	10,838,500
Sub-total						5,200,000	11,213,500	–	(375,000)	–	16,038,500
Total						31,810,400	18,194,300	(537,666)	(1,690,084)	(828,000)	46,948,950
Exercisable at the end of the year											11,744,668
Weighted average exercise price						US$0.39	US$5.46	US$0.04	US$2.42	US$6.12	US$2.18

25. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

Notes:

(i) The share options were granted to employees of the Group or consultants who are in contractual agreements with the Group in providing services similar to those rendered by the Group's employees. The vesting is based on the vesting schedules within the vesting period of 1 – 4 years.

(ii) The milestone-based share options are vested conditionally upon the achievement of specified performance targets including but not limited to, marketing authorization of various drug candidates and the Group by a specific time, achievement of key partnership of various drug candidates, achievement of commercial revenue targets of various drug candidates, achievement of proof-of-concept phase targets of various drug candidates by a specific time, starting certain clinical phase of various drug candidates by a specific time, achievement of out-license of various drug candidates by a specific time, achievement of in-licensing targets, achievement of certain research targets, completion of the Listing, achievement of market capitalization target, achieving a specific proof-of-concept therapeutic potential, achieving of a sales target by a specific time, establishment of manufacturing plan, entrance into manufacturing and supply agreements, establishment of commercial formulation, establishment of quality management system with aligned quality agreements and acquires company through mergers and acquisitions. The expected vesting period is estimated by the directors of the Company based on the most likely outcome of the performance conditions.

(iii) Each vested option is exercisable during a period from and including the vesting date of the relevant option to the tenth anniversary of grant date of the option.

The fair value of the options granted during the reporting period was determined using the Binominal Tree model. These fair values and corresponding inputs into the model were as follows:

For the year ended December 31, 2022

Option Granted	Grant date option fair value per share	Exercise price	Expected volatility	Expected life	Risk-free rate	Expected dividend yield	Fair value at grant date
Option E	HK$2.92 – HK$5.54	HK$6.454 – HK$10.33	65.08%-66.69%	10 years	2.24% – 3.33%	0%	HK$108,509,000
Option H	HK$2.90 – HK$5.19	HK$6.454 – HK$10.33	65.08%-65.42%	10 years	2.24% – 3.33%	0%	HK$4,554,000

For the year ended December 31, 2021

Option Granted	Grant date option fair value per share	Exercise price	Expected volatility	Expected life	Risk-free rate	Expected dividend yield	Fair value at grant date
Option D	US$1.42 – US$3.44/ HK$21.16 – HK$27.59	US$0.68 – US$2.66/ HK$43.41 – HK$47.60	58.00%-87.91%	7 years/ 10 years	0.85%-1.44%	0%	US$1,888,000 and HK$119,205,000
Option G	US$3.24/ HK$5.83 – HK$26.26	US$2.12 – US$1.06 HK$43.41 – HK$47.60	58.00%-87.91%	7 years/ 10 years	1.09% -1.42%	0%	US$97,000 and HK$196,972,000

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income for the Equity-settled share option granted are RMB34,276,000 (2021: RMB72,670,000) for the year ended December 31, 2022.

26. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the year were as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Short term benefits	37,838	25,351
Discretionary bonus (note)	10,732	41,481
Post-employment benefits	884	374
Share-based payments	25,958	60,926
	75,412	128,132

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to investors through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes lease liabilities disclosed in Note 23, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendation of the management of the Group, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At December 31, 2022 RMB'000	At December 31, 2021 RMB'000
Financial assets		
Financial assets at FVTPL	139,794	117,790
Equity instrument at FVTOCI	6,234	34,241
Cash equivalents at FVTPL	287,623	1,011,649
Amortised cost	2,726,027	2,352,176

	At December 31, 2022 RMB'000	At December 31, 2021 RMB'000
Financial liabilities		
Amortised cost	116,815	46,331

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include deposits and other receivables, financial assets at FVTPL, equity instrument at FVTOCI, restricted bank deposits, time deposits with original maturity over three months, cash and cash equivalents and other payables. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks.

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk

Certain bank balances and cash and other payables in foreign currencies of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the group entities' foreign currency denominated monetary assets and liabilities at the end of each reporting period are mainly as follows:

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Assets		
HK$	1,076,668	1,209,789
RMB	596,042	499,648
US$	176,291	23,216
Liabilities		
HK$	133	–
US$	9,722	2,240

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the group entities' relevant functional currencies against the relevant foreign currencies 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates a increase in loss for the year where the group entities' relevant functional currencies strengthen 5% against the relevant foreign currencies. For a 5% weakening of the group entities' relevant functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss for the year.

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Impact on profit or loss		
HK$	(29,802)	(24,982)
RMB	(53,833)	(60,489)
US$	(8,328)	(1,049)

The directors of the Company considered the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to lease liabilities, restricted bank deposits and time deposits. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

(iii) Other price risk

The Group is exposed to other price risk arising from listed equity investment at FVTOCI, equity investments at FVTPL and money market funds at FVTPL.

Sensitivity analysis

Listed equity investment at FVTOCI

The sensitivity analyses below have been determined based on the exposure to equity price risk at each reporting date for listed equity investment at FVTOCI.

If the equity value of the common shares of the investments at FVTOCI had been changed based on the 5% higher/lower, the other comprehensive income would increase/decrease by approximately RMB312,000 (2021: RMB1,712,000) for the year ended December 31, 2022.

Equity investments at FVTPL

The sensitivity analyses below have been determined based on the exposure to equity price risk at each reporting date for equity investments at FVTPL.

If the equity value of the common shares of the investments at FVTPL had been changed based on the 5% higher/lower, the loss for the year would decrease/increase by approximately RMB6,990,000 (2021: RMB5,890,000) for the year ended December 31, 2022.

Money market funds

No sensitivity analysis is performed as the directors of the Company consider that the exposure of other price risk arising from the money market funds is insignificant because investments in money market funds are mainly on government treasury securities with high credit rating and liquidity.

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk gradings to categories exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount At December 31, 2022 RMB'000	2021 RMB'000
Financial assets at amortised cost						
Deposits and other receivables	20	N/A	Low risk	12m ECL	14,391	8,766
Restricted bank deposits	21	Aa3	N/A	12m ECL	1,875	319
Time deposits with original maturity over three months	21	Aaa	N/A	12m ECL	1,806,812	499,647
Bank balances	21	Aa3 to Aaa	N/A	12m ECL	902,949	1,843,444
					2,726,027	2,352,176

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

For the purpose of impairment assessment for other receivables and deposits, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for these financial assets, the directors of the Company have taken into account the financial positions of the counterparties in estimating the probability of default of each of other receivables and deposits, occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12m ECL allowance is insignificant.

The credit risk on restricted bank deposits, time deposits with original maturity over three months and bank balances is limited because the counterparties are reputable banks and financial institutions with high credit ratings assigned by international credit rating agencies. The management is of the opinion that the loss rate is insignificant and no impairment was provided at the end of the reporting period.

Liquidity risk

In the management of liquidity risk, the management of the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group issues shares as a significant source of liquidity.

The directors of the Company are satisfied that the Group will have sufficient financial resource to meet its financial obligation as they fall due for the foreseeable future after taking into account of the aforesaid proceeds from the shares issuance and the expected working capital requirements for the next twelve months from the end of the reporting period.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate	Within 1 year or on demand	1 to 5 years	Total	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2022					
Other payables	–	116,815	–	116,815	116,815
Lease liabilities	4.75	9,897	3,235	13,132	12,656
Total		126,712	3,235	129,947	129,471
At December 31, 2021					
Other payables	–	46,331	–	46,331	46,331
Lease liabilities	4.75	9,897	13,132	23,029	21,616
Total		56,228	13,132	69,360	67,947

(c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The Chief Strategy and Financial Officer of the Company determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Chief Strategy and Financial Officer establishes the appropriate valuation techniques and inputs to the model and reports any findings to the directors of the Company.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

28. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Notes	Fair value at 2022 RMB'000	Fair value at 2021 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Listed equity investments at FVTOCI	19	6,234	34,241	Level 1	Active market quoted transaction price	N/A
Listed equity Investment at FVTPL	18	69,590	53,522	Level 1 (2021: Level 2)	Active market quoted transaction price (2021: Recent transaction price)	N/A
Unlisted equity investment at FVTPL	18	3,833	3,509	Level 2	Recent transaction price	N/A
Unlisted equity Investment at FVTPL	18	66,371	60,759	Level 3	Market comparison approach – in this approach, fair value was determined with reference to Price to R&D ("P/R&D") multiple	Discount Rate of 31% (note i) and P/R&D multiple of 0.85 (note ii) (2021: Discount Rate of 31% and P/R&D multiple of 1.69)
Money market funds	21	287,623	1,011,649	Level 2	Based on the net asset values of the funds, which are determined with reference to observable and quoted prices of underlying investment portfolio	N/A

28. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Notes:

(i) A slight increase in the discount rate used in isolation would result in a slight increase in the fair value measurement of unlisted equity investment, and vice versa. If the discount rate was 0.5% higher/lower to 31.5%/30.5% while holding all other variables constant, the carrying amount of the unlisted equity investment would decrease or increase by RMB509,000 at December 31, 2022.

(ii) A slight increase in the P/R&D multiple used in isolation would result in a slight increase in the fair value measurement of unlisted equity investment, and vice versa. If the P/R&D multiple was 5% higher/lower to 0.90/0.80 while all other variables constant, the carrying amount of the unlisted equity investment would increase or decrease by RMB3,510,000 at December 31, 2022.

(ii) Reconciliation of Level 3 fair value measurements

	Preferred shares RMB'000
At January 1, 2021	2,403,022
Issue of Series C Preferred Shares	1,002,455
Realised fair value loss in profit or loss	3,598,847
Exchange realignment	(6,277)
Automatic conversion of Preferred Shares upon the Listing	(6,998,047)
At December 31, 2021 and 2022	–

	Unlisted equity investment RMB'000
At January 1, 2021	–
Transfer into Level 3 due to change of valuation technique	52,199
Unrealised fair value gain in profit or loss	8,560
At December 31, 2021	60,759
Unrealised fair value gain in profit or loss	5,612
At December 31, 2022	66,371

Note: Due to the absence of the recent transactions of the investment, the valuation method has been changed and it involves the use of unobservable inputs. Fair value changes recognised during the year are due to the research and development progress of the investee.

28. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in these consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

29. RETIREMENT BENEFIT PLANS

The subsidiary in the USA maintains multiple qualified contributory savings plans as allowed under Section 401(k) of the Internal Revenue Code in the USA. These plans are defined contribution plans covering substantially all its qualifying employees and provide for voluntary contributions by employees, subject to certain limits. The contributions are made by both the employees and the employer. The employees' contributions are primarily based on specified dollar amounts or percentages of employee compensation. The only obligation of the subsidiary in the USA with respect to the retirement benefits plans is to make the specified contributions under the plans.

The employees of the Company's subsidiaries in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions.

The total amount provided by the Group to the scheme or plans in the USA and the PRC and charged to profit or loss are RMB6,922,000 for the year ended December 31, 2022 (2021: RMB8,955,000).

30. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiaries	Place and date of establishment/ incorporation/ operation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group At December 31, 2022	2021	Principal activities
Brii Biosciences Offshore Limited	Cayman Islands May 23, 2018	US$1	100%	100%	Investment holding
Brii Biosciences, Inc.	USA December 5, 2017	US$1	100%	100%	Research and development on pharmaceutical products
Brii Biosciences (Hong Kong) Co. Limited	Hong Kong December 18, 2017	US$1	100%	100%	Investment holding
Brii Biosciences (Beijing) Co. Limited* 騰盛博藥醫藥技術(北京)有限公司	PRC (note) August 21, 2018	US$140,470,020	100%	100%	Research and development on pharmaceutical products
Brii Biosciences (Shanghai) Co. Limited* 騰盛博藥醫藥技術(上海)有限公司	PRC (note) April 19, 2018	US$7,000,000	100%	100%	Research and development on pharmaceutical products
TSB Therapeutics (Beijing) Co. Limited* ("TSB Therapeutics") 騰盛華創醫藥技術(北京)有限公司	PRC (note) May 26, 2020	RMB49,876,597	72.77%	72.77%	Research and pharmaceutical development on products

* English name is for identification purpose only.

None of the subsidiaries has issued any debt securities at December 31, 2021 and 2022.

Note: 騰盛博藥醫藥技術(北京)有限公司 and 騰盛博藥醫藥技術(上海)有限公司 are foreign invested limited liability companies. 騰盛華創醫藥技術(北京)有限公司 is a domestic owned limited liability company.

31. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned a subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests At December 31,		Loss allocated to non-controlling interests At December 31,		Accumulated non-controlling interests At December 31,	
		2022	2021	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
TSB Therapeutics	PRC	27.23%	27.23%	(5,469)	(27,235)	(37,117)	(31,648)

Summarised financial information in respect of TSB Therapeutics is set out below. The summarised financial information below represents amounts before intragroup eliminations.

TSB Therapeutics	At December 31, 2022 RMB'000	At December 31, 2021 RMB'000
Current assets	72,610	55,745
Non-current assets	6,790	9,506
Current liabilities	(82,447)	(122,485)
Non-current liabilities	(133,262)	(58,991)
Equity attributable to owners of the Company	(99,192)	(84,577)
Non-controlling interests of TSB Therapeutics	(37,117)	(31,648)

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Expenses	(20,084)	(100,017)
Loss and total comprehensive expense for the year	(20,084)	(100,017)
Loss and total comprehensive expense attributable to owners of the Company	(14,615)	(72,782)
Loss and total comprehensive expense attributable to the non-controlling interests of TSB Therapeutics	(5,469)	(27,235)
Net cash outflow from operating activities	(48,946)	(132,681)
Net cash inflow from investing activities	73	124
Net cash inflow from financing activities	68,983	58,000
Net cash inflow (outflow)	20,110	(74,557)

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Accrued issue costs RMB'000	Financial liabilities at FVTPL RMB'000	Lease liabilities RMB'000	Total RMB'000
At January 1, 2021	2,111	2,403,022	28,327	2,433,460
Financing cash flows	(86,630)	1,002,455	(10,920)	904,905
Interest expenses recognised	–	–	1,175	1,175
Automatic conversion of Preferred Shares upon the Listing	–	(6,998,047)	–	(6,998,047)
Fair value change	–	3,598,847	–	3,598,847
Issue costs accrued	94,720	–	–	94,720
New leases entered	–	–	3,034	3,034
Exchange adjustments	–	(6,277)	–	(6,277)
At December 31, 2021	10,201	–	21,616	31,817
Financing cash flows	–	–	(9,811)	(9,811)
Interest expenses recognised	–	–	851	851
Exchange adjustments	942	–	–	942
At December 31, 2022	11,143	–	12,656	23,799

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Non-current assets		
Investment in subsidiaries	1,711,755	1,290,986
Intangible assets	139,292	–
Financial assets at FVTPL	139,794	117,790
Equity instrument at FVTOCI	6,234	34,241
Loan to a subsidiary	112,835	97,222
	2,109,910	1,540,239
Current assets		
Other receivables	11,515	6,533
Restricted bank deposits	1,527	–
Time deposits with original maturity over three months	1,806,812	499,647
Cash and cash equivalents	890,814	2,731,112
	2,710,668	3,237,292
Current liabilities		
Other payables	12,469	10,671
Amounts due to subsidiaries	20,479	17,558
	32,948	28,229
Net current assets	2,677,720	3,209,063
Total assets less current liability and net assets	4,787,630	4,749,302
Capital and reserves		
Share capital	24	23
Share premium and reserves	4,787,606	4,749,279
Total equity	4,787,630	4,749,302

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

The movements of the reserves of the Company are as follows:

	Treasury shares held in trust	Share premium	Investments revaluation reserve	Translation reserve	Share-based payment reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	–	74,332	18,529	49,428	40,887	(1,040,644)	(857,468)
Loss for the year	–	–	–	–	–	(3,613,906)	(3,613,906)
Other comprehensive expense	–	–	(6,072)	(76,168)	–	–	(82,240)
Total comprehensive expense for the year	–	–	(6,072)	(76,168)	–	(3,613,906)	(3,696,146)
Issue of new shares of the Company (Note 24)	–	2,325,084	–	–	–	–	2,325,084
Automatic conversion of preferred shares upon the Listing (Note 24)	–	6,998,035	–	–	–	–	6,998,035
Cost of issuing new shares	–	(99,737)	–	–	–	–	(99,737)
Vesting of restricted ordinary shares	–	19,091	–	–	(19,091)	–	–
Recognition of equity-settled share-based payments (Note 25)	–	–	–	–	79,370	–	79,370
Exercise of share options	–	261	–	–	(120)	–	141
At December 31, 2021	–	9,317,066	12,457	(26,740)	101,046	(4,654,550)	4,749,279
Loss for the year	–	–	–	–	–	(375,745)	(375,745)
Other comprehensive (expense) income	–	–	(30,110)	359,486	–	–	329,376
Total comprehensive (expense) income for the year	–	–	(30,110)	359,486	–	(375,745)	(46,369)
Repurchase of shares by trust and converted into treasury shares held in trust	-*	(678)	–	–	–	–	(678)
Recognition of equity-settled share-based payments (Note 25)	–	–	–	–	77,928	–	77,928
Vesting of restricted ordinary shares and restricted share units	-*	7,933	–	–	(7,933)	–	–
Exercise of share options	–	27,792	–	–	(20,346)	–	7,446
At December 31, 2022	–	9,352,113	(17,653)	332,746	150,695	(5,030,295)	4,787,606

* Amount less than RMB1,000

34. EVENT AFTER THE REPORTING PERIOD

Silicon Valley Bank ("**SVB**") was closed on March 10, 2023 by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation as receiver. The Company and the Group held less than 9% of its total cash and bank balances (including cash and cash equivalents and time deposits with original maturity over three months) at SVB at December 31, 2022 and February 28, 2023 (based on the Company's and the Group's unaudited management accounts). Up to the date of approving these consolidated financial statements, the Company and the Group has full access to all the bank balances at SVB.

DEFINITIONS

"AASLD"	the American Association for the Study of Liver Diseases
"AGM"	the annual general meeting of the Company to be held on Tuesday, June 20, 2023
"AIDS"	acquired immunodeficiency syndrome, defined as an HIV infection with either a CD4+ T-cell count below 200 cells per μL or the occurrence of specific diseases associated with HIV infection
"AN2"	AN2 Therapeutics, Inc., a corporation incorporated in Delaware, U.S., whose stocks are listed on the NASDAQ Global Select Market (NASDAQ: ANTX)
"APASL"	the Asian Pacific Association for the Study of Liver
"ART"	antiretroviral therapy
"Audit and Risk Committee"	the audit and risk committee of the Board
"BLA"	biologics license application
"BLI"	β-lactamase inhibitor
"Board"	the board of directors of the Company
"CD4"	cluster of differentiation antigen 4
"CDE"	the Center for Drug Evaluation of the NMPA of China
"CDMO"	contract development and manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"China" or "the PRC"	the People's Republic of China excluding, for the purposes of this report, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"CMO"	contract manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide drug manufacturing services

"CNS"	central nervous system, part of the nervous system consisting of the brain and spinal cord
"Company", "our Company", "we", "us" or "Brii Bio"	Brii Biosciences Limited (騰盛博药生物科技有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange
"COVID-19"	Coronavirus Disease 2019, a disease caused by the novel virus 2 SARS-CoV-2 and designated as severe acute respiratory syndrome
"CRO"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"Director(s)"	director(s) of the Company
"DNA"	deoxyribonucleic acid
"EFdA"	an NRTTI and an investigational drug for the treatment of HIV infection
"ESG"	environmental, social and governance
"EUA"	Emergency Use Authorization
"FVTPL"	fair value loss on financial liabilities at fair value through profit or loss
"Global Offering"	the Hong Kong initial public offering and the international offering of the Company
"Greater China"	Mainland China, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Group"	the Company and its subsidiaries
"HBsAg"	hepatitis B surface antigen
"HBV"	hepatitis B virus
"HIV"	human immunodeficiency virus
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"IDWeek"	Infectious Disease Week
"IFRS"	International Financial Reporting Standard
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia
"Listing Date"	July 13, 2021, the date on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAC"	*mycobacterium avium complex*, an infection caused by two types of bacteria
"MARCH"	Monoclonal Antibody siRNA Combination against Hepatitis B
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 to the Listing Rules
"MDD"	major depressive disorders
"MDR/XDR"	multi-drug resistant/extensive drug resistant
"MSCI"	MSCI Inc., an American finance company
"NCE"	new chemical entity
"NDA"	new drug application
"NMPA"	the National Medical Products Administration
"NNRTI"	Non-nucleoside reverse transcriptase inhibitor, a form of ART used to treat HIV infection or AIDS
"Nomination Committee"	the nomination committee of the Board
"NRTI"	Nucleotide/nucleoside reverse transcriptase inhibitors, a form of ART used to treat HIV infection or AIDS
"NRTTI"	nucleoside analogue reverse transcriptase translocation inhibitor

"NTM"	nontuberculous mycobacterial
"PEG-IFN- α "	pegylated interferon alfa
"PK"	pharmacokinetics
"POC"	proof of concept
"Post-IPO Share Award Scheme"	the post-IPO share award scheme adopted by our Company on June 22, 2021
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by our Company on June 22, 2021
"PPD"	postpartum depression
"Pre-IPO Share Incentive Plan"	the pre-IPO share incentive plan approved and adopted by our Company on October 30, 2018
"Prospectus"	the prospectus of the Company dated June 30, 2021
"QIDP"	Qualified Infectious Disease Product
"Qpex"	Qpex Biopharma Inc., a corporation incorporated in Delaware, United States
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2022
"RMB"	Renminbi, the lawful currency of the PRC
"RNA"	ribonucleic acid
"RSU(s)"	restricted stock unit(s)
"R&D"	research and development
"SAD/MAD"	single ascending dose and multiple ascending dose
"SARS-CoV-2"	severe acute respiratory syndrome coronavirus 2

DEFINITIONS

"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share Incentive Schemes"	collectively, the Pre-IPO Share Incentive Plan, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme
"Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of US$0.00001 each
"Shareholder(s)"	the holder(s) of the Share(s)
"siRNA"	small interfering RNA, sometimes known as short interfering RNA or silencing RNA, a class of double stranded non-coding RNA molecules
"Strategy Committee"	the strategy committee of the Board
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"TSB Therapeutics"	TSB Therapeutics Ltd (Beijing) Co. Limited, a limited liability company incorporated in the PRC, being an indirect non-wholly owned subsidiary of our Company
"United States" or "U.S." or "USA"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. FDA"	the U.S. Food and Drug Administration
"VBI"	VBI Vaccines Inc., a corporation with corporate headquarters in Cambridge, the United States, whose stocks are listed on the NASDAQ Global Market (NASDAQ: VBIV)
"Vir"	Vir Biotechnology, Inc., a corporation incorporated in San Francisco, the United States, whose stocks are listed on the NASDAQ Global Market (NASDAQ: VIR)
"%"	per cent.