KeyMed Biosciences

Keymed Biosciences Inc.
康諾亞生物醫藥科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2162

2023 ANNUAL REPORT

Contents

Definitions

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

"AGM"	the annual general meeting of the Company to be held on June 25, 2024
"Audit Committee"	the audit committee of the Board
"BLA"	biologics license application
"Board of Directors" or "Board"	the board of Directors
"CDE"	Center for Drug Evaluation of the NMPA
"CG Code"	the "Corporate Governance Code" as contained in Appendix C1 to the Listing Rules
"cGMP" or "Current Good Manufacturing Practice"	cGMP refers to the Current Good Manufacturing Practice regulations enforced by the FDA. cGMPs provide for systems that assure proper design, monitoring, and control of manufacturing processes and facilities. Adherence to the cGMP regulations assures the identity, strength, quality, and purity of drug products by requiring that manufacturers of medications adequately control manufacturing operations. This includes establishing strong quality management systems, obtaining appropriate quality raw materials, establishing robust operating procedures, detecting and investigating product quality deviations, and maintaining reliable testing laboratories
"Chengdu Kangnuoxing"	Chengdu Kangnuoxing Biopharma, Inc.* (成都康諾行生物醫藥科技有限公司), a subsidiary of the Company
"Keymed Chengdu"	Keymed Biosciences (Chengdu) Co., Ltd.* 康諾亞生物醫藥科技(成都)有限公司, a subsidiary of the Company
"China" or "PRC"	the People's Republic of China, which, for the purpose of this annual report and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Company", "the Company" or "our Company"	Keymed Biosciences Inc. (formerly known as 2Health Biosciences, Inc.), an exempted company with limited liability incorporated in the Cayman Islands on April 23, 2018
"Core Product"	Stapokibart (CM310), the designated "core product" as defined under Chapter 18A of the Listing Rules
"CRO(s)"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis

Definitions

"CSPC"	CSPC Pharmaceutical Group Limited, a company listed on the Stock Exchange (stock code: 1093), and its affiliates
"Director(s)"	the director(s) of the Company or any one of them
"Dr. Chen"	Dr. Bo CHEN, the chairman of our Board, an executive Director and the chief executive officer of our Company
"EASI"	the Eczema Area and Severity Index is a validated scoring system that grades the physical signs of AD. An area score of 0-6 is assigned for each body region (total of four), depending on the percentage of AD-affected skin in that area: 0 (none), 1 (1% to 9%), 2 (10% to 29%), 3 (30% to 49%), 4 (50% to 69%), 5 (70% to 89%), or 6 (90% to 100%). The composite score, on a scale from 0 to 72, determines the severity of the signs of AD and the extent to which a patient is affected. EASI-75 indicates ≥75% improvement from baseline
"FDA"	the Food and Drug Administration of the United States
"FVTPL"	fair value through profit or loss
"Global Offering"	the global offering of the Shares, details of which are set forth in the Prospectus
"Group", "our Group", "our", "we", or "us"	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"IFRSs"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"IGA"	Investigator's Global Assessment scale, a five-point scale that provides a global clinical assessment of AD severity ranging from 0 to 4, where 0 indicates clear, 2 is mild, 3 is moderate and 4 indicates severe AD
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or the U.S.

Definitions

"Independent Third Party" or "Independent Third Parties"	a person or entity who is not a connected person of the Company under the Listing Rules
"InnoCare"	Beijing InnoCare Pharma Tech Co., Ltd. (北京諾誠健華醫藥科技有限公司), a limited liability company incorporated under the laws of the PRC on December 13, 2013, a subsidiary of InnoCare Pharma Limited (Stock Code: 9969), and an Independent Third Party
"JMT-Bio"	Shanghai JMT-Bio Technology Co., Ltd. (上海津曼特生物科技有限公司), a wholly-owned subsidiary of CSPC
"KYM"	KYM Biosciences Inc., a 70% non-wholly owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix C3 to the Listing Rules
"NDA"	new drug application
"NMPA"	the National Medical Product Administration of the PRC (國家藥品監督管理局), successor to the China Food and Drug Administration or CFDA (國家食品藥品監督管理總局)
"Prospectus"	the prospectus of the Company dated June 25, 2021
"R&D"	research and development
"Reporting Period"	the year ended December 31, 2023
"RMB"	Renminbi, the lawful currency of the PRC
"RSU(s)"	restricted share unit(s), being a conditional right when an award under the 2021 RSU Scheme or 2022 RSU Scheme vests whereby the grantee shall be entitled to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting

Definitions

"Share(s)"	ordinary share(s) with nominal value of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars" or "USD" or "US$"	United States dollars, the lawful currency of the U.S.
"2021 RSU Scheme"	the restricted share unit scheme adopted by the Board on April 5, 2021
"2022 RSU Scheme"	the restricted share unit scheme adopted by the Board on January 21, 2022
"%"	per cent

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Bo CHEN
Dr. Changyu WANG
Dr. Gang Xu

Non-executive Directors

Mr. Qi CHEN
Dr. Min Chuan WANG
Mr. Yilun LIU

Independent non-executive Directors

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

AUDIT COMMITTEE

Mr. Cheuk Kin Stephen LAW *(Chairperson)*
Mr. Qi CHEN
Prof. Yang KE

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Dr. Bo CHEN *(Chairperson)*
Prof. Xiao-Fan WANG
Mr. Cheuk Kin Stephen LAW

JOINT COMPANY SECRETARIES

Mr. Yanrong ZHANG
Ms. Vivien Pak Yu TAM

AUTHORISED REPRESENTATIVES

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

AUDITOR

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

REGISTERED OFFICE

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

CORPORATE HEADQUARTERS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1701 Lippo Centre Tower 2
Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Information

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

China Minsheng Bank
China Merchants Bank

COMPANY WEBSITE

www.keymedbio.com

STOCK CODE

2162

LISTING DATE

July 8, 2021

Chairman's Statement

Dear Investors,

Greetings to all. First and foremost, on behalf of the Board of Directors, I would like to express our heartfelt gratitude for the trust you have placed in us over the years.

The year 2023 was a pivotal year for Keymed, as we made substantial progress across various dimensions, including clinical trials, commercial preparation, early-stage R&D pipeline, company operations, and production facility construction.

At the end of 2023, we submitted the first New Drug Application (NDA) for the product since the company's inception – the NDA of Stapokibart (CM310) Injection for the treatment of moderate-to-severe atopic dermatitis in adults, which was granted priority review by CDE. As the first domestically developed IL-4Rα monoclonal antibody, Stapokibart has a significant advantage over its competitors in terms of 16-week primary endpoint efficacy and long-term efficacy.

We are actively preparing for commercialization, from organization setting up, market access preparation to large-scale production set out. We have quickly established a strong core commercial team, with members who possess profound insights into the therapeutic field and rich, successful experience in the field of dermatology commercialization. During the phase of self-immune product commercialization from zero to one, we have the best capabilities in the entire market. It is expected that by the end of 2024, the size of our commercial team will exceed 250 people, and priority will be given to covering top core hospitals to achieve rapid sales and volume expansion of products. The indications of Stapokibart for the treatment of chronic rhinosinusitis with nasal polyps and allergic rhinitis have both entered the registrational clinical stage, with extremely broad market potential. Taking chronic rhinosinusitis with nasal polyps as an example, we estimate that there are at least a million patients suitable for biological agents, which can gradually replace existing diagnostic and treatment methods. Allergic rhinitis also has a potential patient base of hundreds of millions, and these two indications are expected to provide huge sales growth in the coming years.

The global rights of another core product, CMG901 (also known as AZD0901), was granted to AstraZeneca Aβ in February 2023. In the past few months, AstraZeneca Aβ has initiated international, multicenter clinical trials for CMG901 in patients with advanced solid tumors. Additionally, we are delighted to see that some molecules in our pipeline products, which were initially aimed at oncology indications, have gradually shown significant therapeutic potential for autoimmune diseases during the process of translational medicine and continuous clinical exploration. The products include CM313, CM355, and CM336. Taking CM313 as an example, in addition to the indication for the treatment of multiple myeloma, it has shown promising effects for treatment of autoimmune diseases and clinical potential, including systemic lupus erythematosus (SLE) and immune thrombocytopenic purpura (ITP). In December 2023, data from a investigator initiated trial (IIT) study of CM313 for the treatment of ITP was posted at the 2023 American Society of Hematology (ASH) Annual Meeting. The results showed that all of 7 patients reached primary endpoints within 8 weeks after administration with the first dose, with objective response rate (ORR) of 100% and median time to response of 1 week, along with controllable side effects. Additionally, the multi-dose escalation clinical Phase Ib/IIa trial of CM313 for SLE will be completed within the year, and we will further disclose its early efficacy and safety data later.

The growth of a Biotech company also relies on continuous innovation and expansion of the product pipeline. In 2024, we plan to apply for INDs for several new molecules. In February 2024, we submitted the IND application for CM383, which is our first Aβ monoclonal antibody targeting neurodegenerative diseases. Compared with competitors with the same target, CM383 demonstrates better binding specificity, lower immunogenicity along with longer half-life period and more potent in vivo activities for promoting clearance of Aβ. In addition, we plan to submit several new clinical pipelines in the coming quarters, including bispecific antibody molecules, small nucleic acid drugs, and antibody-drug conjugate (ADC) molecules developed through our proprietary IP platform.

Chairman's Statement

In terms of production construction, the Chengdu manufacturing plant currently has a large antibody production capacity of 18,600 liters, which could sufficiently meet Stapokibart commercialization demand. The manufacturing site for ADC and small nucleic acid products is also under implementation, which will be solid infrastructure for the coming products. In terms of talent recruitment, as of the end of 2023, the company's headcount has approached 900 people, demonstrating extremely high internal cohesion. We are very pleased to see that more and more experts in commercialization, clinical operation and development, and CMC have gathered at Keymed, further consolidating our capabilities for commercial realization and efficient clinical advancement.

Looking ahead to the future, we will continue to recruit outstanding talents in commercial sales, clinical development, and manufacturing to make solid and sufficient strategic preparations for the company's first year of commercialization. In addition, we will continue to explore, build, and improve the capabilities of our technical platforms, laying a solid foundation for the vigorous development of the pipeline R&D for the next decade.

Thank you for the trust, supervision, and supports from our investors, with all above that enable Keymed to grow continuously. We are also very pleased that the company's strong R&D capabilities, development strategy, and operational efficiency have been widely recognized by the capital market in recent years. By not forgetting our original aspiration, we will always and continue to maintain our direction. We will continue to adhere to the company's vision, focus on innovation, concentrate on R&D, strive to provide patients with innovative, high-quality and affordable therapies, and consistently create value for patients, society, and shareholders.

Thank you!

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

Financial Highlights

FINANCIAL HIGHLIGHTS

	2023 ***RMB'000***	2022 *RMB'000*	Changes *RMB'000*	Year-on-year changes *%*
Revenue	**354,095**	100,063	254,032	254%
Cost of sales	**(36,878)**	(2,585)	(34,293)	1,327%
Gross profits	**317,217**	97,478	219,739	225%
Research and development expenses	**(596,282)**	(507,374)	(88,908)	18%
Loss for the year	**(357,785)**	(303,597)	(54,188)	18%
Adjusted loss for the year (as illustrated under "**Non-IFRS Measures**")	**(317,706)**	(255,030)	(62,676)	25%

	December 31, 2023 ***RMB'000***	December 31, 2022 *RMB'000*	Changes *RMB'000*	Year-on-year changes *%*
Cash and cash equivalents, time deposits, and financial assets at FVTPL	**2,719,186**	3,175,326	(456,140)	(14%)

IFRS Measures:

- Revenue amounted to RMB354 million for the year ended December 31, 2023, mainly representing collaboration income from AstraZeneca AB ("**AZ**") in respect of granting the relevant license.
- Cost of sales represented R&D costs incurred under the out-licensing arrangements for the year ended December 31, 2023.
- R&D expenses increased by RMB89 million to RMB596 million for the year ended December 31, 2023, from RMB507 million for the year ended December 31, 2022. The increase was primarily attributable to the increase of staff costs and the depreciation provided for newly purchased machinery equipment.

Financial Highlights

Non-IFRS Measures:[1]

	2023 ***RMB'000***	2022 *RMB'000*	Changes *RMB'000*	Year-on-year changes *%*
Loss for the year	**(357,785)**	(303,597)	(54,188)	18%
Add:				
Share-based payment expenses	**40,079**	48,567	(8,488)	(17%)
Adjusted loss for the year	**(317,706)**	(255,030)	(62,676)	25%

(1) Adjusted loss for the year represents loss for the year excluding the effect of certain non-cash items. The term adjusted loss for the year is not defined under IFRSs. The use of this non-IFRSs measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRSs. Our presentation of this adjusted figure may not be comparable to similarly titled measures presented by other companies. However, we believe that this non-IFRSs measure reflects our core operating results by eliminating potential impacts of items that our management do not consider to be indicative of our core operating performance, and thus, facilitate comparisons of core operating performance from period to period and company to company to the extent applicable.

Business Highlights

BUSINESS HIGHLIGHTS

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

- **Rapid development of our pipeline products**

  The progress of core pipeline products:

  Stapokibart (CM310) (IL-4Rα antibody)

  We advanced and completed a randomized, double-blinded, placebo-controlled Phase III clinical study to evaluate the efficacy and safety of Stapokibart (CM310) in adult subjects with moderate-to-severe atopic dermatitis ("**AD**") in 2023, and at the end of 2023, we submitted the new drug application of CM310 for the treatment of moderate-to-severe AD in adults, which was accepted by the NMPA and granted priority review in December 2023.

  We launched a randomized, double-blinded, placebo-controlled Phase III clinical study to evaluate the efficacy and safety of CM310 recombinant humanized monoclonal antibody injection in adolescent subjects with moderate-to-severe AD in February 2024, and the patient enrollment is currently in progress.

  We advanced a Phase III clinical study of Stapokibart (CM310) for the treatment of chronic rhinosinusitis with nasal polyps (CRSwNP) and in December 2023 we completed the unblinding of data from the double-blind treatment period and the preliminary statistical analysis. The results of the Phase III clinical trial are positive with co-primary endpoints both achieved: the CM310 group is superior to placebo group with statistically significant differences ($P<0.0001$); CM310 also demonstrates a favorable safety profile.

  In addition, we launched and advanced a randomized, double-blind, placebo-parallel Phase III clinical study to evaluate the efficacy and safety of CM310 recombinant humanized monoclonal antibody injection in patients with seasonal allergic rhinitis under background therapy in 2023, and a multi-center, single-arm Phase II clinical study to evaluate the safety of CM310 recombinant humanized monoclonal antibody injection in patients with seasonal allergic rhinitis.

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

Business Highlights

CMG901/AZD0901 (Claudin 18.2 antibody drug conjugate)

In February 2023, KYM Biosciences Inc. ("**KYM**", a 70% non-wholly owned subsidiary of the Company) and AstraZeneca AB ("**AZ**") have entered into a global exclusive license agreement, and AZ has been granted an exclusive global license for research, development, registration, manufacturing, and commercialization of CMG901, and shall be responsible for all costs and activities associated with its further development and commercialization in accordance with the License Agreement.

In November 2023, the latest data from a Phase I clinical study of CMG901 in the treatment of advanced gastric/gastroesophageal junction (G/GEJ) cancer has been presented by way of oral presentation at the American Society of Clinical Oncology (ASCO) Plenary Series. Among 89 evaluable patients with Claudin 18.2-positive G/GEJ cancer in three cohorts, confirmed objective response rate (ORR) and confirmed disease control rate (DCR) were 33% and 70%, respectively. Among others, CMG901 showed a 42% confirmed ORR in 2.2 mg/kg dose cohort, with median progression free survival (mPFS) of 4.8 months, and the median overall survival (mOS) was not reached yet.

As of the date of this report, AZ has conducted multiple clinical studies regarding CMG901/AZD0901 for the treatment of advanced solid tumors.

CM313 (CD38 antibody)

We continuously proceeded with a multi-center, open-label Phase I clinical trial of CM313 in 2023 to evaluate the safety, tolerability, pharmacokinetics, immunogenicity, and preliminary efficacy of CM313 monotherapy in hematological malignancies including relapsed/refractory multiple myeloma (RRMM) and lymphoma.

In June 2023, we presented, in the form of a poster, the latest data from the Phase I clinical study of CM313 for the treatment of RRMM and relapsed/refractory lymphoma at the 28th Annual Congress of European Hematology Association (EHA). CM313 exhibited a good safety profile in general in this study, and at dose levels of ≥2.0 mg/kg showed preliminary efficacy in the treatment of patients with RRMM.

In addition, we continuously proceeded with a randomized, double-blinded, placebo-controlled, dose-escalation, multiple-dose Phase Ib/IIa clinical study in 2023 to evaluate the safety, tolerability, pharmacokinetics, pharmacodynamics, immunogenicity and preliminary efficacy of CM313 injection in subjects with systemic lupus erythematosus (SLE). As of the date of this report, the product is currently in the dose-escalation of Phase I clinical study.

Business Highlights

In December 2023, the latest data from the investigator-initiated single-arm, open-label, exploratory clinical study to evaluate the safety and preliminary efficacy of CM313 for the treatment of primary immune thrombocytopenia in adults, were presented in a poster form at the 65th American Society of Hematology (ASH) Annual Meeting. As of June 30, 2023, a total of 21 patients were enrolled in the study. 7 subjects completed 8 treatments with follow-up period of not less than 8 weeks. Among the 7 patients, 100.0% (7/7) achieved a platelet count ≥50 × 10^9/L within 8 weeks after administration with the first dose, with a median time to response of 1 week (range from 1 to 3).

CM326 (TSLP antibody)

We continuously proceeded with a randomized, double-blinded, placebo-controlled Phase II clinical study in 2023 to evaluate the efficacy and safety of CM326 in adult patients with moderate-to-severe AD, and the patient enrollment of the Phase II clinical trial was completed in June 2023.

In addition, we continuously proceeded with a multi-center, randomized, double-blinded, placebo-controlled Phase Ib/IIa clinical trial in 2023 to evaluate the safety, tolerability, pharmacokinetics/pharmacodynamics, immunogenicity, and preliminary efficacy of CM326 in subjects with CRSwNP, and the patient enrollment of the Phase Ib/IIa clinical trial was completed in February 2023.

JMT-Bio, a wholly-owned subsidiary of CSPC, holds the exclusive license to develop and commercialize CM326 for the treatment of moderate-to-severe asthma, COPD and other respiratory diseases in China (excluding Hong Kong, Macau, or Taiwan). As of the date of this report, CSPC has initiated the Phase II clinical study for the treatment of moderate-to-severe asthma, and the patient enrollment is currently in progress.

Progress of other pipeline products:

CM355/ICP-B02 (CD20xCD3 bispecific antibody)

We continuously proceeded with a Phase I/II clinical study in 2023 to assess the safety, tolerability, PK, and the preliminary anti-tumor activity of CM355 in relapsed or refractory non-Hodgkin's lymphoma (r/r NHL). As of the date of this report, dose escalation of the intravenous infusion formulation (IV) was completed and the subcutaneous formulation (SC) is being evaluated. All the 13 patients who were treated CM355 at dose ≥6 mg achieved response with the ORR of 100%. Among 9 patients who were evaluable in SC group, the ORR was 100.0% (9/9) with complete response rate (CRR) of 77.8% (7/9), including 2 diffuse large B-cell lymphoma (DLBCL) patients with complete response (CR). Most of the responders are still under treatment with maintained response.

Business Highlights

CM336 (BCMAxCD3 bispecific antibody)

We continuously proceeded with a Phase I/II clinical study in 2023 to assess the safety, tolerability, pharmacokinetics, and the anti-tumor activity of CM336 in RRMM. As of the date of this report, the product is currently in the dose-escalation of Phase I clinical study.

CM350 (GPC3xCD3 bispecific antibody)

We continuously proceeded with a Phase I/II clinical study in 2023 to assess the safety, tolerability, pharmacokinetics, and the preliminary efficacy of CM350 in patients with advanced solid tumors. As of the date of this report, the product is currently in the dose-escalation of Phase I clinical study.

CM338 (MASP-2 antibody)

We continuously proceeded with a Phase II clinical study in 2023 to evaluate the efficacy and safety of CM338 injection in subjects with immunoglobulin A nephropathy (IgAN). As of the date of this report, the patient enrollment is currently in progress.

CM369/ICP-B05 (CCR8 antibody)

We continuously proceeded with a Phase I clinical study in 2023 to evaluate the safety, tolerability, pharmacokinetic characteristics, and efficacy of CM369 in subjects with advanced solid tumors and relapsed or refractory non-Hodgkin's lymphoma (r/r NHL). As of the date of this report, the product is currently in the dose escalation of Phase I clinical study, and we will explore the combination of CM369 with other immunotherapies in various cancer indications after collecting the safety data of monotherapy.

CM383 (Aβ protofibrils antibody)

We submitted an IND application for CM383 in February 2024, and we are about to conduct a Phase I clinical study of the safety, tolerability, pharmacokinetics, pharmacodynamics and immunogenicity of single dose-escalation administration in healthy subjects.

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

As of December 31, 2023, the Company had 897 full-time employees in total, including over 270 employees engaging in clinical development and operations and over 400 employees engaging in manufacturing and quality control. We will continue to recruit talents to meet the growing needs of commercialized sales of products, research and development, clinical, production and operation of the Company.

As of the end of the Reporting Period, the production capacity of the production base in Chengdu has reached 18,600 litres in total, and all the designs thereof are in compliance with the requirements of cGMP of the NMPA and FDA.

Management Discussion and Analysis

OVERVIEW

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

Based on a solid foundation in biomedical research, we have built in-house drug discovery and development technologies that are complemented by our collaboration with other pharmaceutical and biotechnology companies. These comprise an innovative antibody discovery platform and a proprietary novel T cell engager (nTCE) bispecific antibody platform. As of December 31, 2023, we have nine clinical stage and IND-enabling drug candidates in our internally-developed pipeline. In addition, we filed an IND application for CM383, a new drug candidate, in February 2024.

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

Product Pipeline

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

Management Discussion and Analysis

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

Abbreviations: AD = atopic dermatitis; ADC = antibody drug conjugate; AR = allergic rhinitis; CRS = chronic rhinosinusitis; CRSwNP = chronic rhinosinusitis with nasal polyposis; COPD = chronic obstructive pulmonary disease; GEJ = gastroesophageal junction; ITP = primary immune thrombocytopenia; mAb = monoclonal antibody; MM = multiple myeloma; Ph = Phase; RRMM = relapsed or refractory multiple myeloma

BUSINESS REVIEW

- **Stapokibart (CM310) (IL-4Rα antibody)**

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

Management Discussion and Analysis

We continued to advance and completed a randomized, double-blinded, placebo-controlled Phase III clinical study to evaluate the efficacy and safety of CM310 in adult subjects with moderate-to-severe AD in 2023, and at the end of 2023, we submitted an application for a marketing approval of Stapokibart for the treatment of moderate-to-severe AD in adults.

In December 2023, the new drug application of Stapokibart injection was accepted by the NMPA and granted priority review. The relevant information is set out below:

- Drug name: Stapokibart injection
- Dosage form: Injection
- Application matter: New drug application for registration and marketing of domestically manufactured drugs
- Registration classification: Therapeutic biologics products, Class 1
- Applicant: Chengdu Kangnuoxing Biopharma, Inc. (成都康諾行生物醫藥科技有限公司), a wholly-owned subsidiary of the Company
- Acceptance No.: CXSS2300090
- Proposed indication: For the treatment of moderate-to-severe atopic dermatitis in adults who are poorly controlled or unsuitable for topical therapy

In October 2023, we presented, in the form of a poster, topline data from the Phase III clinical study of CM310 for the treatment of moderate-to-severe AD at the European Academy of Dermatology and Venereology (EADV) Congress. The clinical study is a multi-center, randomized, double-blinded, placebo-controlled Phase III clinical study mainly to evaluate the efficacy, safety, PK characteristics, PD effects and immunogenicity of CM310 in adult subjects with moderate-to-severe AD. A total of 500 eligible patients were randomized 1:1 to receive CM310 (600mg–300mg) or placebo treatment once every two weeks (Q2W). The co-primary endpoints were met by achieving the rate of standards of at least 75% improvement from baseline in the Eczema Area and Severity Index (EASI-75) and an Investigator Global Assessment (IGA) score of 0 or 1 point with a reduction of ≥ 2 points from baseline at week 16. For this clinical trial, the baseline EASI scores 24.84 and 24.05 in the CM310 and placebo groups, respectively; the baseline IGA scores 3 with the proportions of 52.2% and 52.6% in the CM310 and placebo groups, respectively; and baseline IGA scores 4 with the proportions of subjects of 47.8% and 47.4% in the CM310 and placebo groups, respectively.

Efficacy results showed co-primary endpoints were achieved at week 16 in this trial. At week 16, the proportion of subjects achieving EASI-75 was 66.9%, and the proportion of subjects achieving an IGA score of 0 or 1 point (IGA 0/1, i.e. completely or substantially cleared skin lesions) with a reduction of ≥ 2 points from baseline was 44.2% in the CM310 group, outperforming placebo group (25.8% and 16.1%, respectively), both of which were statistically significant differences ($P<0.0001$). Significant improvements in both pruritus control and quality of life were observed from baseline to week 16, which means that, in the CM310 group, 35.9% of subjects achieved a ≥4 point improvement from baseline in the Peak Pruritus Numerical Rating Scale (PP-NRS). In addition, the Dermatology Life Quality Index (DLQI) showed an improvement of 8.7 points from baseline at week 16, outperforming the placebo group (11.7% and 4.4 points) and were statistically significant differences ($P<0.0001$). In terms of safety, this trial demonstrated a favorable safety profile. The incidence of treatment-emergent adverse events (TEAEs) in the CM310 group was comparable to that in the placebo group, with most TEAEs being of mild to moderate in severity.

Management Discussion and Analysis

We launched a randomized, double-blinded, placebo-controlled Phase III clinical study to evaluate the efficacy and safety of CM310 recombinant humanized monoclonal antibody injection in adolescent subjects with moderate-to-severe AD in February 2024, and the patient enrollment is currently in progress.

We advanced a Phase III clinical study of CM310 for the treatment of CRSwNP, and in December 2023, we completed the data unblinding and preliminary statistical analyses during the double-blinded treatment period of the clinical study, with the clinical data meeting the primary endpoints. The clinical study is a multi-center, randomized, double-blinded, placebo-controlled Phase III clinical study mainly to confirm the efficacy and safety of CM310 recombinant humanized monoclonal antibody injection in patients with CRSwNP. A total of 180 subjects were enrolled in this study and were randomized 1:1 to receive CM310 300mg or placebo Q2W for a total of 12 treatments in a double-blinded period, with the co-primary endpoints being the changes in nasal polyp score (NPS) and nasal congestion score (NCS) at 24 week from baseline. The results of the Phase III clinical trial are positive with co-primary endpoints both achieved: the CM310 group is superior to placebo group with statistically significant differences ($P<0.0001$); CM310 also demonstrates a favorable safety profile.

We intend to submit an application for marketing approval for Stapokibart injection for the treatment of CRSwNP to the CDE in 2024.

In July 2023, the results of the CROWNS-1 study were officially published in eClinicalMedicine (IF: 15.1), a sub-journal of The Lancet. The CROWNS-1 study is a multi-center, randomized, double-blinded, placebo-controlled Phase II clinical trial of CM310 for the treatment of eosinophilic CRSwNP (eCRSwNP). The results showed that after 16 weeks of treatment with CM310, there was a significant reduction in the size of the nasal polyps, a significant relief of nasal congestion, a significant decrease in the Lund-Mackay CT score of sinus CT, and a reduction in the size of the sinus lesions, compared with placebo. At the same time, CM310 remarkably improved the life quality of eCRSwNP patients. This study is the world's first multi-center RCT study of biologics for the treatment of CRSwNP using pathologic eosinophil count (nasal polyp tissue eosinophil count≥55/high power field or eosinophil percentage≥27%) as the enrollment criteria. It has demonstrated for the first time that CM310 can significantly reduce the number of eosinophils in nasal polyp tissue of eCRSwNP patients after the treatment internationally, downregulate the level of type II inflammation, and thus reveal the internal mechanism of its therapeutic effect.

In addition, we launched and advanced a randomized, double-blind, placebo-parallel Phase III clinical study to evaluate the efficacy and safety of CM310 recombinant humanized monoclonal antibody injection in patients with seasonal allergic rhinitis under background therapy in 2023, and a multi-center, single-arm Phase II clinical study to evaluate the safety of CM310 recombinant humanized monoclonal antibody injection in patients with seasonal allergic rhinitis.

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

Management Discussion and Analysis

- **CMG901/AZD0901 (Claudin 18.2 antibody drug conjugate)**

  CMG901 is a Claudin 18.2-targeting ADC comprising of a Claudin 18.2-specific antibody, a cleavable linker and a toxic payload, monomethyl auristatin E (MMAE). It is the first Claudin 18.2 ADC to have received IND approval in China and the U.S.. Claudin 18.2 is selectively and widely expressed in gastric cancer, pancreatic cancer and other solid tumors, which makes it an ideal tumor target for therapeutic development. Previously, CMG901 was granted the Fast Track Designation and the Orphan Drug Designation by the FDA for the treatment of relapsed/refractory gastric cancer and GEJ adenocarcinoma, and was granted breakthrough therapy designation by the CDE for the treatment of Claudin 18.2-positive advanced gastric cancer that has failed or cannot be tolerated by first-line treatment or above.

  In 2023, we continuously proceeded with the Phase I clinical study of CMG901 for the treatment of advanced solid tumors. In November 2023, the latest data from a Phase I clinical study of CMG901 in the treatment of advanced G/GEJ cancer has been presented by way of oral presentation at the American Society of Clinical Oncology (ASCO) Plenary Series. The clinical study was designed to evaluate the safety and tolerability, pharmacokinetics, immunogenicity, and preliminary efficacy of CMG901 in subjects with advanced solid tumors. As of July 24, 2023, totally 113 patients with G/GEJ cancer received CMG901 at doses of 2.2, 2.6, and 3.0 mg/kg (n=44, 50, and 19, respectively). All subjects previously received ≥1 line of prior therapy. The median line of prior therapy was two. 74% of subjects previously received PD-1/PD-L1 therapy. In terms of safety, drug-related grade ≥3 treatment-emergent adverse events (TEAEs) occurred in 54% of patients, and drug-related serious AEs were reported in 31% of patients. 8% of patients had discontinued CMG901 treatment due to TEAEs. Among 89 evaluable patients with Claudin 18.2-positive G/GEJ cancer in three cohorts, confirmed objective response rate (ORR) and confirmed disease control rate (DCR) were 33% and 70%, respectively. Among others, CMG901 showed a 42% confirmed ORR in 2.2 mg/kg dose cohort, with median progression free survival (mPFS) of 4.8 months, and the median overall survival (mOS) was not reached yet. In this trial, CMG901 had a manageable safety and tolerability profile, and most patients were well-managed by standard treatment management while continuing CMG901 treatment. CMG901 demonstrated promising efficacy in patients with advanced Claudin 18.2-positive G/GEJ cancer.

  In February 2023, KYM (a 70% non-wholly owned subsidiary of the Company) and AZ (a global pharmaceutical company and, to the best knowledge and belief of the Company, an independent third party) have entered into a global exclusive license agreement (the "**License Agreement**"), and AZ has been granted a global exclusive license for research, development, registration, manufacturing, and commercialization of CMG901, and shall be responsible for all costs and activities associated with its further development and commercialization in accordance with the License Agreement. Pursuant to the License Agreement and subject to the terms and conditions thereof, KYM shall receive an upfront payment of US$63 million with the potential for additional payments up to US$1,125 million subject to achievement of certain development, regulatory and commercial milestones. In particular, the upfront payment of US$63 million was received on March 31, 2023. KYM is also entitled to receive tiered royalties on net sales from AZ. KYM is obliged to provide assistance and staff to facilitate technology and know-how transfer. Except as otherwise agreed, AZ will be responsible for bearing all costs for activities associated with the development and regulatory affairs on ongoing trial in relation to CMG901.

  As of the date of this report, AZ has conducted multiple clinical studies regarding CMG901/AZD0901 for the treatment of advanced solid tumors.

Management Discussion and Analysis

- **CM313 (CD38 antibody)**

  CM313 is a humanized monoclonal antibody that targets CD38. CM313 is the first domestically-developed CD38 antibody with IND approval by the NMPA in China. Given the encouraging efficacy in preclinical studies, we believe that CM313 has the potential to become an innovative treatment option for relapsed or refractory multiple myeloma, lymphoma and other hematological malignancies.

  We continuously proceeded with a multi-center, open-label Phase I clinical trial of CM313 in 2023 to evaluate the safety, tolerability, pharmacokinetics, immunogenicity, and preliminary efficacy of CM313 monotherapy in hematological malignancies including RRMM and lymphoma. In June 2023, we presented, in the form of a poster, the latest data from the Phase I clinical study of CM313 for the treatment of RRMM and relapsed/refractory lymphoma at the 28th Annual Congress of European Hematology Association (EHA). This Phase I study (NCT04818372) aimed to evaluate the safety and preliminary efficacy of CM313 in patients with RRMM and relapsed/refractory lymphoma (currently refer to Waldenström's macroglobulinemia and marginal zone lymphoma (MZL)). The safety assessments demonstrated that CM313 was well-tolerated. The dose was successfully escalated up to 16.0 mg/kg, but maximum tolerated dose was not reached. No dose-limiting toxicity was occurred. The most common drug-related adverse events (defined as occurring in ≥20% of patients) were infusion-related reactions and decreased cell counts in lymphocytes, white blood cells and neutrophils. A vast majority of the infusion-related reactions were grade 1 or 2 and most occurred during the first drugs. Among the 29 RRMM patients who had at least one post-baseline efficacy evaluation, the overall objective response rate (ORR) was 34.5%. The median progression free survival (mPFS) was 4.3 months, but the median overall survival (OS) was not reached. CM313 exhibited a good safety profile in general in this study for it at dose levels of ≥2.0 mg/kg and yielded preliminary efficacy in patients with RRMM.

  In addition, given the observed outstanding clearance effect of CM313 on plasma cells in MM and lymphoma indications, we believe that CM313 has the potential to become an innovative treatment option for systemic lupus erythematosus (SLE). We continuously proceeded with a randomized, double-blinded, placebo-controlled, dose-escalation, multiple-dose Phase Ib/IIa clinical study in 2023 to evaluate the safety, tolerability, pharmacokinetics, pharmacodynamics, immunogenicity and preliminary efficacy of CM313 injection in subjects with SLE. As of the date of this report, the product is currently in the dose-escalation of Phase I clinical study.

  In December 2023, the latest data from the investigator-initiated single-arm, open-label, exploratory clinical study of CM313 for the treatment of primary immune thrombocytopenia in adults were presented in a poster form at the 65th American Society of Hematology (ASH) Annual Meeting. This study aimed to evaluate the safety and preliminary efficacy of CM313 in adult patients with primary immune thrombocytopenia. As of June 30, 2023, a total of 21 patients were enrolled in the study. 7 subjects completed 8 treatments with follow-up period of more than 8 weeks. 7 subjects included 2 males and 5 females, with a median age of 40 years old (range from 18 to 56 years old), median weight of 62 kg (range from 52 to 93 kg), median duration of ITP of 30 months (range from 12-200 months) and median baseline platelet count of 8×10^9/L (range from 2-24). Among the 7 patients, 100.0% (7/7) achieved a platelet count ≥50×10^9/L within 8 weeks after administration with the first dose, with a median time to response of 1 week (range from 1 to 3). In addition, 4/7 patients (57.1%) maintained a platelet count ≥50×10^9/L until week 16, with 2 patients relapsed at week 6 and 1 patient relapsed at week 13. From baseline to week 23, the median platelet count among 7 patients was higher than 50×10^9/L during other follow-up visits except for week 17, which was lower than 50×10^9/L. Among all 21 patients, 6 (6/21, 28.6%) had an infusion-related reaction (IRR) at the time of administration with first dose, after which no IRR was triggered. According to Common Terminology Criteria for Adverse Events (CTCAE) (version 5.0), IRR severity was level 1 or 2.

Management Discussion and Analysis

- **CM326 (TSLP antibody)**

  CM326 is a humanized and highly potent monoclonal antibody targeting thymic stromal lymphopoietin (TSLP). It is the first domestically-developed TSLP-targeting antibody in China to have received IND approval. TSLP plays a critical role as an upstream cytokine mediating multiple inflammatory pathways, which provides a strong scientific rationale for the development of TSLP antibody to treat COPD and various allergic diseases, including moderate-to-severe asthma and CRSwNP. CM326 may also have synergistic effects with CM310.

  We continuously proceeded with a randomized, double-blinded, placebo-controlled Phase II clinical study in 2023 to evaluate the efficacy and safety of CM326 in adult patients with moderate-to-severe AD, and the patient enrollment of the Phase II clinical trial was completed in June 2023. In addition, we continuously proceeded with a multi-center, randomized, double-blinded, placebo-controlled Phase Ib/IIa clinical trial in 2023 to evaluate the safety, tolerability, pharmacokinetics/pharmacodynamics, immunogenicity, and preliminary efficacy of CM326 in subjects with CRSwNP, and the patient enrollment of the Phase Ib/IIa clinical trial was completed in February 2023.

  JMT-Bio, a wholly-owned subsidiary of CSPC, holds the exclusive license to develop and commercialize CM326 for the treatment of moderate-to-severe asthma, COPD and other respiratory diseases in China (excluding Hong Kong, Macau, or Taiwan). As of the date of this report, CSPC has initiated the Phase II clinical study for the treatment of moderate-to-severe asthma, and the patient enrollment is currently in progress.

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

  CM355 is a CD20xCD3 bispecific antibody co-developed by us and InnoCare for the treatment of B-cell non-Hodgkin's lymphoma (NHL), and can be administrated through monotherapy or in combination with other therapies. In preclinical studies, it demonstrated stronger T-cell directed cellular cytotoxicity (TDCC) activities with less cytokine release as compared to its leading competitive products.

  As of the date of this report, dose escalation of the intravenous infusion formulation (IV) was completed, and the subcutaneous formulation (SC) is being evaluated. Encouragingly, our preliminary data of both IV and SC formulations have shown good efficacy of CM355 in patients with follicular lymphoma (FL) and diffuse large B-cell lymphoma (DLBCL). The objective response rate (ORR) of all the 13 patients who were treated CM355 at dose ≥6mg was 100%. Among 9 patients who were evaluable in SC group, the ORR was 100.0% (9/9), with complete response rate (CRR) of 77.8% (7/9), including 2 DLBCL patients with CR. Most of the responders are still under treatment with maintained response. Based on the encouraging results of CM355 single agent, we are planning to conduct dose expansion study in CM355 in combination with other immunochemotherapies in earlier lines of treatment for NHL patients. IND for the combination therapies was submitted to CDE in March 2024. CM355 (SC and IV) induced a profound and sustained depletion of peripheral B cells after first infusion in our Phase I/II clinical trial in r/r NHL patients.

  Given the critical role of B cells in a variety of severe autoimmune diseases, CM355 may have wider applications in severe autoimmune diseases, which is more feasible and tolerable.

Management Discussion and Analysis

- **CM336 (BCMAxCD3 bispecific antibody)**

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

  We internally discovered and developed CM336. We continuously proceeded with a Phase I/II clinical study in 2023 to assess the safety, tolerability, pharmacokinetics, and the anti-tumor activity of CM336 in RRMM. As of the date of this report, the product is currently in the dose-escalation phase of Phase I clinical study.

- **CM350 (GPC3xCD3 bispecific antibody)**

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

  We internally discovered and developed CM350. We continuously proceeded with a Phase I/II clinical study in 2023 to assess the safety, tolerability, pharmacokinetics, and the preliminary efficacy of CM350 in patients with advanced solid tumors. As of the date of this report, the product is currently in the dose-escalation of Phase I clinical study.

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

  CM338 is a humanized, highly potent antagonist antibody against mannose-binding lectin-associated serine protease-2 (MASP-2). According to pre-clinical efficacy data, CM338 can efficiently block the activation of the lectin pathway, and is expected to be an innovative treatment option for IgA nephropathy with excessive activation of the complement pathway including the bypass and lectin pathway.

  We continuously proceeded with a Phase II clinical study in 2023 to evaluate the efficacy and safety of CM338 injection in subjects with immunoglobulin A nephropathy (IgAN). As of the date of this report, the patient enrollment is currently in progress.

Management Discussion and Analysis

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

  CM369 is an anti-C-C motif chemokine receptor 8 (CCR8) monoclonal antibody, a potential first-in-class drug co-developed by our Company and InnoCare as a monotherapy or in combination with other therapies for the treatment of various cancers. Research has found that CM369, as a chemokine receptor highly expressed specifically on tumor-infiltrating regulatory T cells (Treg), binds to CCR8 positive Tregs and eradicates immunosuppressive Tregs through antibody-dependent cell-mediated cytotoxicity (ADCC) to augment the anti-tumor immunity in tumor microenvironment (TME) while preserving peripheral homeostasis. CM369 has the potential to deliver optimal tumor-targeted Treg depletion and be more specific in anti-tumor activity than other immunotherapies and enhance our strength in the field of solid tumors by synergizing with our existing pipelines.

  Currently, we are conducting a Phase I trial to evaluate the safety, tolerability, pharmacokinetic characteristics, and efficacy of CM369 in subjects with advanced solid tumors and relapsed/refractory NHL. For solid tumors, dosage of CM369 has been escalated up to 150 mg, which is also the initial dose for NHL indication. CM369 was well tolerated with no grade 3 or above treatment-related adverse events (TRAEs) observed. The preliminary results demonstrated a favorable PK profile with sufficient exposure for target coverage, and regulatory T-cell depletion. For NHL, preliminary efficacy was observed in one patient, who achieved PR at the first tumor assessment. Dose escalation study is still going on. We will explore the combination of CM369 with other immunotherapies in various cancer indications after collecting the safety data of monotherapy.

- **CM383 (Aβ protofibrils antibody)**

  CM383 is a humanized monoclonal antibody for the treatment of early Alzheimer's disease (Alzheimer's Disease). The amyloid cascade hypothesis postulates that excessive β-amyloid protein (Aβ) in the brain is a trigger of Alzheimer's Disease. In addition, Aβ protofibrils are considered to be more toxic which are associated with the Alzheimer's Disease progression in the patients. CM383 selectively binds to soluble Aβ protofibrils and plaque. On one hand, CM383 reduces the deposition of Aβ. On the other hand, CM383 promotes the clearance of Aβ plaque.

  We have developed and evaluated CM383 comprehensively. In pre-clinical evaluation, CM383 demonstrated a favorable safety profile. As of the date of this report, we submitted an IND application for CM383, and are about to conduct a Phase I clinical study of the safety, tolerability, pharmacokinetics, pharmacodynamics and immunogenicity of single dose-escalation administration in healthy subjects.

Management Discussion and Analysis

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: The Company may not be able to ultimately develop and market CM310, CMG901, CM313, CM326, CM355, CM336, CM350, CM338, CM369 and CM383 successfully. As at the date of this report, no material adverse changes had occurred with respect to the regulatory approvals we had received in relation to our drug candidates.

Our R&D and Manufacturing

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

To ensure production and supply of high-quality and affordable antibody drugs, we have always been committed to enhancing our in-house manufacturing capabilities. We have internally developed high-expressing cell lines to ensure high yield and low costs for our antibody manufacturing. As of the end of the Reporting Period, the production capacity of the production base in Chengdu has reached 18,600 litres in total, and all the designs thereof are in compliance with the requirements of cGMP of the NMPA and FDA.

R&D Platforms

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

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

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

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

Management Discussion and Analysis

- **Innovative Antibody Discovery Platform**

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

- **Bio-evaluation Platform**

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

- **High-throughput Screening Platform for High Yield Antibody-expressing Cells**

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

- **Novel Antibody Drug Conjugate (ADC) Platform**

  Our ADC platform has the comprehensive capabilities to develop novel ADCs with diverse combinations of novel payloads with different mechanisms of action, new types of hydrophilic linkers, and various novel antibodies by multi-conjugation techniques, which generates ADCs with full independent intellectual property rights, strong in vivo stability, excellent efficacy, and good safety.

  Based on this platform, in addition to the MMAE payload and its MC-vc-PAB linker used in CMG901 (also known as AZD0901), we have successfully developed several new types of payloads of new topoisomerase inhibitors and novel linkers. A series of new ADCs with the above payloads and linkers showed good in vivo stability, strong efficacy and good safety, and are currently in the research or the pre-clinical development stage. In addition, we have also developed novel synthetic methods, which could effectively reduce the manufacturing cost of ADCs and potentially benefit more patients.

Management Discussion and Analysis

Future Development

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

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

Financial Review

	2023 ***RMB'000***	2022 *RMB'000*
Revenue	**354,095**	100,063
Cost of sales	**(36,878)**	(2,585)
GROSS PROFIT	**317,217**	97,478
Other income and gains	**123,249**	259,002
Research and development expenses	**(596,282)**	(507,374)
Administrative expenses	**(177,006)**	(133,912)
Other expenses	**(1,359)**	(683)
Finance costs	**(17,259)**	(8,397)
Share of loss of a joint venture	**(4,748)**	(9,711)
LOSS BEFORE TAX	**(356,188)**	(303,597)
Income tax expense	**(1,597)**	–
LOSS FOR THE YEAR	**(357,785)**	(303,597)
Attributable to:		
Owners of the parent	**(359,357)**	(308,115)
Non-controlling interests	**1,572**	4,518
	(357,785)	(303,597)

Management Discussion and Analysis

1. Revenue and Cost of Sales

During the Reporting Period, the Group's revenue primarily consisted of collaboration income from AZ in respect of granting the relevant license. Cost of sales mainly represented R&D costs incurred under the out-licensing arrangements during the Reporting Period.

2. Other Income and Gains

During the Reporting Period, the Group's other income and gains primarily consisted of government grants income and interest income. During the Reporting Period, the decrease in other income and gains of the Group was primarily attributable to the decrease in gain on exchange difference by RMB128 million and government grants income by RMB44 million, netted off increase in interest income by RMB32 million.

3. R&D Expenses

During the Reporting Period, the Group's R&D expenses primarily consisted of (i) expenses incurred in connection with pre-clinical and clinical studies, including third-party contracting costs with respect to the engagement of CROs, clinical trial sites and other service providers in connection with our R&D activities; (ii) staff costs for our R&D employees; (iii) expenses for procuring raw materials and consumables used in the R&D of our drug candidates; and (iv) depreciation and amortization of property, plant and equipment and other intangible assets related to R&D activities. During the Reporting Period, the increase in R&D expenses of the Group was primarily attributable to the increase of (i) staff costs by RMB67 million; (ii) depreciation and amortization costs by RMB26 million; and (iii) raw materials by RMB14 million, netted off decrease in outsourced pre-clinical and clinical study costs by RMB31 million.

4. Administrative Expenses

During the Reporting Period, the Group's administrative expenses primarily consisted of (i) staff costs for our administrative employees; (ii) depreciation and amortization of property, plant and equipment and other intangible assets related to administrative activities; and (iii) professional services fees paid to legal counsel, agents, auditor, and other professional service providers. During the Reporting Period, the increase in administrative expenses of the Group was primarily attributable to the increase in staff costs by RMB28 million and depreciation and amortization costs by RMB7 million.

5. Finance Costs

During the Reporting Period, the Group's finance costs primarily consisted of implicit interest on other financial liabilities and interest on lease liabilities and bank borrowings. During the Reporting Period, the increase in finance costs of the Group was primarily attributable to the increase of the interest expense on bank borrowings by RMB9 million.

6. Share of Loss of a Joint Venture

During the Reporting Period, our shared loss from the 50%-owned joint venture, Beijing Tiannuo Pharma Tech Co., Ltd., amounted to RMB5 million. The decrease was primarily attributable to the decrease of clinical trial expenses incurred by the joint venture during the Reporting Period.

Management Discussion and Analysis

7. Selected Data from Consolidated Statement of Financial Position

	As at December 31, 2023 ***RMB'000***	As at December 31, 2022 *RMB'000*
Total current assets	**2,939,531**	3,309,974
Total non-current assets	**943,391**	622,342
Total assets	**3,882,922**	3,932,316
Total current liabilities	**314,180**	379,699
Total non-current liabilities	**581,929**	213,399
Total liabilities	**896,109**	593,098
Net current assets	**2,625,351**	2,930,275

8. Liquidity and Capital Resources

As at December 31, 2023, our time deposits, cash and cash equivalents and bank wealth management products decreased by RMB456 million to RMB2,719 million from RMB3,175 million as at December 31, 2022. The decrease was primarily attributable to cash used in our daily business operation, which offset the cash received from the out-licensing arrangement with AZ.

As at December 31, 2023, the current assets of the Group were RMB2,939 million, including cash and cash equivalents of RMB851 million, time deposits of RMB1,694 million, bank wealth management products of RMB174 million and other current assets of RMB220 million. As at December 31, 2023, the current liabilities of the Group were RMB314 million, including trade payables of RMB29 million, other payables and accruals of RMB220 million, interest-bearing bank borrowings of RMB46 million and lease liabilities of RMB19 million. As at December 31, 2023, the Group had available unutilized bank loan facilities of RMB17 million.

For the year ended December 31, 2023, our net cash flows used in operating activities decreased by RMB98 million to RMB304 million from RMB402 million for the year ended December 31, 2022. The decrease was primarily attributable to the receipt of an upfront payment from AZ under the out-licensing arrangement.

For the year ended December 31, 2023, our net cash flows from investing activities amounted to RMB468 million, while net cash flows used in investing activities amounted to RMB646 million for the year ended December 31, 2022. The increase was primarily attributable to the decrease in time deposits.

For the year ended December 31, 2023, our net cash flows from financing activities amounted to RMB72 million, while net cash flows used in financing activities amounted to RMB8 million for the year ended December 31, 2022. The increase was primarily attributable to new bank loans borrowed, netted off acquisition of non-controlling interests in a non-wholly owned subsidiary.

Management Discussion and Analysis

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

9. Gearing Ratio

The gearing ratio (calculated by total liabilities divided by total assets) of the Group as of December 31, 2023 was 23%, representing an increase of 8 percentage points from the gearing ratio of 15% as at December 31, 2022.

10. Indebtedness

As at December 31, 2023, our bank borrowings amounted to RMB378 million, of which RMB13 million are borrowed at fixed interest rates. The unutilized credit facilities amounted to RMB17 million. The repayment terms of bank borrowings range from one to five years.

As at December 31, 2023, the lease liabilities increased by RMB9 million to RMB41 million as the result of the increase of right-of-use assets.

As at December 31, 2023, the other financial liabilities decreased by RMB146 million to nil as the result of the acquisition of non-controlling interest in a non-wholly owned subsidiary.

11. Significant Investments, Material Acquisitions and Disposals

In January 2023, Chengdu Kangnuoxing entered into an asset transfer agreement with Chengdu Bio-Town Construction Co., Ltd.* (成都生物城建設有限公司) for the acquisition of a parcel of land located in Songbai Community No. 1 in Chengdu, consisting of three near-completed buildings situated on the parcel of land, which the Company proposes to use as its new headquarters and a manufacturing plant for its pipeline drug products, at a consideration of RMB253,543,600.

In June 2023, Keymed Bioscience (Chengdu) Co., Ltd.* (康諾亞生物醫藥科技(成都)有限公司), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Chengdu High-tech New Economy Venture Capital Co., Ltd.* (成都高新新經濟創業投資有限公司) and Chengdu Bio-Town Equity Investment Co., Ltd.* (成都生物城股權投資有限公司) for the acquisition of 18.6992% equity interest in Chengdu Kangnuoxing, a non-wholly owned subsidiary of the Company, at a consideration of RMB150,598,904, upon completion of which Chengdu Kangnuoxing became a wholly-owned subsidiary of the Company. This acquisition enabled the Group to take full control of Chengdu Kangnuoxing, which would continue to engage in the development and manufacturing of the Group's drug candidates, and benefit from its future developments.

Save as disclosed above, the Group did not have any other material acquisitions or disposals of subsidiaries, associates and joint ventures for the year ended December 31, 2023, and the Group also did not hold any significant investments for the year ended December 31, 2023.

The Group did not have plans for significant investments or capital assets as at the date of the report.

12. Contingent Liabilities

As of December 31, 2023, the Group did not have any contingent liabilities.

13. Capital Commitments

As of December 31, 2023, the Group had capital commitments contracted, but not yet provided, of RMB228 million, which were related to the purchase or construction of property, plant and equipment for the manufacture plant.

14. Pledge of Assets

As of December 31, 2023, the Group pledged machinery equipment of RMB441 million and committed to pledge the buildings and land-use right with a total net carrying values of RMB237 million to secure its bank borrowings.

15. Foreign Exchange Exposure

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

HUMAN RESOURCES

As of December 31, 2023, we had 897 full-time employees in total, including 9 employees who were employed overseas and the remaining in China. In strict compliance with the relevant labor laws, we enter into individual employment contracts with our employees covering matters such as terms, wages, bonuses, employee benefits, workplace safety, confidentiality obligations and grounds for termination.

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

Our Company has adopted the 2021 RSU Scheme on April 5, 2021 (further details of which are set forth in our Prospectus) and the 2022 RSU Scheme on January 21, 2022 (further details of which are set forth in the Company's announcement dated January 21, 2022 and January 28, 2022). During the Reporting Period, restricted share units underlying 1,419,768 Shares and 0 Share have been awarded under the 2021 RSU Scheme and 2022 RSU Scheme, respectively.

Directors and Senior Management

DIRECTORS

Executive Directors

Dr. Bo CHEN, aged 50, has been a Director since April 23, 2018 and was re-designated as an executive Director on April 3, 2021 and currently serves as the chairman of our Board and our chief executive officer. Dr. Chen has been serving as the chief executive officer of Chengdu Keymed since December 2016 and its chairman since December 2018. Dr. Chen is primarily responsible for the overall strategic planning, business direction and operational management of our Group.

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

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

Dr. Changyu WANG, aged 59, has been a Director since March 3, 2021 and was re-designated as an executive Director on April 3, 2021. He is primarily responsible for directing and overseeing overall research and development management. Dr. Wang is the senior vice president of the Company and Chengdu Keymed.

Dr. Wang possesses more than 25 years of experience in research and development of biopharmaceuticals. From April 1998 to March 2001, he was a research scientist at Chiron Corporation. From April 2001 to August 2009, he was a senior scientist at Medarex, Inc., which was formerly listed on NASDAQ until acquisition by Bristol Myers Squibb, a company listed on the New York Stock Exchange (stock code: BMY). From September 2009 to December 2013, he was a senior scientist at Bristol-Myers Squibb. From January 2014 to February 2016, he was a director in cancer immunology at Pfizer Inc., a company listed on the New York Stock Exchange (stock code: PFE). Dr. Wang led the development of the world first PD-1 immune checkpoint inhibitor, Nivolumab, which has been approved for commercialization in 2014.

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

Directors and Senior Management

Dr. Gang XU (徐剛), aged 50, has been a Director since June 21, 2018 and was re-designated as an executive Director on April 3, 2021. Dr. Xu is primarily responsible for directing and overseeing drug discovery and early stage research. Dr. Xu is also the senior vice president of the Company and Chengdu Keymed and the executive director of Chengdu Kangnuoxing.

Dr. Xu possesses more than 18 years of experience in research and development of biopharmaceuticals. From October 2010 to November 2015, he was a senior scientist at the Roche R&D Center (China) Ltd (羅氏研發(中國)有限公司). He was once the general manager of Suzhou Bojuhua Biomedical Technology Co., Ltd. (蘇州博聚華生物醫藥科技有限公司), where he was responsible for pre-clinical research and operations. Dr. Xu has published research papers on immune system recognition, antibody display and bispecific antibodies in internationally renowned academic journals such as Nature Immunology and the Proceedings of the National Academy of Sciences of the USA.

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

Non-executive Directors

Mr. Qi CHEN (陳奇), aged 49, has been a Director since June 21, 2018, and was re-designated as a non-executive Director on April 3, 2021. He participates in decision-making in respect of major matters such as corporate and business strategies.

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

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

Dr. Min Chuan WANG (王閩川), aged 45, has been a Director since March 3, 2021, and was re-designated as a non-executive Director on April 3, 2021. He participates in decision-making in respect of major matters such as corporate and business strategies.

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

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

Dr. Wang received his bachelor's degree in pharmacy from Peking University. He obtained his master's degree and his doctor's degree from Cambridge University in the United Kingdom.

Directors and Senior Management

Mr. Yilun LIU (劉逸倫), aged 38, has been a Director since March 3, 2021, and was re-designated as a non-executive Director on April 3, 2021. He participates in decision-making in respect of major matters such as corporate and business strategies.

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

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

Independent Non-executive Directors

Prof. Xiao-Fan WANG (王小凡), aged 68, as an independent non-executive Director, is responsible for providing independent advice and judgment to our Board.

Prof. Wang is currently Donald and Elizabeth Cooke Chair Professor of Experimental Oncology and Professor of Pharmacology and Cancer Biology at Duke University Medical Center. In November 2017, He was elected as a foreign academician of the Chinese Academy of Sciences (中國科學院). Since 2012 to 2013, he served as the president of the Society of Chinese Bioscientist in America. Since 2010, he has served as a member of the Expert Group of the Major Science Program of the PRC Ministry of Science and Technology (科技部重大科學計劃專家組). He was a member of the Overseas Expert Advisory Committee of the Overseas Chinese Affairs Office of the State Council (國務院僑辦海外專家諮詢委員會).

Prof. Wang has published more than 160 papers and have been cited more than 16,000 times. From 1992 to 1998, he was an assistant professor in the Department of Pharmacology and Cancer Biology of Duke University. He became an associate professor in 1998, and was promoted to full professorship in 2003. He was appointed the Donald and Elizabeth Cooke Distinguished Professor in 2009.

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

Directors and Senior Management

Prof. Yang KE (柯楊), aged 68, as an independent non-executive Director, is responsible for providing independent advice and judgment to our Board.

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

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

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

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

Directors and Senior Management

Mr. Cheuk Kin Stephen LAW (羅卓堅), aged 61, as an independent non-executive Director, is responsible for providing independent advice and judgment to our Board. Mr. Law is a Justice of the Peace (JP) awarded by the government of Hong Kong and a member of the National Committee of the Chinese People's Political Consultative Conference.

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

Directors and Senior Management

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

SENIOR MANAGEMENT

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

Dr. Qian JIA (賈茜), aged 59, has been a senior vice president of the Company since March 2018. She has been the senior vice president of Chengdu Keymed and is responsible for development and evaluation of drug candidates, pharmaceutical research and registration matters she is also the general manager of Chengdu Kangnuoxing, where she is responsible for pilot-scale experiments, the design of production base, and production management.

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

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

Directors and Senior Management

Mr. Yanrong ZHANG (張延榮), aged 37, has been the chief financial officer of the Company since September 2020, and is responsible for overall management of financial, fundraising and business development. He is also a vice president of Chengdu Keymed.

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

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

JOINT COMPANY SECRETARIES

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

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

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Company has adopted the code provisions stated in the Corporate Governance Code contained in Appendix C1 of the Listing Rules. The Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

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

Code provision F.2.2 of Part 2 of the CG Code provides that the chairman of the Board should attend the annual general meeting and that the chairmen of the audit, remuneration, nomination and any other committees should be invited to attend the annual general meeting. In their absence, the chairman of the board should invite other members of the committee or other duly appointed delegate to attend. Dr. Chen (being the chairman of the Board and the chairperson of the nomination committee), Mr. Qi CHEN (being a member of the Audit Committee), Dr. Changyu WANG (being a member of the remuneration committee) and Dr. Gang XU attended the annual general meeting of the Company held on June 27, 2023.

The Group is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders as a whole. Save as disclosed above, the Company had complied with the provisions of the CG Code during the year ended December 31, 2023.

THE BOARD OF DIRECTORS

Board composition

As at December 31, 2023, the Board consists of three executive Directors, namely Dr. Bo CHEN, Dr. Changyu WANG and Dr. Gang XU, three non-executive Directors, namely Mr. Qi CHEN, Dr. Min Chuan WANG and Mr. Yilun LIU, and three independent non-executive Directors, namely Prof. Xiao-Fan WANG, Prof. Yang KE, and Mr. Cheuk Kin Stephen LAW. Prof. Linqing LIU retired as an independent non-executive Director on June 27, 2023. An updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and of the Company, respectively. The overall management and supervision of the Company's operation and the function of formulating overall business strategies were vested in the Board. There are no financial, business, family or other material relationships among members of the Board.

Corporate Governance Report

During the year ended December 31, 2023, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The three independent non-executive Directors represent one-third of the Board, complying with the requirement under Rule 3.10A of the Listing Rules whereby independent non-executive directors of a listed issuer must represent at least one-third of the board. The Board believes there is sufficient independence element in the Board to safeguard the interest of Shareholders.

Directors' responsibilities

The Board takes the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. As at 31 December 2023, the Board comprised nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Their names and biographical details are set out in the "Directors and Senior Management" section of this annual report.

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

Delegation by the Board

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

Directors' responsibilities for financial statements

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

Corporate Governance Report

Independent non-executive Directors

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

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

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

Confirmation of independence

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

Board diversity policy

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

Our Directors have a balanced mix of knowledge, skills, perspectives and experience, including overall management and strategic development, business, science, investment, accounting and consulting. They obtained professional and academic qualifications including Ph.D. in pharmaceutical and other areas, as well as accounting qualifications. Furthermore, the Board possesses members spanning a wide range of ages. In term of gender diversity, the Board sets a target of having at least 10% female members and the Company currently has 1 female Director, representing 11.1% of Board members. The Company considers that the gender diversity is achieved in respect of the Board and plans to maintain the female director ratio at current level after taking into account of various factors in its context. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy, and our Board and the nomination committee of our Company will assess the Board composition regularly.

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

The Company reaches approximately 59% women in the current senior leadership roles. The Group is committed to upholding and embracing employees with different backgrounds, culture and gender where approximately 57% of our staff were female. We will also continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. For details on the diversity in workforce, please refer to the "Environmental, Social and Governance Report" of this report.

Corporate Governance Report

Appointment, re-election and removal of Directors

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into a service contract or a letter of appointment with the Company for an initial term of three years commencing from the Listing Date, subject to renewal after expiry of the then current term. Such term is subject to his/her retirement by rotation and re-election at an annual general meeting of the Company in accordance with the Articles of Association. The Articles of Association provide that the Board may appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election at such meeting.

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

Compensation of Directors and Senior Management

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

Details of Directors and the top five highest paid individuals are set out in notes 9 and 10 to the consolidated financial statements. During the Reporting Period, no emoluments were paid by the Group to any Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. For the year ended December 31, 2023, none of the Directors has waived or agreed to waive any emoluments.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2023, by the Group to or on behalf of any of the Directors.

Directors' training and professional development

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

During the year ended December 31, 2023, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expense.

Corporate Governance Report

The training records of each Director for the year ended December 31, 2023 are summarized as follows:

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

Note

(1) Prof. Linqing LIU retired as our independent non-executive Director on June 27, 2023.

Board meetings

Code provision C.5.1 of Part 2 of the CG Code stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications. During the year ended December 31, 2023, 4 Board meetings were held. Apart from regular Board meetings, the Chairman should at least annually hold meeting with the independent non-executive Directors without the presence of other Directors under the code provision C.2.7 of Part 2 of the CG Code.

Corporate Governance Report

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

	Number of meeting(s) attended/number of meeting(s) held during each Director's tenure for the year ended December 31, 2023				
Name of Director	**Board**	**Annual General Meeting**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors:					
Dr. Bo CHEN	4/4	1/1	/	/	1/1
Dr. Changyu WANG	4/4	1/1	/	1/1	/
Dr. Gang XU	4/4	1/1	/	/	/
Non-executive Directors:					
Mr. Qi CHEN	4/4	1/1	2/2	/	/
Dr. Min Chuan WANG	4/4	0/1	/	/	/
Mr. Yilun LIU	4/4	0/1	/	/	/
Independent Non-executive Directors:					
Prof. Xiao-Fan WANG	4/4	0/1	/	1/1	1/1
Prof. Yang KE[1]	4/4	0/1	1/1	1/1	/
Mr. Cheuk Kin Stephen LAW[2]	4/4	0/1	2/2	/	/
Prof. Linqing LIU[3]	1/1	0/1	1/1	/	1/1

Notes

(1) Prof. Yang KE was appointed as a member of the Audit Committee on June 27, 2023.

(2) Mr. Cheuk Kin Stephen LAW was appointed as a member of the Nomination Committee on June 27, 2023.

(3) Prof. Linqing LIU retired as our independent non-executive Director and ceased to be a member of Audit Committee and Nomination Committee respectively on June 27, 2023.

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

A tentative schedule for regular Board meetings for 2024 will be provided to the Directors at the beginning of the year. At least 14 days' notice for all regular Board meetings will be given to all Directors and all Directors will be given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will be given. Relevant agenda and accompanying Board papers will be sent to all Directors at least three days in advance of every regular Board meeting.

Corporate Governance Report

Board Independence

There are established mechanisms that independent views and inputs are available to the Board. The Board currently comprises three independent non-executive Directors and being one-third of the Board, which meets with the independent requirements under the Listing Rules. In assessing suitability of the potential candidates of independent non-executive Directors, the nomination committee will review their qualification, skills, knowledge, independent views and having regard to the nomination policy and the board diversity policy of the Company. Nomination committee also assessed the time commitment devoted by and independence of independent non-executive Directors annually. External independent professional advice is also available to all Directors (including independent non-executive Directors) whenever deemed necessary. During the year ended December 31, 2023, the Board reviewed and considered the implementation of above mechanisms were effective.

BOARD COMMITTEES

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

Audit Committee

The Company established the audit committee in compliance with Rules 3.21 to 3.23 of the Listing Rules with written terms of reference in compliance with the CG Code set forth in Appendix C1 to the Listing Rules. The primary functions of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process, and performing other duties and responsibilities as assigned by our Board.

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

For the year ended December 31, 2023, the audit committee convened 2 meetings. The attendance record of the Directors at meetings of the audit committee is set out in the table on page 44.

During the meeting(s), the audit committee:

- reviewed annual results of the Group ended December 31, 2022 and interim results of the Group for the six-months ended June 30, 2023;
- reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and risk management and internal control systems and processes);
- met with the external auditors twice; and
- met with the external and internal auditors once without executive directors present.

Corporate Governance Report

Remuneration Committee

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

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

For the year ended December 31, 2023, the remuneration committee convened 1 meeting to determine the remuneration packages of executive Directors and senior management of the Company and make recommendations to the Board on the remuneration of non-executive Directors. The attendance record of the Directors at meetings of the remuneration committee is set out in the table on page 44.

Nomination Committee

The Company established the nomination committee in compliance with Rule 3.27A of the Listing Rules with written terms of reference in compliance with Appendix C1 to the Listing Rules. The primary functions of the nomination committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors. In identifying and selecting suitable candidates for directorships, the nomination committee would consider the candidate's gender, skills, age, professional experience, knowledge, cultural, education background and other qualities. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. The Company has adopted 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 reappointment of Director.

The nomination committee consists of one executive Director, Dr. Bo CHEN, and two independent non-executive Directors, Prof. Xiao-Fan WANG and Mr. Cheuk Kin Stephen LAW, with Dr. Bo CHEN as the chairman.

For the year ended December 31, 2023, the nomination committee convened 1 meeting to review the existing structure, size, composition and diversity of the Board, independence of the independent non-executive Directors, and re-election of the Directors. The attendance record of the Directors at meetings of the nomination committee is set out in the table on page 44.

Corporate Governance Report

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the guidelines for the Directors' dealings in the securities of the Company since the Listing and, upon specific enquiries of all the Directors, each of them has confirmed that he/she complied with all applicable code provisions under the Model Code during the year ended December 31, 2023.

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

REMUNERATION PAYABLE TO MEMBERS OF SENIOR MANAGEMENT

Pursuant to code provision E.1.5 of Part 2 of the CG Code, the annual remuneration of members of the senior management (other than Directors) by band for the year ended December 31, 2023 is set out below:

Remuneration band	Number of members of senior management
HK$3,000,000 to HK$4,000,000	1
HK$6,000,000 to HK$7,000,000	1
HK$14,000,000 to HK$15,000,000	1

CORPORATE GOVERNANCE FUNCTIONS

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

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with Appendix C1 to the Listing Rules (CG Code and Corporate Governance Report).

The Board had performed the above duties during the year ended December 31, 2023.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

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

- The Company conducted, through an annual audit of the internal controls of each business department, a review on the effectiveness of the risk management and internal control systems for the year ended December 31, 2023 and considered them effective and adequate. The audit included reviewing the management of financial statements, sales and receivables, purchasing and payment, fixed assets and intangible assets, human resource, research and development, nature and extent of significant risks (and the Company's ability to respond to such risks and changes). The audit procedures could be summarized as below, including not limited to:

    - Interview with responsible personnel;
    - Obtain and review the required documents;
    - Test the design and operating effectiveness of the internal control system

- The Company published the risk management and internal control policies, measures and procedures to ensure that the Company maintained reasonable and effective internal controls and compliance with applicable laws and regulations. Besides, the Company insisted on monitoring the implementation of internal control policies, measures, and procedures, making sure that they were the most updated version based on the current business model.

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

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

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

Corporate Governance Report

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

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

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

AUDITOR'S REMUNERATION

A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 101 to 105.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Ernst & Young for the year ended December 31, 2023 are set out in the table below. Non-audit services were mainly related to the tax consulting services.

Services rendered for the Company	**Fees paid and payable** *RMB'000*
Audit service	2,890
Non-audit service	726

JOINT COMPANY SECRETARIES

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

In compliance with Rule 3.29 of the Listing Rules, Mr. Zhang and Ms. Tam have undertaken no less than 15 hours of relevant professional training during the year of 2023. The biographies of Mr. Zhang and Ms. Tam are set out in the "Directors and Senior Management" section on page 38 of this annual report.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to Article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the written requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing and 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 specifying the objects of the meeting and signed by the requisitionists. 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) himself (themselves) may do so in the same manner, as nearly as possible, provided that any meeting so convened shall not be held after the expiration of the three months from the date of deposit of the requisition(s), and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Enquiries to the Board

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

The Board has reviewed the implementation of the shareholders' communication policy of the Company. Taking into account the variety of existing channels for communication and participation, the Company is of the view that its shareholders' communication policy was effective during the year ended December 31, 2023.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The fifth amended and restated Memorandum and Articles of Association of the Company were adopted on June 28, 2022. During the year ended December 31, 2023, the Company has not made any changes to its Memorandum and Articles of Association. The fifth amended and restated Memorandum and Articles of Association are available on the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

ABOUT THE REPORT

Keymed Biosciences Inc. ("**the Company**", "**Company**" or "**Keymed**") is pleased to release the 2023 Environmental, Social and Governance (ESG) Report ("**ESG Report**" or "**this Report**"), which is designed to reveal the Company's performance of ESG responsibilities in 2023, and to respond to stakeholders regarding their concerns of the ESG issues.

Scope of the Report

This Report covers all operations of Keymed. The time frame of this Report is from January 1, 2023 to December 31, 2023 (the "**Reporting Period**").

Preparation Basis and Criteria

This Report is prepared according to the Environmental, Social and Governance Reporting Guide ("**ESG Guide**") in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") issued by The Stock Exchange of Hong Kong Limited ("**SEHK**") and has complied with the four reporting principles of materiality, quantitative, balance and consistency, as well as the "mandatory disclosure" and "comply or explain" provisions in the ESG Guide. The climate-related disclosures in this Report are guided by the recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**").

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

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

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

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

Data Sources and Reliability Statement

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

Access and Response to this Report

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

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Environmental, Social and Governance Report

ESG GOVERNANCE

Board Statement

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

ESG Governance Structure

To implement the sustainable development concept and carry out good environmental, social, and governance practices, Keymed has established an ESG governance structure, strengthening the top-level design of ESG management and promoting coordinated management by the Board and the management. During the Reporting Period, Keymed further refined its governance structure and formulated the Terms of Reference for the Environmental, Social, and Governance Working Group.

Environmental, Social and Governance Report

Board	• Oversee ESG matters of the Company; • Supervise and approve the Company's ESG management approach and strategies, including the process and outcomes of identifying, assessing, prioritizing, and managing ESG-related significant matters (including risks to the Company's business); • Be responsible for assessing and determining ESG-related risks and opportunities of the Company, and ensure that the Company has established appropriate and effective ESG risk management and internal control systems; • Approve the Company's ESG-related goals and review the progress towards achieving these goals; • Consider significant ESG management matters, including but not limited to considering annual ESG reports.
ESG Working Group	• Report to the Board on ESG management work; • Implement the Company's ESG management strategy, and execute the Company's decisions, opinions, and recommendations regarding ESG; • Propose ESG-related goals and action plans, regularly track progress towards achieving these goals, and provide recommendations and resource support for the actions needed to achieve the goals; • Assist the Company in identifying ESG risks and opportunities, promptly report to the Board on significant trends that may impact the Company's ESG strategy and propose mitigation recommendations; • Regularly review the Company's ESG structure and the progress of ESG-related work, review ESG-related significant matters, report and provide recommendations to the Board; • Organize and carry out communication with stakeholders of the Company, and listen to stakeholders' feedback on ESG work; • Organize the collection of relevant information, conduct research, analysis and provide recommendations on significant and sudden ESG issues for the Company, and prepare annual ESG reports.

ESG Governance Structure and Responsibility Distribution

Environmental, Social and Governance Report

Stakeholder Communication

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

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

Environmental, Social and Governance Report

MATERIALITY ANALYSIS ON ESG ISSUES

The Company regularly reviews the key areas of focus for ESG management and develop targeted strategies and long-term goals to clarify Keymed's ESG practices and information disclosure priorities. During the Reporting Period, under the premise of no significant changes in the Company's business environment, the Company updated and supplemented the materiality issues of Keymed in light of trending internal and external policies and the hot topics of the industry, and identified 18 material issues, including 8 high materiality issues and 10 medium and low materiality issues.

Updating the database of material issues

- We identified the issues highly relevant to Keymed by interpreting policy trends and peer benchmarkings

Determining and adjusting materiality

- We duly adjusted the materiality ranking of issues according to the internal and external impact of newly-added and adjusted issues

Reviewing material issues

- A list of material issues of this year was formed after the review and confirmation of the Board

Flowchart of Material Issues Evaluation

Aspect	Material Issues List Issues with High Materiality	Issues with Medium and Low Materiality
Environmental	Effect and management of the environment and natural resources	Emissions management Hazardous waste disposal and management Climate change response Utilization and management of energy and resource
Social	Equal employment and rights & interests of employees R&D and innovation Product quality and safety Information security management Employee training and development Intellectual property protection	Supply chain management Remuneration and benefits Community welfare and development Occupational health and safety
Governance	Business ethics and anti-corruption	Compliance operation Risk management

Environmental, Social and Governance Report

1. IMPROVING CORPORATE GOVERNANCE

Keymed continues to improve compliance management, strengthen the risk prevention and control system and integrity culture, and implement refined management in various aspects such as information security, intellectual property protection, R&D and innovation, product quality and safety, and supply chain management, so as to enhance the overall governance capabilities of the Company and promote the stable development of the Company.

1.1 Compliance Operation

Taking compliance operation as the foundation of its responsibilities, the Company continuously improves its compliance management system and strictly complies with various laws and regulations, such as the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Law of the People's Republic of China Against Unfair Competition*, and the *Anti-Money Laundering Law of the People's Republic of China*. The Company has gradually built a compliance system, established and improved the legal risk prevention mechanism and internal audit system of the Company to address various risks that may arise in the Company's daily operations. The Legal Department of the Company participates in major business decisions to ensure their legality; the Internal Audit Department regulates internal systems and processes, conducting audit work in areas such as projects, anti-corruption, procurement, and economic responsibility; the Compliance Department strengthens compliance monitoring and conducts training and communication on compliance matters. In addition, to further develop the compliance culture and reinforce the employees' discipline by raising their legal risk prevention awareness, our Legal Department has carried out a variety of training on an integrated basis for all employees, directors, and certain business departments to effectively propagate compliance and legal risk prevention awareness throughout the Company.

1.2 Business Ethics

Keymed sticks to the highest standards of business ethics, strictly abides by laws and regulations of the state and the place where it operates, and maintains zero tolerance for bribery, extortion, fraud, money-laundering, etc. To regulate and supervise employees' daily conduct and business ethics at work, prevent corruption and other non-compliant behaviors, and systematically enhance anti-corruption efforts, the Company has developed regulations such as *Anti-Corruption and Anti-Bribery Policies*, and *Fault Liability Regulations*, and has also established a punishment mechanism in line with various provisions. To further spread the culture of integrity and enhance all employees' anti-corruption awareness, the Company has conducted anti-corruption training and work integrity education training for both directors and employees. The Company requires all employees to sign the *Anti-Embezzlement and Anti-Bribery Commitment Letter*, and carries out anti-corruption audits. During the Reporting Period, neither the Company nor its employees acted in violation of the business ethics.

In accordance with relevant management documents such as the *Anti-fraud Management Measures*, the Company has established a secure and smooth channel for reporting corruption and regulated the scope, channels, and processing procedures of complaints. The Company includes any form of fraud and violations of company policies, regulations, and code of ethics for compliance by the management and employees in the scope, and encourages active monitoring from both internal and external stakeholders through inclusion of integrity commitment letters in contracts, communication with suppliers via email, training at all levels, and displaying reporting channels in places such as construction sites. In addition, the Company implements measures to protect whistleblowers to keep their identity and other personal information in strict confidence, thereby protecting the personal safety and rights of whistleblowers.

Environmental, Social and Governance Report

1.3 Information Security and Privacy Protection

The Company places a high emphasis on information security and privacy protection in its daily operations. In strict compliance with relevant laws and regulations of the state and the places where the Company operates on information security and privacy protection, the Company has worked out a series of strict systems and regulations on data management and information backup to ensure the safe and stable operation of the Company's networks. The Company has established the Data Protection and Privacy Office to coordinate its privacy compliance efforts and facilitate communication and training related to the system.

The year, Keymed further enhanced the privacy protection system:

Privacy information collection	• We collect privacy information only for limited, clear and lawful purposes and always process personal information in accordance with applicable laws
Information disclosure	• Internal information disclosure: Authorization is granted only to employees, agents or contractors who need access to personal information to complete assigned tasks • External information disclosure: Disclosure is made only as permitted or required by legal procedures, when an agreement or business need arises, or with the consent of individuals
Personal information protection	• We took security measures appropriate to the sensitivity of information, including reasonable technical and physical measures, to protect the confidentiality and security of personal information and prevent anticipated threats and unauthorized access to personal information
Cross-border data transmission	• We completed the Privacy Impact Assessments (PIA) to ensure the secure protection of personal data involved in international cooperation projects.

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

Information security measures

- Developing security awareness: The Company continuously conducts information security training and data integrity training to new employees upon onboarding.
- Establishing document encryption system: The Company automatically encrypts business documents and establishes decryption procedures to ensure the security of document transmission.
- Performing dual security checks: The Company carries out security checks in the forms of internal self-checks by departments and periodic sampling checks by IT department.
- Implementing inspection measures: The Company incorporates inspection measures into IT system configurations to ensure information security.
- Conducting annual work reviews: The Company rectifies security issues identified in the annual information security review, and implements security protection measures.

Privacy protection measures

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

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1.4 Intellectual Property Protection

Intellectual property is an important component of the Company's core competitiveness, and Keymed attaches importance to the construction of an intellectual property system. In strict compliance with the *Patent Law of the People's Republic of China*, *Trademark Law of the People's Republic of China*, *Copyright Law of the People's Republic of China* and other laws and regulations, the Company has developed internal system-related documents for intellectual property protection, such as the *System for Infringement Prevention*, *System for R&D Achievement Protection*, and *System for Management of Scientific and Technological Achievements of R&D Center*, and implemented a series of measures in external cooperation and internal employee management to effectively protect innovative achievements.

During the Reporting Period, the Company continued to improve the mechanisms for protecting and managing corporate intellectual property rights, clarifying internal intellectual property management standards and requirements. The Company further optimized intellectual property work in areas such as new department establishment, trademark applications, risk management, and departmental collaboration:

New department establishment	Trademark application	Departmental collaboration	Risk assessment
• We established a new Intellectual Property Department, expanded team members, improved process management, and optimized application workflows	• We applied for trademarks for the patented core products, in order to further improve our intellectual property protection system	• The Intellectual Property Department collaborates with the Research and Development Department to strengthen employee awareness and alertness through project meetings, training courses, and other forms	• We implemented multi-node risk control and dynamic warning measures for existing projects to protect innovative achievements

During the Reporting Period, the Company added 58 patents, obtained 3 patent authorizations, and had no negative events involving the violation of laws and regulations related to intellectual property.

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1.5 R&D and Innovation

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

Keymed attaches importance to empowering business departments with digital and intelligent transformation efforts to achieve sustainable development and has completed the construction of more than ten intelligent systems, including the clinical cloud system for clinical data and project management and the quantitative pharmacological analysis platform for improving pharmacology R&D efficiency. During the Reporting Period, the Company successfully advanced the development and deployment of Enterprise Resources Planning System (ERP), Laboratory Information Management System (LIMS), Quality Document Management System (DMS), and Training Management System (TMS); improved the functionality and customized development of the OA system, achieving paperless approval. Going forward, the Company will introduce technologies such as artificial intelligence and big data on the basis of the existing digital platforms to establish an artificial intelligence monitoring system, so as to achieve more intelligent management in areas such as warehousing, energy management, and laboratory testing.

Case: Leveraging digital tools to support the commercialization process of pharmaceutical products

During the Reporting Period, Keymed conducted several digitalization projects to support the commercial launch process of pharmaceutical products:

- Complete the necessary construction of coding traceability systems and drug vigilance systems before commercial launch to satisfy national drug regulatory requirements
- Plan and build the Customer Relationship Management (CRM) system, Event Management System (EMS), Marketing Expense Control System, and Human Resources Management System (eHR) to fully support the launch of new pharmaceutical products
- Plan and build a Manufacturing Execution System (MES) and production equipment data collection system, and further advance the establishment of a Quality Management Information System (QMS) to expand clinical and commercial production

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1.6 Product Quality and Safety

Adhering to the quality management policy of "Quality First, Continuous Innovation, Pursuit of Excellence", Keymed operates a quality and safety management system and conducts inspections covering the entire production process in strict compliance with the national laws and regulations such as the *Drug Administration Law of the People's Republic of China*, *Measures for the Administration of Drug Registration*, *Good Manufacturing Practice, and Measures for the Supervision and Administration of Pharmaceutical Production*, and in accordance with internal standards such as the *Quality Manual* and SOP. During the Reporting Period, the Company proactively carried out various tasks, including continuously enhancing quality management capabilities through internal and external audits and gap analyses and successfully passing the EU QP audit. The Company has registered varieties underwent pre-registration inspections as required by the National Institutes for Food and Drug Control. With training management standards established, dedicated personnel were assigned to oversee quality management-related training and quality research and sample inspection for each batch were conducted to verify product quality. The Company also conducted cold chain transportation verification with transportation suppliers to ensure that the selected transportation method can guarantee the safety of product throughout the transportation process.

In strict compliance with the requirements of the *Good Manufacturing Practice* (GMP) (2010 version), the *Quality Risk Management* guidelines (ICHQ9) of the World Health Organization (WHO) and the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use, and *Pharmaceutical Quality System* (ICHQ10), Keymed has established and operated a three-level quality management system of "Quality Manual –Management Procedures – Operational Documents", in order to specify the quality management processes and standards throughout the Company, Keymed strictly controls the quality in each segment, and implements targeted corrective and preventive actions (CAPA) for deviations, changes, and other situations during production, thereby achieving full life cycle coverage of products R&D, registration, testing and production. In addition, to better promote daily management of product quality, the Company has delegated responsibilities to relevant personnel at all levels to ensure the effectiveness of the quality management system. During the Reporting Period, Keymed has not yet entered the commercialization stage, so product advertising and labelling are not involved. Meanwhile, Keymed did not violate any laws related to product safety.

Keymed has established a standardized complaint management system for product safety. During the Reporting Period, the Company revised the *Complaint Management Procedure*, specifying the complaint handling process and management mechanism. Regarding potential complaint issues, the Company arranges employees at all levels to study and analyze the reasons for the complaints through internal discussion, so as to propose reasonable solutions and continuously improve the level of product services.

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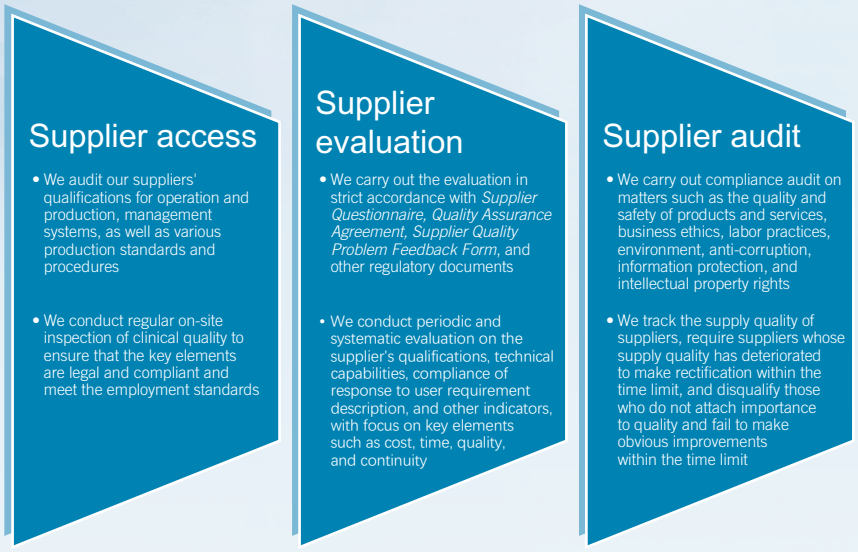
1.7 Supply Chain Management

Keymed has a well-established supplier management system and is committed to creating a transparent, compliant and efficient procurement environment. To this end, the Company has formulated internal regulations such as *Procurement Management Regulations* and *Supplier Management Regulations*, to strictly and centrally control the process of supplier access, evaluation, audit and approval while improving the capability of supply chain management. The Company has actively communicated with and provided training for its suppliers regarding the sustainable supply chain management and social responsibility on an irregular basis, and effectively identified and managed environmental and social risks of suppliers, aiming to reduce potential supply chain risks.



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

The Company actively practices the concept of green procurement and takes green products into consideration in the procurement process, advocates the use of green and sustainable products in the entire supply chain process that covers cold chain transportation and packaging materials. This year, Keymed actively responded to the call for achieving circular economy by procuring second-hand equipment, thereby reducing resource wastage and environmental pollution. Moreover, the Company is also committed to improving the substitution rate of domestic equipment and consumables, increasing the utilization rate of domestic equipment and raw materials through initiatives such as strengthening the cooperation with domestic companies and technology optimization, constantly enhancing the stability and resilience of the supply chain, and reducing the risk of supply chain interruption or cost increase caused by trade frictions. During the Reporting Period, the Company further increased the percentage of domestic equipment by approximately 5%.

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The procurement category of the Company mainly includes the third-party contracting services related to preclinical evaluation and clinical trials of candidate drugs, raw materials, consumable materials, machinery and equipment. As of the end of the Reporting Period, the Company had a total of 886 suppliers, all of which complied with the Company's supplier engagement and management regulations. The number of suppliers by region is as follows:

Supplier Data in 2023

Indicator		2023	2022	Unit
Number of suppliers by region	Eastern China	363	352	Company
	Southwestern China	285	276	Company
	Northern China	141	137	Company
	Southern China	60	56	Company
	Central China	14	12	Company
	Northwestern China	5	4	Company
	Northeastern China	1	1	Company
	Overseas	17	15	Company
	Total	886	853	Company

2. CONTRIBUTING TO SOCIAL DEVELOPMENT

Upholding the concept of "caring for people", Keymed is committed to protecting the employees' legitimate rights and interests, caring about their physical and mental health, valuing the diversified development of talents, and striving to provide a broader platform for employees to realize their values, thereby creating an equal, diverse, open, transparent and inclusive working environment and promoting the common development of employees and the enterprise. At the same time, the Company proactively participates in social welfare to strengthen its social responsibility, empowering communities with its practical actions for long-term development.

2.1 Equal Employment

Keymed sticks to the principles of equal employment and equal pay for equal work, strictly complies with employment-related laws and regulations such as the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China*, and the *Provisions on the Prohibition of Using Child Labor*, and has also established and regularly updated internal documents such as the *Recruitment Management System* and *Employee Handbook*. The Company actively promotes equal employment, striving to eliminate discrimination based on gender, religion, race, and other factors, so as to ensure that every employee can work in an environment of equality and receive fair compensation. At Keymed, all employees join the workforce voluntarily, with on boarding procedures conducted in accordance with internal procedures, ensuring legal compliance through verification of employee information. Child labor and any form of forced labor are strictly prohibited, and any violation results in immediate contract termination, rectification, and appropriate compensation. During the Reporting Period, the Company had no incidence of violations of laws and regulations related to forced labor or prevention of child labor.

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Keymed strives to create a highly competitive remuneration and benefit system, in order to stimulate employees' initiative for work and strive to improve the quality of their life. The benefit system that Keymed provides for employees' covers statutory benefits, various subsidies, holiday gifts and performance bonuses. In addition, all employees of the Company are entitled to paid holidays, statutory holidays, marriage leave, bereavement leave, maternity leave and other leave rights. All Mainland China employees are also entitled to supplementary medical insurance. During the Reporting Period, the Company did not violate any laws and regulations related to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, and anti-discrimination. As at the end of the Reporting Period, the Company had a total of 927 employees, with an employee turnover rate of 17.89%.

Employment Data in 2023

Indicators		2023	2022	Unit
Total workforce		927	640	Person
Employees by gender	Male	395	266	Person
	Female	532	374	Person
Employees by age group	30 and below	584	413	Person
	31-40	264	182	Person
	41-50	70	36	Person
	Over 51 (inclusive)	9	9	Person
Employees by management structure	Senior management	65	46	Person
	Intermediate management	117	75	Person
	General staff	745	519	Person
Employees by region	Mainland China	918	635	Person
	Overseas	9	5	Person
Employees by employment type	Full-time	897	613	Person
	Part-time	30	27	Person

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Indicators		2023	2022	Unit
Total employee turnover rate[1]		17.89	21.41	%
Employees turnover by gender	Malez	8.06	10.63	%
	Female	9.83	10.78	%
Employees turnover by age	30 and below	9.92	11.25	%
	31-40	6.56	7.34	%
	41-50	1.33	2.5	%
	Over 51 (inclusive)	0.08	0	%
Employees turnover by region	Mainland China	17.89	10.71	%
	Overseas	0	0	%

2.2 Employee Care

Keymed proactively establishes a happy, caring, warm and secure workplace environment, caring for the personal growth and life of each employee. The Company conducts various employee activities to help them balance their work and life, so that they can feel a sense of happiness and belonging at work. Keymed attaches great importance to employees' physical health, and actively organizes various sports activities. The Company also carries out celebration activities on holidays such as Christmas, Women's Day and employees' birthdays. Furthermore, the Company pays attention to the diverse needs of different employee groups by distributing gifts on International Women's Day for female employees, establishing maternity and infant rooms for lactating women, creating the social platform for single young employees, and providing support for employees with disabilities to adapt to the work environment. Keymed always communicates with employees on an equal footing, values their opinions, and enhances its humanistic care and psychological counseling for employees, aiming to create a warm working environment and improve general team cohesion.

2.3 Occupational Health and Safety

Keymed attaches great importance to occupational health and safety of each employee. Keymed has strictly abided by the *Law of the People's Republic of China on Work Safety*, the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, the *Provisions on the Supervision and Administration of Occupational Health at Work Sites*, and other laws and regulations. The Company also formulated an occupational disease prevention and management system and a common hazards emergency response plan to clarify the safety responsibilities of staff and departments at all levels, raise the safety awareness to minimize various risks that may endanger the health of employees at work, and implement the corporate responsibility for occupational health.

During the Reporting Period, Keymed formulated over 40 supplemental occupational health and safety regulations, completed internal and external audits of the EHS system, and obtained certification for ISO 45001 Occupational Health and Safety Management System. Additionally, the Company enhanced personal protection equipment and safety warning signs for identified occupational health and safety hazards, strengthened supervision of dangerous operations, conducted regular safety hazard inspections, and rectified non-compliant situations.

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

Environmental, Social and Governance Report

Occupational Health and Safety Measures during the Reporting Period

- Holding 12 EHS special meetings
- Organizing 13 emergency drills on safety
- Issuing 350 pieces of personal protective equipment
- Adding more than 1,000 safety signs
- Supervising dangerous operations more than 70 times
- Conducting safety inspection on nearly 200 items, with a rectification rate of 92%

Keymed is also concerned about the health and safety of workers at construction sites. During the Reporting Period, the Company required construction workers to undergo safety education before entering the site; to address common hazards at construction sites such as object strikes and falls from heights, the Company conducted emergency drills on safety incidents for workers; in addition to regular safety inspections conducted internally by the Company, Keymed invited law enforcement agencies to conduct safety hazard inspections to prevent any potential safety risks.

The Company has been continuously advancing production safety and occupational health education and training, and incorporated the occupational health and safety into the training program for new employees, achieving a 100% safety training coverage rate. In the past three years, including the Reporting Period, both the number and rate of work-related fatalities in the Company were zero. During the Reporting Period, the loss of working days due to work-related injuries was also zero.

2.4 Training and Development

Attaching great importance to the full-cycle career development of employees and the construction of skilled workforce, Keymed has provided diverse training and learning opportunities for employees in an effort to enhance their professional ability and comprehensive quality for self-actualization. In addition to the continuous optimization of salary management and promotion system, Keymed has actively been engaged in helping employees apply for special preferential policies for local talent incentives, and provided free apartments for high-end talents of the Company, so as to continuously recruit outstanding talents, and attract and retain employees in the long run, and thus empowering the Company for a sustainable development.

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To standardize talent management, the *Training Course Survey and Training SOP* was developed within the Company, covering the training needs, training content, training form, application principles, division of labor, effect evaluation and feedback as well as management assessment. For different trainees, the Company has developed talent development plans tailored to different areas of expertise, including new employee orientation training, professional skills training, leadership training, internal and external communication training, and marketing management training, to empower talents and create learning-oriented innovative teams, promoting common growth of employees and the Company. During the Reporting Period, the Company invited internal and external lecturers to focus on strengthening project management training and general workplace communication mapping training, aiming to enhance both the strength in project management and the soft competence of communication.

Professional Personnel Training Programs

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Training Performance in 2023[2]

Indicators		2023	2022	Unit
Total number of trainees		927	640	Person
Percentage of employees trained by gender	Male	42.61	41.56	%
	Female	57.39	58.44	%
Percentage of employees trained by management structure	Senior management	7.01	7.19	%
	Intermediate management	12.62	11.72	%
	General staff	80.37	81.09	%
Average training hours by gender	Male	19	18	Hour
	Female	19	18	Hour
Average training hours by management structure	Senior management	16	18	Hour
	Intermediate management	16	18	Hour
	General staff	20	18	Hour

2.5 Community Contributions

Bearing in mind its corporate social responsibility, Keymed actively organized employees to participate in health and public welfare activities. As its corporate culture includes a commitment to public welfare, Keymed has focused on meeting the needs of the local community and taken the initiative to seek all opportunities to help the local community at any cost. During the Reporting Period, Keymed actively participated in the tree-planting activity in the Chengdu Tianfu International Bio-town. This voluntary tree-planting activity held significant importance in improving the ecological environment of the community, beautifying public spaces, and further contributing to the construction of a beautiful China and the establishment of a solid green ecological foundation. Moreover, the Company also actively participates in various public welfare activities, giving back to society with its endeavors in many aspects, such as health services and poverty alleviation through education. During the year, more than 20 employees actively engaged in community public welfare activities, collectively contributing approximately 120 hours of their time.

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

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3. SAFEGUARDING THE GREEN ECOLOGY

Guided by green development principles, Keymed actively fulfills its environmental responsibilities. Their well-established environmental protection management system ensures strict control over pollutant emissions while optimizing energy and resource usage. By proactively taking these steps in response to climate change, the Company is committed to achieving a "win-win" solution for the harmonious development of the Company and the nature.

3.1 Environmental Impact Management

Attaching great importance to environmental protection, Keymed has strictly complied with the *Environmental Protection Law of the People's Republic of China*, the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Environment Pollution by Solid Waste* and other relevant laws and regulations of the country and places where it operates. During the Reporting Period, the Company updated the *Environmental Management Procedure*, adding an environmental protection accountability system to ensure accountability at the individual level, emphasizing the need for all employees to participate collectively in corporate environmental responsibility efforts.

During both the construction phase of engineering projects and the operational processes of plants, the Company enforces strict EHS management. This includes a robust EHS management system and continuously improved procedure, ultimately raising the Company's environmental governance standards. The Company implements a three-level management structure that goes from the Company, departments and to individuals, ensuring a detailed division of responsibilities and work tasks for employees at all levels. As the first person responsible for EHS management, the general manager of the Company shall formulate emergency plans for environmental and safety accidents and supervise the implementation of EHS measures; as the second line of defense for EHS management, EHS department is responsible for daily management and operation, regularly training employees, carrying out risk investigation and evaluation, and generating evaluation reports and emergency response plans. All employees within the Company shall fully implement the EHS management system and meet relevant requirements to prevent pollution and safety incidents from all aspects in operation and promote comprehensive and efficient environmental management. Keymed has taken measures from pollution prevention and control, energy conservation and emission reduction, ecological protection, and other aspects, and gradually set feasible environmental goals accordingly. Keymed has further promoted the effective implementation of green operation practices and reduced resource consumption and environmental pollution to the largest extent, thus minimizing the negative impact of the Company's operations on the environment. During the Reporting Period, the Company passed the certification of ISO 14001 system and received the corresponding certificate.

During the Reporting Period, the Company had no negative events during operations that had a significant impact on the environment and natural resources, and was named "Creditable Environmental Credit" unit by the environmental protection department for two consecutive years.

Environmental, Social and Governance Report

3.2 Emission Management

Keymed has strictly abided by the *Law of the People's Republic of China on Prevention and Control of Environment Pollution by Solid Waste*, the *Law of the People's Republic of China on Prevention and Control of Water Pollution* and other relevant laws and regulations. The Company has also established internal documents to effectively manage the discharge of wastewater, exhaust gas, and waste in daily production processes, gradually advancing the establishment of related objectives. In the product development process, the Company strives to minimize the use of organic reagents, acids, alkalis, and other chemicals, achieving source control to minimize pollutant emissions. Additionally, the Company urges engineering contractors to minimize the potential environmental impact during the construction process.

In terms of wastewater discharge management, Keymed has strictly controlled and regularly supervised the discharge of wastewater to ensure compliance with relevant wastewater discharge standards. The Company has established waste liquid ponds and applied a bioactive wastewater inactivation system containing a wastewater collection tank and an inactivation tank, which works through multiple treatment and sedimentation processes to inactivate the wastewater with high temperature, high pressure, and industrial steam processes, greatly reducing the residues of harmful substances from the wastewater. All wastewater generated from production will be treated by the sewage system, then uniformly treated by the sewage treatment station in the office park until it meets the standard for discharge.

In terms of exhaust gas emission management, the Company only discharges volatile organic compounds during the production process, and controls its emission concentration below the limits outlined in the relevant air pollution emission standards, which can be neglected. During the year, the Company's exhaust gas emissions were mainly from mobile sources.

In terms of waste discharge management, the Company adheres to the principles of minimization, recycling and harmless treatment for non-hazardous wastes and hazardous wastes generated. The Company refines different types of waste and has taken effective treatment measures to continuously promote the harmless treatment and recycling of wastes. For non-hazardous wastes, Keymed classified them in strict compliance with the relevant rules and regulations of the place where the Company operates; then the recyclables were handed over to qualified companies for unified recycling, and the kitchen wastes and other wastes were sent to the park or the local environmental sanitation department for collection and treatment. There are no statistics on non-hazardous wastes in this Report as non-hazardous wastes are managed by the park property.

The Company has formulated the *Hazardous Waste Management Procedures* to manage the hazardous waste generated in accordance with the *Directory of National Hazardous Wastes*. Keymed clarifies the potential safety hazards and operation procedure of production facilities in the safety guideline and procedures. By installing a video monitor in production facilities, the Company conducts real-time online monitoring of the generation, storage, transfer, and disposal of hazardous waste in production, and synchronizes information with government regulatory departments to control the discharge of waste throughout the process. The Company sets up a dedicated warehouse for hazardous waste to standardized the storage of hazardous wastes. The warehouse has a cofferdam to block leaks and a device for collecting leaking liquids, complying with the criterion of "protection from wind, rain, seepage and sunlight". In addition, a corresponding record has been established. The Company engages units qualified for the disposal of hazardous waste to handle hazardous waste to effectively strengthen the management of hazardous waste. During the Reporting Period, Keymed did not have any environmental violations or infractions, and did not receive any administrative penalties from the environmental protection department.

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3.3 Resources and Energy Management

Keymed has strictly abided by the Law of the People's Republic of China on Energy Conservation and other relevant laws and regulations in the country and the place where the Company operates, established a sound energy and resource management system, and set relevant goals and action plans to improve the efficiency of the use of energy and resources. The Company monitors energy consumption and resource use on a regular basis and adopts more energy-saving equipment and technologies.

The Company attaches importance to water resource management by continuously updating and improving management systems, gradually establishing water consumption reduction targets, and persistently promoting water-saving measures at all aspects to enhance water resource utilization efficiency. To this end, the Company develops an annual water resource utilization plan, regularly records, tracks, and analyses data indicators related to water consumption, identifies key water-saving processes, and formulates action plans to ensure the achievement of water efficiency goals. During the Reporting Period, Keymed directly collected, stored, and utilized rainwater to increase the reuse rate of collected rainwater, thereby conserving urban irrigation water. The Company utilized rainwater sprinkler systems during engineering construction to prevent dust dispersion. Additionally, the Company implemented concentrated water recycling for injection water during production, employing multi-prong measures to reduce water resource consumption. Keymed's production and operations mainly reply on municipal water supply, and therefore the Company does not encounter any issues in sourcing water.

Adhering to the basic principles of "energy conservation and environmental friendliness", Keymed pays close attention to the energy structure of areas where it operates. The Company attaches importance to building green factories including introducing and upgrading green processes and equipment, implementing energy-saving measures, and regularly analysing the efficiency of energy use. For any discrepancies from expected standards, the Company promptly rectifies, thereby continually enhancing energy efficiency. The Company employs an air-cooled heat pump system and magnetic levitation chillers to effectively achieve efficient energy use. During the Reporting Period, the Company further intensified the development and application of energy-saving and emission-reduction technologies, upgraded green processes and equipment, and enhanced energy efficiency in office areas and factories. The Company installed solar water heaters on the rooftops of some newly constructed plants and utilized solar photovoltaic panels for lighting at construction sites, thereby reducing the consumption of non-renewable energy such as electricity and gas.

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

Multi-dimensional energy-saving strategies

The Company proactively implements a green operation approach, vigorously promotes the concept of green environmental protection and encourages its employees to work in an eco-friendly manner in the daily operation. Keymed encourages more people to participate in protecting the ecological environment through diversified means. The Company guides its staff to save water and electricity on their own initiative through measures such as water conservation publicity, education on water conservation for employees, as well as posting water and electricity conservation reminders throughout the office. Additionally, Keymed has implemented a cloud-based office mode, adopted a centralized office mode, and provided flexible work options for employees on business trips to further promote energy conservation and consumption reduction. The Company centrally adjusts the operating hours and temperature range of air conditioners according to seasonal changes to reduce electricity consumption. Keymed encourages employees to make full use of natural light for the purpose of reducing the use of lighting equipment, and promotes double-sided printing as well as paperless office practices.

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3.4 Addressing Climate Change

The increasingly severe global climate change has led to frequent extreme weather events and natural disasters. Addressing climate change, promoting energy transition, and achieving carbon neutrality goals are key actions to ensure sustainable development for humanity. Keymed actively responds to the international initiative of the Paris Agreement, supporting China's bid to achieve the goals of "carbon peaking" by 2030 and "carbon neutrality" by 2060.

During the Reporting Period, in order to better cope with the risks and seize the opportunities brought by climate change, the Company identified climate risks and opportunities related to its own operations based on the TCFD recommended framework, and took corresponding measures according to the identification results.

Governance

Keymed gradually incorporates the management of climate-related issues into its overall ESG governance structure. The Board is responsible for integrating climate change-related risks into the Company's overall risk management system and providing oversight; the ESG Working Group is tasked with identifying and assessing climate-related risks and opportunities.

Strategy

The Company recognizes the potential impacts and opportunities brought about by climate change. For information about identified risks and opportunities, and their impacts on the Company, please refer to the Climate Risks and Climate Opportunities tables below.

Risk management

By analysing its business value chain and referencing the TCFD technical documentation, the Company has established a climate risk list and conducted an initial analysis of the potential financial impacts of climate risks on the Company. For details about on the response strategies for climate risks, please refer to the Climate Risks table below.

Indicators and objectives

The Company is committed to reducing greenhouse gas emissions and energy usage, and will establish emission reduction targets once reaching design capacity in the future. Each year, the Company records annual greenhouse gas emission data. For detailed data, please refer to the section headed "3.5 Environmental Performance".

During the Reporting Period, the Company conducted identification and assessment of climate change-related risks and opportunities. The analysis results indicated that acute physical risks were relatively important climate risks, so that the Company will prioritize addressing these risks. Going forward, the Company will use different climate scenarios to further analyse the impact of climate change-related risks and the response strategies, so as to enhance climate resilience.

Environmental, Social and Governance Report

Climate change-related risks			
Type	**Climate risks**	**Potential financial impacts**	**Response strategies**
Physical risks	Risks including but not limited to damage to production facilities and/or disruptions in the value chain associated with extreme weather conditions such as typhoons, floods, fires, or heatwaves	There were no impacts in 2023, but subsequent extreme weather events may potentially affect normal production of the Company, thereby impacting revenue and increasing operating costs, although the overall impact is expected to be minimal	• Formulating production emergency plan, flood prevention and disaster prevention response measures, and other documents • Setting up an emergency response team and specifying the responsibilities of departments at all levels • Strengthening monitoring of extreme weather conditions, acquiring weather information in a timely manner, and establishing communication channels with relevant government departments • Carrying out regular operation inspections, checking water drainage systems, electrical instruments, and reinforcing and examining hazards of outdoor facilities • Monitoring the risks posed by extreme weather conditions to upstream and downstream enterprises, ensuring the security of the supply chain

Climate change-related opportunities			
Type	**Climate opportunities**	**Potential financial impacts**	**Response strategies**
Energy sources	Usage of low-carbon or renewable energy sources	Increasing the proportion of low-carbon or renewable energy usage will help reduce energy costs	• Adjusting the energy usage structure to increase the proportion of renewable energies • Keeping abreast of national renewable energy policies by exploring the feasibility of using low-carbon energies
Resilience	Energy substitution or diversification	By planning for energy diversity, the Company can enhance resilience to climate change	• Encouraging employees and partners to participate in energy-saving and emission reduction activities • Installing solar water heaters on rooftops and use solar power at construction sites • Applying for green electricity quotas and actively seeking measures to effectively reduce carbon emissions

Environmental, Social and Governance Report

3.5 Environmental Performance

Emissions Indicators	2023	2022	Unit
Atmospheric pollutants[3]			
Nitrogen oxides	296.79	1,638.50	Kg
Sulphur oxides	0.33	0.25	Kg
Carbon monoxide	171.79	585.88	Kg
Particles($PM_{2.5}$, PM_{10})	11.88	185.68	Kg
Wastewater[4]			
Wastewater discharge	23,735.80	32,165.08	Tons
Greenhouse gas[5]			
Scope 1	53.37	174.23	Tons of carbon dioxide equivalent[6]
Scope 2	9,562.16	4,754.33	Tons of carbon dioxide
Total greenhouse gas emissions[7]	9,615.53	4,928.56	Tons of carbon dioxide equivalent
Greenhouse gas emission intensity		0.493	Tons of carbon dioxide equivalent/RMB10,000 (Revenue)
Discharge of hazardous wastes[8]			
Laboratory waste liquid	6.70	3.48	Tons
Total discharge of hazardous wastes	6.70	22.75	Tons
Discharge intensity of hazardous wastes		0.002	Tons/RMB10,000 (Revenue)

3 The calculation method and emission coefficient of atmospheric pollutants, referred from the Technical Guide for Compiling the Emission List of Road Mobile Pollution Sources (Trial). In 2023, the exhaust gas produced by the Company mainly came from the emission of mobile sources and power failure drill of diesel generators. The emission and concentration of the exhaust gas during the production process were lower than the thresholds specified in the relevant air pollution emission standards, and might be neglected.

4 In 2023, the Company altered the concentrated water discharge that achieved secondary utilization of all concentrated water resulted in a decrease in wastewater discharge.

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

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

7 In 2023, as the Company enter into the trial production stage, the greenhouse gas emissions increased significantly as compared to 2022.

8 From 2023, the waste culture dish and the waste engine oil will be disposed by external agent therefore the Company will not disclose relevant data.

Environmental, Social and Governance Report

Energy and resource consumption Indicators		2023	2022	Unit
Energy consumption				
Direct energy consumption	Gasoline	13,546	10,366	Liter
	Diesel	8,395	57,678	Liter
	Total direct energy consumption	210.83	679.17	1,000 kWh
	Direct energy consumption intensity		0.068	1,000 kWh/RMB10,000 (Revenue)
Indirect energy consumption[9]	Purchased electricity	10,363,858	5,019,261	kWh
	Purchased steam	33,196.86	17,198.62	GJ
	Total indirect energy consumption	19,585.22	9,796.66	1,000 kWh
	Indirect energy consumption intensity		0.979	1,000 kWh/RMB10,000 (Revenue)
Total energy consumption		194,796.04	10,475.83	1,000 kWh
Energy consumption intensity			1.047	1,000 kWh/RMB10,000 (Revenue)
Water resources				
Total water consumption[10]		104,088	40,206.35	Tons
Total water consumption intensity			4.018	Tons/RMB10,000 (Revenue)
Papers				
Paper (A3, A4) consumption		9.41	7.39	Tons
Packaging materials				
Plastic		1.60	1.17	Tons
Metal		0.15	0.09	Tons
Total packaging materials		1.75	1.26	Tons
Packaging material intensity			0.126	Kg/RMB10,000 (Revenue)

9 In 2023, as the Company enter into the trial production stage, each indirect energy consumption increased significantly as compared to 2022.

10 In 2023, as the Company enter into the trial production stage, total water consumption increased significantly as compared to 2022.

Environmental, Social and Governance Report

APPENDIX: HKEX ESG INDEX

Mandatory Disclosure Requirements		
Description		**Chapter**
Governance Structure	A statement from the Board containing the following elements: (i) a disclosure of the Board's oversight of ESG issues; (ii) the Board's ESG management approach and strategy, including the process used to evaluate, prioritize and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the Board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses	ESG Governance
Reporting Principles	A description of, or an explanation on, the application of the following reporting principles in the preparation of the ESG Report	About the Report
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG Report and describing the process used to identify which entities or operations are included in the ESG Report. If there is a change in the scope, the issuer should explain the difference and reason for the change	About the Report

Environmental, Social and Governance Report

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

Environmental, Social and Governance Report

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

Environmental, Social and Governance Report

B. Social			
Subject Areas, Aspects, General Disclosures and KPIs			**Chapter**
Aspect B1: Employment			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Contributing to Social Development: Equal Employment
KPIs	B1.1	Total workforce by gender, employment type, age group and geographical region.	
	B1.2	Employee turnover rate by gender, age group and geographical region.	
Aspect B2: Health and Safety			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Contributing to Social Development: Occupational Health and Safety
KPIs	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	
	B2.2	Lost days due to work injury.	
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	

Environmental, Social and Governance Report

B. Social			
Aspect B3: Development and Training			
General Disclosure		Policies on improving employees' knowledge and skills for discharging duties at work.	Contributing to Social Development: Training and Development
KPIs	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management and so on).	
	B3.2	The average training hours completed per employee by gender and employee category.	
Aspect B4: Labor Standards			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Contributing to Social Development: Equal Employment, Occupational Health and Safety
KPIs	B4.1	Description of measures to review employment practices to avoid child and forced labor.	
	B4.2	Description of steps taken to eliminate such practices when discovered.	
Aspect B5: Supply Chain Management			
General Disclosure		Policies on managing environmental and social risks of the supply chain.	Improving Corporate Governance: Supply Chain Management
KPIs	B5.1	Number of suppliers by geographical region.	
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how the practices are implemented and monitored.	
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	

Environmental, Social and Governance Report

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

Environmental, Social and Governance Report

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

Report of Directors

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the in-house discovery and development of innovative biological therapies in the autoimmune and oncology therapeutic areas. An analysis of the Group's revenue and operating results for the year ended December 31, 2023 by its principal activities is set out in note 5 to the consolidated financial statements of the Group.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

Report of Directors

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2023, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

FINANCIAL RESULTS

The results of the Group for the year ended December 31, 2023 are set out in the consolidated statement of profit or loss and other comprehensive income of this annual report.

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

FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended December 31, 2023.

DIVIDEND POLICY

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on June 25, 2024. The notice of the AGM will be despatched to the Shareholders in due course.

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from June 20, 2024 to June 25, 2024, both days inclusive, during which period no transfer of shares will be registered. Shareholders whose names appear on the register of shares of the Company on June 25, 2024 will be entitled to attend and vote at the AGM. All transfer documents of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on June 19, 2024.

Report of Directors

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2023, the Group's five largest suppliers accounted for 33.9%, as compared to 32.8% of the Group's total purchases for the year ended December 31, 2022. The Group's single largest supplier accounted for 9.0% of the Group's total purchases for the year ended December 31, 2023, as compared to 13.2% for the year ended December 31, 2022.

During the year ended December 31, 2023, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of total issued Shares of the Company) had any interest in the Group's five largest suppliers.

During the year ended December 31, 2023, revenue from the five largest customers accounted for 100% (2022: 100%) of the Group's total revenue and the Group's largest customer, AstraZeneca AB, for the year ended December 31, 2023 accounted for approximately 99.7% (2022: JMT-Bio accounted for 99.9%) of the Group's total revenue amount for the same year.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 31 to the consolidated financial statements.

RESERVES

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

DISTRIBUTABLE RESERVES

As at December 31, 2023, the Company did not retain any profits under IFRSs as reserves available for distribution to our equity shareholders.

DEBENTURES

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

Report of Directors

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Mr. Qi CHEN
Dr. Min Chuan WANG
Mr. Yilun LIU

Independent non-executive Directors

Prof. Xiao-Fan WANG
Prof. Yang KE
Mr. Cheuk Kin Stephen LAW
Prof. Linqing LIU (retired on June 27, 2023)

In accordance with Article 16.18 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. Accordingly, Prof. Xiao-Fan WANG, Prof. Yang KE and Mr. Cheuk Kin Stephen LAW shall retire from office by rotation at the AGM and, being eligible, has offered themselves for re-election as Director at the AGM.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Report of Directors

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

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

As at December 31, 2023, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

Long positions in the Shares or underlying Shares of the Company

Name of Director/ Chief executive	Capacity/Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding in the Company
			(%)
Dr. Bo CHEN	Interest in controlled corporation[2]	77,751,482(L)	27.79

Notes:

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

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

Save as disclosed above, as at December 31, 2023, to the best knowledge of the Directors and chief executive of the Company, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Report of Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at December 31, 2023, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding
			(%)
Moonshot[2]	Beneficial interest	77,751,482(L)	27.79
Boyu Capital Group Holdings Ltd.[3]	Interest in controlled corporation	15,080,479(L)	5.39
XYXY Holdings Ltd.[3]	Interest in controlled corporation	15,080,479(L)	5.39
Xiaomeng TONG[3]	Interest in controlled corporation	15,080,479(L)	5.39
Eagle Hero Management Limited[4]	Beneficial interest	16,359,069(L)	5.85
Trident Trust Company (HK) Limited[4]	Trustee	16,359,069(L)	5.85

Notes:

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

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

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

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

Save as disclosed above, as at December 31, 2023, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Report of Directors

RESTRICTED SHARE UNIT SCHEMES

2021 RSU Scheme

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

(a) Purpose of the 2021 RSU Scheme

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

(b) Participants

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

(c) Awards

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

(d) Term

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

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

(e) Grant and Acceptance of Awards

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

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

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

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

(f) Vesting

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

Report of Directors

(g) Restriction on Grant of Awards

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

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

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

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

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

(h) General and Maximum Limit

The maximum number of Shares which may be granted under the RSU Scheme is 17,976,153, representing approximately 6.43% of the number of issued Shares of the Company as of December 31, 2023. As of January 1, 2023 and December 31, 2023, the total number of Shares available to be awarded under the 2021 RSU Scheme is 10,602,305 Shares and 9,873,143 Shares (representing approximately 3.53% of the issued Shares as at the date of the annual report), respectively. All of the Shares were held by Keymed Talent Success Trust, a trust established for the administration of the 2021 RSU Scheme, through Eagle Hero Management Limited. No new Shares may be allotted pursuant to the 2021 RSU Scheme.

Report of Directors

Set for below are particulars of the Awards granted pursuant to the 2021 RSU Scheme:

			Number of awards					
Participant	Grant Time	Year of grant	Unvested as of January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested as of December 31, 2023
Employees (excluding Directors)[1]	Apr 5, 2021 – Dec 24, 2021[2]	2021	3,405,506	–	1,154,475	137,858	–	2,113,173
	Jan 4, 2022 – Dec 23, 2022[2]	2022	2,747,021	–	503,492	552,748	–	1,690,781
	Apr 3, 2023 – Oct 10, 2023[2][4]	2023	–	1,338,214	–	–	–	1,338,214
	July 1, 2023[3][4]		–	81,554	–	–	–	81,554
		Total	6,152,527	1,419,768	1,657,967	690,606	–	5,223,722
Including: top five highest paid employees	Apr 5, 2021 – Oct 26, 2021[2]	2021	850,925	–	283,643	–	–	567,282
	Jan 4, 2022 – Aug 15, 2022[2]	2022	1,284,462	–	321,117	–	–	963,345
	Apr 3, 2023 – Oct 10, 2023[2][4]	2023	–	348,448	–	–	–	348,448
		Total	2,135,387	348,448	604,760	–	–	1,879,075

Notes:

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

(2) The RSUs have vesting terms of 4 years from the grant date. The RSUs shall be vested according to the vesting schedule: 25% of the total number of RSUs shall be vested on the first anniversary of the grant date and the remaining 75% of the total number of RSUs shall be vested in three substantially equal annual instalments, with the first instalment vested on the second anniversary of the grant date, and then on up to the fourth anniversary of the grant date. The RSUs are granted with the purchase price of zero. The weighted average closing price of the awards exercised during the Reporting Period was HK$57.9.

(3) The RSUs have vesting terms of 3 years from the grant date. The RSUs shall be vested according to the vesting schedule: 1/3 of the total number of RSUs shall be vested on the first anniversary of the grant date and the remaining 2/3 of the total number of RSUs shall be vested in two substantially equal annual instalments, with the first instalment vested on the second anniversary of the grant date, and the second instalment vested on the third anniversary of the grant date. The RSUs are granted with the purchase price of zero.

Report of Directors

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

Date of Grant	Closing price of Shares immediately before date of grant (HKD)	Fair value of awards at the date of grant per Share (HKD)
Apr 3, 2023	58.00	55.25
Jul 1, 2023	40.9	40.9
Oct 10, 2023	52.5	51.8

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

2022 RSU Scheme

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

(a) Purpose of the 2022 RSU Scheme

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

(b) Participants

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

(c) Awards

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

(d) Term

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

(e) Vesting

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

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

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

(f) Restriction on Grant of Awards

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

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

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

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

Report of Directors

(g) General and Maximum Limit

The Shares in the share pool under the Scheme will be purchased from the secondary market. The aggregated amount of existing Shares to be purchased by the Trustee under the Scheme shall be no more than 5,594,711 Shares, representing approximately 2.0% of the number of total issued Shares of the Company as of December 31, 2023. The Shares acquired for the share pool will be funded out of the Company's internal resources, excluding the proceeds from Global Offering. The maximum number of Shares which may be subject to an Award or Awards to a selected Participant shall not in aggregate exceed 1% of the total issued Shares of the Company as of January 21, 2022 (being 279,735,566 Shares), and shall also be subject to any shareholders approval requirement as required under the Listing Rules. As of December 31, 2023, the total number of Shares available to be awarded under the 2022 RSU Scheme is 5,594,711 Shares (representing approximately 2.0% of the issued Shares as at the date of the annual report). 3,131,500 Shares had been purchased from the market and held by the Trustee as of December 31, 2023. No new Shares may be allotted pursuant to the 2022 RSU Scheme. At no time shall the Trustee be holding more than 10% of the total number of Shares in issue. The Shares held by the Trustee will be regarded as public float unless the Trustee becomes a core connected person of the Company or would otherwise cease to be regarded as member of the public under the Listing Rules. The Trustee shall not exercise the voting rights in respect of any Shares held under the Trust. As of December 31, 2023, no award was granted pursuant to the 2022 RSU Scheme.

SHARE OPTION SCHEME

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

CHANGES IN DIRECTORS' INFORMATION

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

CONNECTED TRANSACTIONS

Details on related party transactions for the year ended December 31, 2023 are set out in note 36 to the consolidated financial statements. There was no connected transaction nor continuing connected transaction of the Group which has to be disclosed in accordance with Chapter 14A of the Listing Rules during the Reporting Period.

Report of Directors

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUFFICIENCY OF PUBLIC FLOAT

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

SUBSIDIARIES

Particulars of the Company's subsidiaries as at December 31, 2023 are set out in note 1 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

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

EQUITY-LINKED AGREEMENTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year ended December 31, 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SIGNIFICANT LEGAL PROCEEDINGS

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

Report of Directors

RETIREMENT BENEFITS SCHEME

The Group has 3 employees who are required to participate in the Mandatory Provident Fund Scheme (the "**MPF Scheme**") in Hong Kong in compliance with the Hong Kong Mandatory Provident Fund Schemes Ordinance (Cap. 485). The MPF Scheme is a defined contribution plan administered by an independent corporate trustee. Under the MPF Scheme, each of the Group and the employee are required to make contributions to the MPF Scheme at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$30,000.

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

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

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

USE OF NET PROCEEDS FROM LISTING

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

The table below sets forth the utilisation of the net proceeds from the Global Offering and the unused amount as at December 31, 2023:

Business objective as stated in the Prospectus	**Planned applications** *RMB million*	**Balance as at December 31, 2022** *RMB million*	**Actual utilisation during the Reporting Period** *RMB million*	**Balance as at December 31, 2023** ***RMB million***	**Expected timeline for unutilized amount**
R&D and commercialization of the Company's Core Product and key drug candidates	1,705	1,276	342	934	By the end of 2025
Preclinical evaluation and clinical development of the Company's other pipeline products	426	242	207	35	By the end of 2024
Payment of lease for the Company's new manufacturing and R&D facilities and procurement of machinery and equipment	426	24	24	–	By the end of 2023
General corporate and working capital purposes	284	147	81	66	By the end of 2024
Total	2,841	1,689	654	1,035	

Report of Directors

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Company occurred since the end of the Reporting Period and up to the date of this annual report.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2023, we had 897 full-time employees in total, including 9 employees who are employed overseas and the remaining in China. In strict compliance with the relevant labor laws, we enter into individual employment contracts with our employees covering matters such as terms, wages, bonuses, employee benefits, workplace safety, confidentiality obligations and grounds for termination.

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

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

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Details of the emoluments of the Directors, and five highest paid individuals during the Reporting Period are set out in notes 9 and 10 to the consolidated financial statements. No Directors have waived or agreed to waive any emoluments during the Reporting Period.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2023, by the Group to or on behalf of any of the Directors.

Report of Directors

AUDIT COMMITTEE

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

The Audit Committee, together with the management and external auditor of the Company, has reviewed the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the condensed consolidated financial statements of the Group for the year ended December 31, 2023) of the Group, and is of the view that the annual results of the Group is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

AUDITOR

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

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

On behalf of the Board
Dr. Bo CHEN
Chairman

Hong Kong, March 26, 2024

Independent Auditor's Report

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To the shareholders of KEYMED BIOSCIENCES INC.

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of KEYMED BIOSCIENCES INC. (the "Company") and its subsidiaries (together, the "Group") set out on pages 106 to 175, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Risk of misstatement of research and development expenses The Group incurred significant research and development ("R&D") expenses of RMB596.3 million as disclosed in the consolidated statement of profit or loss for the year ended 31 December 2023, which mainly consisted of staff costs, materials and consumables, and service fees paid to contract research organisations and clinical site management organisation (collectively referred to as "Outsourced Service Providers"). R&D activities with these Outsourced Service Providers are documented in agreements and are typically performed over an extended period. These expenses are charged to profit or loss based on the progress of the R&D projects estimated by management. We identified the measurement of R&D expenses as a key audit matter due to their significant amount and the allocation of these expenses to the appropriate reporting period. The accounting policy and the disclosure for significant accounting judgement and estimate related to R&D expenses have been disclosed in notes 2.4 and 3 to financial statements, respectively.	Our procedures in relation to research and development expenses included the following: We obtained an understanding of and evaluated the key controls over the R&D process; We inquired management about the reasons for periodical fluctuations in R&D expenses and assessed the reasonableness of those fluctuations; We, on a sampling basis, selected R&D transactions to i) review the key terms set out in related agreements with Outsourced Service Providers; ii) inquire the R&D personnel and inspect related supporting documents to verify the progress of the R&D projects; and iii) recalculate the allocation of R&D expenses with reference to the progress of the R&D projects.

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

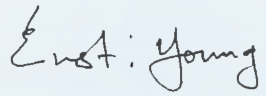
We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate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

Independent Auditor's Report

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

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

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



Certified Public Accountants
Hong Kong
26 March 2024

Consolidated Statement of Profit or Loss

Year ended 31 December 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Revenue	*5*	**354,095**	100,063
Cost of sales		**(36,878)**	(2,585)
GROSS PROFIT		**317,217**	97,478
Other income and gain	*6*	**123,249**	259,002
Research and development expenses		**(596,282)**	(507,374)
Administrative expenses		**(177,006)**	(133,912)
Other expenses		**(1,359)**	(683)
Finance costs	*8*	**(17,259)**	(8,397)
Share of loss of a joint venture		**(4,748)**	(9,711)
LOSS BEFORE TAX	*7*	**(356,188)**	(303,597)
Income tax expense	*11*	**(1,597)**	–
LOSS FOR THE YEAR		**(357,785)**	(303,597)
Attributable to:			
Owners of the parent		**(359,357)**	(308,115)
Non-controlling interests		**1,572**	4,518
		(357,785)	(303,597)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*13*	**(RMB1.37)**	(RMB1.18)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
LOSS FOR THE YEAR		**(357,785)**	(303,597)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(836)**	–
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**(962)**	1
OTHER COMPREHENSIVE (LOSS) /INCOME FOR THE YEAR, NET OF TAX		**(1,798)**	1
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(359,583)**	(303,596)
Attributable to:			
Owners of the parent		**(361,155)**	(308,114)
Non-controlling interests		**1,572**	4,518
		(359,583)	(303,596)

Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**803,347**	553,556
Right-of-use assets	*15*	**90,390**	30,878
Other intangible assets	*16*	**1,110**	1,496
Prepayments, other receivables and other assets	*22*	**26,914**	15,841
Investment in a joint venture	*17*	**5,822**	10,570
Equity investments designated at fair value through other comprehensive income ("FVTOCI")	*18*	**15,808**	10,001
Total non-current assets		**943,391**	622,342
CURRENT ASSETS			
Inventories	*19*	**56,354**	44,495
Trade receivables	*20*	**16,091**	–
Contract assets	*21*	**11,000**	–
Prepayments, other receivables and other assets	*22*	**135,125**	90,153
Financial assets at fair value through profit or loss ("FVTPL")	*23*	**174,374**	232,188
Restricted cash		**1,775**	–
Time deposits	*24*	**1,693,783**	2,339,068
Cash and cash equivalents	*24*	**851,029**	604,070
Total current assets		**2,939,531**	3,309,974
CURRENT LIABILITIES			
Trade payables	*25*	**29,488**	14,913
Other payables and accruals	*26*	**219,440**	146,208
Amounts due to related parties	*36*	**–**	225
Other financial liabilities		**–**	146,112
Interest-bearing bank borrowings	*28*	**45,825**	61,163
Lease liabilities	*15*	**19,427**	11,078
Total current liabilities		**314,180**	379,699
NET CURRENT ASSETS		**2,625,351**	2,930,275
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,568,742**	3,552,617

Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 ***RMB'000***	2022 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*28*	**331,834**	28,800
Deferred income	*29*	**228,194**	163,671
Lease liabilities	*15*	**21,623**	20,928
Deferred tax liabilities	*30*	**278**	–
Total non-current liabilities		**581,929**	213,399
NET ASSETS		**2,986,813**	3,339,218
EQUITY			
Equity attributable to owners of the parent			
Share capital	*31*	**169**	170
Treasury shares	*31*	**2**	1
Reserves	*33*	**2,986,140**	3,340,117
		2,986,311	3,340,288
Non-controlling interests		**502**	(1,070)
TOTAL EQUITY		**2,986,813**	3,339,218

Bo Chen
Director

Changyu Wang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Attributable to owners of the parent								
	Share capital *RMB'000* (note 31)	Treasury shares *RMB'000* (note 31)	Share premium* *RMB'000*	Share-based payment reserve* *RMB'000* (note 32)	Other reserve* *RMB'000*	Accumulated losses* *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2023	**170**	**1**	**8,485,153**	**144,970**	**1**	**(5,290,007)**	**3,340,288**	**(1,070)**	**3,339,218**
Loss for the year	–	–	–	–	–	(359,357)	(359,357)	1,572	(357,785)
Other comprehensive loss for the year:									
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax (note 18)	–	–	–	–	(962)	–	(962)	–	(962)
Exchange differences on translation of foreign operations	–	–	–	–	(836)	–	(836)	–	(836)
Total comprehensive loss for the year	–	–	–	–	(1,798)	(359,357)	(361,155)	1,572	(359,583)
Share-based payments (note 32)	–	–	–	40,079	–	–	40,079	–	40,079
Shares repurchased (note 31)	(1)	1	(32,901)	–	–	–	(32,901)	–	(32,901)
Exercise of restricted stock units	–	–	31,491	(31,491)	–	–	–	–	–
At 31 December 2023	**169**	**2**	**8,483,743**	**153,558**	**(1,797)**	**(5,649,364)**	**2,986,311**	**502**	**2,986,813**

Year ended 31 December 2022

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

* These reserve accounts comprise the consolidated reserves of RMB2,986,140,000 (31 December 2022: RMB3,340,117,000) in consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 ***RMB'000***	2022 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	*7*	**(356,188)**	(303,597)
Adjustments for:			
Finance costs	*8*	**17,259**	8,397
Interest income	*6*	**(84,216)**	(52,039)
Interest income on financial assets at FVTPL	*6*	**(4,130)**	(2,277)
Foreign exchange gains	*6*	**(11,081)**	(139,030)
Depreciation of property plant and equipment	*14*	**51,629**	22,274
Amortisation of other intangible assets	*16*	**386**	336
Depreciation of right-of-use assets	*15*	**17,146**	13,513
Disposal of property, plant and equipment	*14*	**71**	392
Government grants	*30*	**(812)**	(2,511)
Equity-settled share-based payments	*33*	**40,079**	48,567
Share of loss of a joint venture	*17*	**4,748**	9,711
Termination of lease	*15*	**383**	–
		(324,726)	(396,264)
Increase in prepayments, other receivables and other assets		**(46,963)**	(33,756)
Increase in inventories		**(11,859)**	(28,102)
Increase in trade receivables		**(16,091)**	–
(Increase)/decrease in contract asset		**(11,000)**	3,980
Increase in trade payables		**14,575**	12,129
Increase in other payables and accruals		**93,763**	40,079
Income tax paid		**(1,319)**	–
Net cash flows used in operating activities		**(303,620)**	(401,934)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**84,216**	52,039
Purchases of property, plant and equipment		**(327,194)**	(278,821)
Purchases of leasehold land		**(51,292)**	–
Receipts of government grants for property, plant and equipment		**65,335**	155,851
Purchases of intangible assets		**(4,124)**	(728)
Purchase of an unlisted equity investment		**(6,769)**	(10,000)
Purchases of wealth management products		**(269,913)**	(626,782)
Proceeds from disposal of wealth management products		**331,857**	450,272
Placement of time deposits with maturity dates over three months		**(628,555)**	(5,014,387)
Withdrawal of time deposits with maturity dates over three months		**1,273,840**	4,625,878
Decrease in advances to employees		**2,577**	1,092
Other investing activities		**(1,775)**	–
Net cash flows from/(used in) investing activities		**468,203**	(645,586)

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments	15	**(18,649)**	(14,518)
Repayments to related parties		**(225)**	(328)
Acquisition of non-controlling interests		**(150,599)**	–
Listing expenses		**–**	(30,513)
Rental deposits (paid)/refunded		**(2,363)**	338
Repurchase of shares		**(32,901)**	(51,135)
New bank loans		**360,000**	89,950
Repayment of bank loans		**(72,645)**	–
Interest paid		**(10,487)**	(1,853)
Net cash flows from/(used in) financing activities		**72,131**	(8,059)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**236,714**	(1,055,579)
Cash and cash equivalents at beginning of year		**604,070**	1,520,619
Effect of foreign exchange rate changes, net		**10,245**	139,030
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	**851,029**	604,070
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**813,493**	588,050
Time deposits with maturity within three months		**37,536**	16,020
Cash and cash equivalents as stated in the consolidated statement of financial position	25	**851,029**	604,070

Notes to Financial Statements

31 December 2023

1. CORPORATE AND GROUP INFORMATION

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

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

During the year ended 31 December 2023, the Group was involved in the research and development of pharmaceutical products.

Information about subsidiaries

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

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

Notes to Financial Statements

31 December 2023

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Kangnuo Boyu Biomedical Technology (Chengdu) Co., Ltd.* 康諾博譽生物醫藥科技(成都)有限公司	PRC/Chinese Mainland 29 December 2020	USD15,200,000	–	100%	Research and development
Beijing Lingyue Biomedical Technology Co., Ltd.* ("Beijing Lingyue") 北京岑樾生物醫藥科技有限公司	PRC/Chinese Mainland 4 December 2019	RMB10,000,000	–	100%	Research and development
Shanghai Lingyue Biomedical Technology Co., Ltd.* ("Shanghai Lingyue") 上海岑樾生物醫藥科技有限公司	PRC/Chinese Mainland 3 December 2018	RMB1,000,000	–	100%	Research and development
Chengdu Kangnuoxing Biopharma Inc.* ("Chengdu KNX") 成都康諾行生物醫藥科技有限公司	PRC/Chinese Mainland 9 November 2017	RMB12,300,000	–	100%	Development and manufacturing
Keymed Biosciences (Beijing) Co., Ltd.* 北京康諾亞生物醫藥科技有限公司	PRC/Chinese Mainland 14 September 2022	RMB10,000,000	–	100%	Research and development
Keymed Biosciences (Sichuan) Co., Ltd.* 四川康諾亞醫藥有限公司	PRC/Chinese Mainland 3 November 2023	RMB5,000,000	–	100%	Investment holding

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the financial statements throughout the year ended 31 December 2023.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

Except as described below, the application of the new and revised IFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior years.

Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised deferred tax assets for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available) and deferred tax liabilities for all taxable temporary differences associated with right-of-use assets. There was no influence to the financial statement of 2022.

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The adoption of amendments to IAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback* [1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* [1]
Amendments to IAS 1	*Non-current Liabilities with Covenants* [1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements* [1]
Amendments to IAS 21	*Lack of Exchangeability* [2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES

Investment in a joint venture

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

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

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

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

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

Fair value measurement

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

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

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

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

Buildings	2% to 5%
Machinery	10% to 20%
Office equipment and others	10% to 20%
Motor vehicles	10%
Leasehold improvements	The shorter of remaining lease terms and estimated useful lives

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Research and development expenses

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

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

Leases

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

The Group as a lessee

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

(a) Right-of-use assets

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

Office and laboratory	2 to 9 years
Leasehold land	50 years

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

***Leases** (Continued)*

The Group as a lessee (Continued)

(b) Lease liabilities

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

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

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

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

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

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

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

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

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

This category includes equity investments and debt instruments which the Group had not irrevocably elected to classify at fair value through other comprehensive income and are measured at fair value through profit or loss.

Derecognition of financial assets

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

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

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

Derecognition of financial assets (Continued)

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

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

Impairment of financial assets

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

General approach

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

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

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

Impairment of financial assets (Continued)

General approach (Continued)

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

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

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

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

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

Simplified approach

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, amounts due to related parties, interest-bearing bank and other borrowings, and other financial liabilities.

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Treasury shares

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of bringing raw materials to its present location and condition, comprises purchase cost.

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

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

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax

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

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

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

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

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

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

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

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

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

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

Revenue recognition

Revenue from contracts with customers

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

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

***Revenue recognition** (Continued)*

Revenue from contracts with customers (Continued)

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

Collaboration revenue

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

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

Licenses of Intellectual Property ("IP")

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

***Revenue recognition** (Continued)*

Research and Development Services

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

Milestone Payments

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

Royalties

For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the Licenses are deemed to be the predominant item to which the royalties relate, the Group recognises revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Other income

Interest income

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

***Other income** (Continued)*

Contract development and manufacturing services income

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

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

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payments

The Company operates a restricted share units scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined based on the fair values of ordinary shares of the Company, further details of which are given in note 32 to the financial statements.

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

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

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

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

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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

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

Other employee benefits

Pension scheme

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

Borrowing costs

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

Foreign currencies

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

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

***Foreign currencies** (Continued)*

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

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Research and development expenses

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

Notes to Financial Statements

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

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

Recognition of income taxes and deferred tax assets

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

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

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

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

Useful lives of property, plant and equipment

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

Notes to Financial Statements

31 December 2023

4. OPERATING SEGMENT INFORMATION

Operating segment information

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

Geographical information

(a) Revenue from external customers

	2023 ***RMB'000***	2022 *RMB'000*
Overseas	**353,192**	–
Chinese Mainland	**903**	100,063
	354,095	100,063

The revenue information above is based on the location of the customers.

(b) Non-current assets

The majority of the Group's non-current assets were located in Chinese Mainland as at 31 December 2023, geographical segment information in accordance with IFRS 8 *Operation Segments* is presented.

	2023 ***RMB'000***	2022 *RMB'000*
Hong Kong	**787**	141
United States of America	**2,061**	–
Chinese Mainland	**940,543**	622,201
	943,391	622,342

Information about major customers

Revenue of approximately RMB353,192,000 (2022: RMB100,000,000) was derived from collaboration revenue from a pharmaceutical company. Further details are set out in note 5.

Notes to Financial Statements

31 December 2023

5. REVENUE

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
Type of services		
Collaboration revenue	**354,095**	100,063
Timing of revenue recognition		
Transferred at a point in time	**343,698**	100,063
Transferred overtime	**10,397**	–

(b) Performance obligations

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

Licensing out of CM326

In November 2021, the Group entered into an exclusive license agreement (the "CSPC Agreement") with Shanghai JMT-Bio Technology Co., Ltd. ("JMT-Bio"), an affiliate of CSPC Pharmaceutical Group Limited, to develop, use, sell, contract and commercialise TSLP antibody ("CM326") for the treatment of moderate and severe asthma, COPD and other respiratory diseases in Chinese Mainland (excluding Hong Kong, Macau or Taiwan). Pursuant to the CSPC Agreement, the Group is entitled to receive upfront payment, R&D support services payment, milestone payment and royalty payment. In January 2022, JMT-Bio paid the Group a one-time and non-refundable upfront payment of RMB100 million.

The Group recognised collaboration revenue related to CM326 of RMB461,000 during the year ended 31 December 2023 (2022: RMB100,063,000).

Licensing out of CMG901

In February 2023, KYM, a 70% non-wholly owned subsidiary of the Group (the remaining 30% ownership is held by affiliates of Lepu Biopharma Co., Ltd. ("Lepu")), entered into a global exclusive out-license agreement with AstraZeneca AB ("AZ") (the "AZ Agreement"), for research, development, registration, manufacturing, and commercialisation of Claudin 18.2-targeting anti-body drug conjugate ("CMG901"). Pursuant to the AZ Agreement and subject to its terms and conditions, KYM was entitled to receive from AZ a one-time and non-refundable upfront payment of USD63,000,000, of which USD44,100,000 was attributable to the Group and USD18,900,000 was attributable to Lepu. In March 2023, AZ paid KYM the one-time and non-refundable upfront payment of USD63,000,000. KYM will be also entitled to receive R&D support services, milestone and royalty payments for licensing and payments for clinical support when the relevant performance obligation is satisfied.

The Group recognised collaboration revenue related to CMG901 of RMB353,192,000 during the year ended 31 December 2023.

Notes to Financial Statements

31 December 2023

6. OTHER INCOME AND GAIN

An analysis of other income and gain is as follows:

	2023 RMB'000	2022 RMB'000
Other income		
Government grants income	**21,271**	65,544
Interest income on financial assets at FVTPL	**4,130**	2,277
Interest income	**84,216**	52,039
Others	**2,551**	112
	112,168	119,972
Gain		
Gain on foreign exchange, net	**11,081**	139,030
	123,249	259,002

7. LOSS BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Depreciation of property, plant and equipment	*14*	**51,629**	22,274
Depreciation of right-of-use assets	*15*	**17,146**	13,513
Amortisation of other intangible assets	*16*	**386**	336
Lease payments not included in the measurement of lease liabilities	*15*	**1,056**	1,887
Government grants income	*6*	**(21,271)**	(65,544)
Auditors' remuneration		**2,883**	2,830
Interest income from financial assets at FVTPL	*6*	**(4,130)**	(2,277)
Interest income	*6*	**(84,216)**	(52,039)
Finance costs	*8*	**17,259**	8,397
Gain on foreign exchange, net	*6*	**(11,081)**	(139,030)
Employee benefit expenses (excluding directors' and chief executive's remuneration)			
– Wages and salaries		**215,157**	136,415
– Pension scheme contributions		**44,970**	25,351
– Staff welfare expenses		**1,890**	4,454
– Share-based payment expense		**40,079**	48,567
		302,096	214,787

Notes to Financial Statements

31 December 2023

8. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Implicit interest on other financial liabilities	**4,487**	4,818
Interest on lease liabilities	**1,944**	1,535
Interest expense on bank borrowings	**10,828**	1,866
Others	**–**	178
	17,259	8,397

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year ended 31 December 2023, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is set out below:

	2023 RMB'000	2022 RMB'000
Fees	**1,762**	1,819
Other emoluments:		
Salaries, allowances and benefits in kind	**9,077**	8,235
Performance related bonuses	**–**	31
Pension scheme contributions	**304**	123
	9,381	8,389

(a) Independent non-executive directors

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

	2023 RMB'000	2022 RMB'000
Dr. Xiaofan Wang	**476**	433
Dr. Yang Ke	**476**	433
Dr. Linqing Liu	**238**	433
Cheuk Kin Stephen Law	**572**	520
	1,762	1,819

Notes to Financial Statements

31 December 2023

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

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

2023

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Director and chief executive:					
Dr. Bo Chen	–	**4,592**	–	**196**	**4,788**
Directors:					
Dr. Gang Xu	–	**1,566**	–	**41**	**1,607**
Mr. Qi Chen	–	**152**	–	**26**	**178**
Dr. Minchuan Wang	–	–	–	–	–
Mr. Yilun Liu	–	–	–	–	–
Dr. Changyu Wang	–	**2,767**	–	**41**	**2,808**
	–	**9,077**	–	**304**	**9,381**

2022

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

Notes to Financial Statements

31 December 2023

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2023 included 2 director (2022: 1 director), whose details of remuneration are set out in note 9 above. Details of the remuneration for the remaining 3 highest paid employees (2022: 4) who are neither a director nor chief executive of the Company during the year ended 31 December 2023 are as follows:

	2023	2022
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**18,346**	11,017
Performance related bonuses	**1,191**	1,429
Pension scheme contributions	**192**	280
Equity-settled share-based payments	**10,004**	21,032
	29,733	33,758

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

	2023	2022
HK$3,000,001 to HK$3,500,000	**1**	1
HK$5,000,001 to HK$5,500,000	**–**	1
HK$6,000,001 to HK$6,500,000	**1**	–
HK$7,500,001 to HK$8,000,000	**–**	1
HK$14,500,001 to HK$15,000,000	**1**	–
HK$22,500,001 to HK$23,000,000	**–**	1
	3	4

11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax.

British Virgin Islands

Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the subsidiaries incorporated in the BVI are not subject to any income tax.

United States of America

Subsidiaries incorporated in Delaware, the USA, are subject to the statutory federal corporate income tax at a rate of 21% during the year ended 31 December 2023.

11. INCOME TAX (Continued)

Hong Kong

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at the statutory rate of 16.5% on any estimated assessable profits arising in Hong Kong during the year ended 31 December 2023. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year ended 31 December 2023.

Chinese Mainland

Four subsidiaries incorporated in Chinese Mainland, including Keymed Chengdu, Chengdu KNX, Beijing Lingyue and Shanghai Lingyue, obtained the Certificate of High-tech Enterprise and are entitled to corporate income tax at a preferential rate of 15% on taxable profit determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008.

The rest of the subsidiaries that are incorporated in Chinese Mainland are subject to corporate income tax at the statutory rate of 25% on taxable profit determined in accordance with the PRC Corporate Income Tax Law.

	2023 ***RMB'000***	*2022* *RMB'000*
Current – Chinese Mainland	**807**	–
Charge for the year	**–**	–
Underprovision in prior years	**807**	–
Current – Others	**512**	–
Deferred (note 30)	**278**	–
Total	**1,597**	–

A reconciliation of the tax expense applicable to loss before tax using the statutory rates of the jurisdictions in which the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

2023	**Chinese Mainland** ***RMB'000***	**Others** ***RMB'000***	**Total** ***RMB'000***
Profit/(loss) before tax	**(446,467)**	**90,279**	**(356,188)**
Tax charged at the statutory tax rate	**(67,127)**	**987**	**(66,140)**
Additionally deductible allowance for qualified research and development costs	**(72,686)**	**–**	**(72,686)**
Adjustments in respect of current tax of previous periods	**807**	**–**	**807**
Expenses not deductible for tax	**15,164**	**–**	**15,164**
Tax losses utilised from previous periods	**–**	**(2,834)**	**(2,834)**
Deductible temporary differences and tax losses not recognised	**124,927**	**2,359**	**127,286**
Tax charge at the Group's effective rate	**1,085**	**512**	**1,597**

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31 December 2023

11. INCOME TAX (Continued)

2022	Chinese Mainland *RMB'000*	Others *RMB'000*	Total *RMB'000*
Profit/(loss) before tax	(465,521)	161,924	(303,597)
Tax charged at the statutory tax rate	(109,147)	(14,373)	(123,520)
Additionally deductible allowance for qualified research and development costs	(78,569)	–	(78,569)
Expenses not deductible for tax	3,128	–	3,128
Tax losses utilised from previous periods	–	(3,325)	(3,325)
Deductible temporary differences and tax losses not recognised	184,588	17,698	202,286
Tax charge at the Group's effective rate	–	–	–

The Group has accumulated tax losses in Chinese Mainland of RMB2,104,858,000 in aggregate as at the end of 2023 (2022: RMB1,341,500,000), which can be carried forward for five to ten years to offset against future taxable profits of the companies in which losses were incurred.

The Group has no accumulated tax losses in the USA in aggregate at the end of 2023 (2022: RMB27,958,000).

Deferred tax assets have not been recognised in respect of these tax losses as they have been incurred in subsidiaries that were loss-making in the past and it is not probable that they will generate sufficient taxable income in the forthcoming five to ten years to utilise these tax losses.

12. DIVIDENDS

No dividends have been declared and paid by the Company during the year ended 31 December 2023.

Notes to Financial Statements

31 December 2023

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue (excluding treasury shares reserved under the restricted share units scheme) during each reporting period.

The computation of diluted loss per share for the year ended 31 December 2023 and 31 December 2022 was made without the assumption of the exercise of restricted share units in 2023 and 2022 since their assumed exercise or conversion of such shares would result in a decrease in loss per share.

The calculation of the basic and diluted loss per share attributable to ordinary equity holders of the parent is based on the following data:

	2023	2022
Loss for the year		
Loss for the year attributable to ordinary equity holders of the parent (RMB'000)	**(359,357)**	(308,115)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculations	**261,367,569**	261,126,555
Loss per share (basic and diluted)		
RMB per share	**(1.37)**	(1.18)

Notes to Financial Statements

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14. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Machinery *RMB'000*	Office equipment and others *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2023							
At 1 January 2023:							
Cost	–	223,749	8,262	3,482	51,727	323,548	610,768
Accumulated depreciation	–	(35,245)	(1,715)	(1,440)	(18,812)	–	(57,212)
Net carrying amount	–	188,504	6,547	2,042	32,915	323,548	553,556
At 1 January 2023, net of accumulated depreciation	–	188,504	6,547	2,042	32,915	323,548	553,556
Additions	190,158	15,012	3,014	112	1,640	91,555	301,491
Disposals	–	(64)	–	–	(7)	–	(71)
Depreciation provided during the year (note 7)	(3,522)	(36,231)	(2,375)	(349)	(9,152)	–	(51,629)
Transfer	–	367,508	5,199	–	7,918	(380,625)	–
At 31 December 2023, net of accumulated depreciation	186,636	534,729	12,385	1,805	33,314	34,478	803,347
At 31 December 2023:							
Cost	190,158	606,704	16,475	3,594	60,770	34,478	912,179
Accumulated depreciation	(3,522)	(71,975)	(4,090)	(1,789)	(27,456)	–	(108,832)
Net carrying amount	186,636	534,729	12,385	1,805	33,314	34,478	803,347

Notes to Financial Statements

31 December 2023

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Machinery *RMB'000*	Office equipment and others *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2022						
At 1 January 2022:						
Cost	102,000	5,162	3,482	42,446	21,625	174,715
Accumulated depreciation	(21,231)	(1,296)	(576)	(12,193)	–	(35,296)
Net carrying amount	80,769	3,866	2,906	30,253	21,625	139,419
At 1 January 2022, net of accumulated depreciation	80,769	3,866	2,906	30,253	21,625	139,419
Additions	16,151	3,375	–	8,795	408,482	436,803
Disposals	(198)	(194)	–	–	–	(392)
Depreciation provided during the year (note 7)	(14,291)	(500)	(864)	(6,619)	–	(22,274)
Transfer	106,073	–	–	486	(106,559)	–
At 31 December 2022, net of accumulated depreciation	188,504	6,547	2,042	32,915	323,548	553,556
At 31 December 2022:						
Cost	223,749	8,262	3,482	51,727	323,548	610,768
Accumulated depreciation	(35,245)	(1,715)	(1,440)	(18,812)	–	(57,212)
Net carrying amount	188,504	6,547	2,042	32,915	323,548	553,556

At 31 December 2023, certain of the Group's machinery of costs amounted to RMB440,584,000 (2022: no less than RMB430,000,000) were pledged to secure bank borrowings of the Group (note 28).

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15. LEASES

The Group as a lessee

The Group has lease contracts for several office units used as its office and laboratory. The movements in the carrying amount of right-of-use assets and lease liabilities during the year ended 31 December 2023 are as follows:

(a) Right-of-use assets

2023

	Leasehold land ***RMB'000***	**Office and laboratory** ***RMB'000***	**Total** ***RMB'000***
As at 1 January	**–**	**30,878**	**30,878**
Additions	**51,292**	**28,041**	**79,333**
Termination	**–**	**(2,675)**	**(2,675)**
Depreciation charge (note 7)	**(1,038)**	**(16,108)**	**(17,146)**
As at 31 December	**50,254**	**40,136**	**90,390**

2022

	Office and laboratory *RMB'000*
As at 1 January	38,111
Additions	12,333
Lease modification	(6,053)
Depreciation charge (note 7)	(13,513)
As at 31 December	30,878

Notes to Financial Statements

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15. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year ended 31 December 2023 are as follows:

	Office and laboratory	
	2023	2022
	RMB'000	*RMB'000*
Carrying amount at 1 January	**32,006**	38,709
New leases	**28,041**	12,333
Termination	**(2,292)**	–
Accretion of interest recognised during the year	**1,944**	1,535
Lease modification	**–**	(6,053)
Lease payments	**(18,649)**	(14,518)
Carrying amount at 31 December	**41,050**	32,006
Analysed into:		
Current portion	**19,427**	11,078
Non-current portion	**21,623**	20,928
	41,050	32,006

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

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

	2023	2022
	RMB'000	*RMB'000*
Interest on lease liabilities	**1,944**	1,535
Depreciation charge on right-of-use assets	**17,146**	13,513
Expense relating to short-term and low-value leases	**1,056**	1,887
Total amount recognised in profit or loss	**20,146**	16,935

The total cash outflow for leases included in the consolidated statement of cash flows is disclosed in note 34(c) to the financial statements.

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16. OTHER INTANGIBLE ASSETS

	Computer software *RMB'000*
31 December 2023	
Cost at 1 January 2023, net of accumulated amortisation	**1,496**
Additions	**–**
Amortisation provided during the year (note 7)	**(386)**
At 31 December 2023	**1,110**
At 31 December 2023:	
Cost	**1,927**
Accumulated amortisation	**(817)**
Net carrying amount	**1,110**
31 December 2022	
Cost at 1 January 2022, net of accumulated amortisation	1,104
Additions	728
Amortisation provided during the year (note 7)	(336)
At 31 December 2022	1,496
At 31 December 2022:	
Cost	1,928
Accumulated amortisation	(432)
Net carrying amount	1,496

Notes to Financial Statements

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17. INVESTMENT IN A JOINT VENTURE

	2023 *RMB'000*	2022 *RMB'000*
Costs of investment in a joint venture	**21,000**	21,000
Share of losses of a joint venture	**(15,178)**	(10,430)
	5,822	10,570

The joint venture is indirectly held by the Company and is accounted for using the equity method in the consolidated financial statements.

Particulars of the Group's joint venture are as follows:

Name	Place of registration and business	Percentage Ownership interest	Voting power	Profit sharing	Principal activity
Beijing Tiannuo Pharma Tech Co., Ltd. ("Tiannuo Pharma")	Chinese Mainland	50%	50%	50%	Clinical research

As at 31 December 2023, Tiannuo Pharma was still a start-up company involved in the research and development of biotechnology and pharmaceutical products. The following table illustrates the financial information of the joint venture, which is not material to the consolidated financial statements of the Group:

	2023 *RMB'000*	2022 *RMB'000*
Share of a joint venture's loss for the year	**(4,748)**	(9,711)
Share of a joint venture's total comprehensive loss for the year	**(4,748)**	(9,711)
Aggregate carrying amount of the Group's investment in a joint venture	**5,822**	10,570

Notes to Financial Statements

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18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

	2023 ***RMB'000***	2022 *RMB'000*
Unlisted equity investments, at fair value		
Shanghai Duoning Biotechnology Co., Ltd.	**9,039**	10,001
Rona Therapeutics inc.	**6,769**	–
Total	**15,808**	10,001

These insignificant unlisted equity investments are measured at fair value through other comprehensive income. The decrease in fair value of these investments of RMB962,000 was recognised in the other comprehensive income for the year ended 31 December 2023.

19. INVENTORIES

	2023 ***RMB'000***	2022 *RMB'000*
Raw materials	**56,314**	44,215
Contract costs	**40**	280
	56,354	44,495

20. TRADE RECEIVABLES

	2023 ***RMB'000***	2022 *RMB'000*
Trade receivables	**16,091**	–

The Group's trading terms with its customers are mainly on credit. The credit period is normally 60 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

For the trade receivables generated from the provision of services, to which the customers have similar loss patterns, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due, and the calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts of future economic conditions.

Notes to Financial Statements

31 December 2023

20. TRADE RECEIVABLES (Continued)

As at 31 December 2023, the Group's trade receivables were concentrated in a single multinational pharmaceutical company, and the trade receivables generated from the provision of services are expected to be recovered in a timely manner in view of the customer's past repayment record and stable business relationship with the Group.

	2023 ***RMB'000***	2022 *RMB'000*
Within 1 month	**16,091**	–

21. CONTRACT ASSETS

	2023 ***RMB'000***	2022 *RMB'000*
Contract assets arising from:		
Collaboration revenue	**11,000**	–

Contract assets are initially recognised for revenue earned from the collaboration revenue as the receipt of consideration is conditional on successful completion of services provided by the partners of collaboration. Upon completion of services provided by the partners of collaboration, the amounts recognised as contract assets are reclassified to trade receivables.

During the year ended 31 December 2023, the Group's contract assets were concentrated in a single service customer, and the contract assets are expected to be recovered in a timely manner in view of the customer's past repayment record, stable business relationship.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Within 1 month	**11,000**	–

Notes to Financial Statements

31 December 2023

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Non-current:		
Prepayments for other intangible assets	**4,124**	–
Prepayments for property, plant and equipment	**17,203**	12,031
Rental deposits	**5,518**	2,540
Advances to employees	**69**	1,270
	26,914	15,841
Current:		
Prepayments for		
– Research and development expenses	**49,393**	37,671
– Raw materials	**4,747**	6,837
– Value-added tax recoverable	**16,025**	29,904
– Others	**10,860**	6,045
Other receivables		
– Advance payment for clinical research fees	**42,734**	–
– Individual income tax for share-based payment	**4,891**	–
– Rental deposits	**1,638**	2,253
– Advances to employees	**1,484**	2,860
– Receivable for CDM service income	**880**	480
– Other receivables	**2,473**	4,103
	135,125	90,153

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its prepayments and other receivable balances.

The balances are interest-free, unsecured and repayable on demand.

23. OTHER INVESTMENTS CLASSIFIED AS FINANCIAL ASSETS AT FVTPL

	2023 RMB'000	2022 RMB'000
Wealth management products	**174,374**	232,188

These wealth management products denominated in RMB and USD were issued by banks in Chinese Mainland and Hong Kong. They were mandatorily classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest.

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24. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	2023 ***RMB'000***	2022 *RMB'000*
Cash and bank balances	**813,493**	588,050
Time deposits with maturity dates within three months	**37,536**	16,020
Cash and cash equivalents	**851,029**	604,070
Time deposits with maturity dates over three months	**1,693,783**	2,339,068
	2,544,812	2,943,138
Denominated in		
RMB	**1,433,796**	2,303,998
USD	**943,388**	498,981
HKD	**167,628**	140,159
	2,544,812	2,943,138

Cash and cash equivalents earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The time deposits presented above are placed with banks in Chinese Mainland and Hong Kong with annual interest rates ranging from 1.3% to 5.5% and have maturity dates within one year.

RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Within 3 months	**13,913**	4,995
3 to 6 months	**2,365**	4,358
6 months to 1 year	**10,342**	5,495
Over 1 year	**2,868**	65
	29,488	14,913

Trade payables are non-interest-bearing and unsecured.

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26. OTHER PAYABLES AND ACCRUALS

	2023 *RMB'000*	2022 *RMB'000*
Payroll payable	**48,176**	35,437
Accrued research and development expenses	**60,732**	53,873
Accrued professional fee	**1,418**	1,680
Other tax payables	**1,820**	1,026
Other payables:		
Payables for property, plant and equipment	**31,502**	52,033
Amounts due to partners of collaboration revenue	**59,214**	–
Payables for logistics services	**6,790**	–
Payables for research and development expenses	**2,872**	–
Others	**6,916**	2,159
	219,440	146,208

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

27. OTHER FINANCIAL LIABILITIES

In July 2019, Chengdu KNX entered into an investment agreement (the "Hi-tech Investment Agreement") with Chengdu Hi-tech New Economy Venture Capital Co., Ltd. (成都高新新經濟創業投資有限公司, "Hi-tech"). Pursuant to the Hi-tech Investment Agreement, Hi-tech subscribed for 16.6667% interests of Chengdu KNX for a cash consideration of RMB100,000,000 (the "Hi-tech Investment Principal").

In March 2020, Chengdu KNX entered into an investment agreement (the "Bio-town Investment Agreement") with Chengdu Bio-town Equity Investment Co., Ltd. (成都生物城股權投資有限公司, "Bio-town"). Pursuant to the Bio-town investment Agreement, Bio-town subscribed for 2.4390% interests of Chengdu KNX for a cash consideration of RMB15,000,000 (the "Bio-town Investment Principal").

At the request of Hi-tech and Bio-town (collectively the "Onshore Investors"), Chengdu KNX shall repurchase all or portion of their outstanding ownership from time to time on or upon, amongst others, the fifth anniversary of the receiving date.

In June 2023, Keymed Chengdu, the parent company of Chengdu KNX entered into an equity transfer agreement with Onshore Investors, pursuant to which Keymed Chengdu agreed to purchase 18.6992% equity interest in Chengdu KNX from Onshore Investors at total consideration of RMB150,599,000. The acquisition was completed by the end of June 2023 and Chengdu KNX then became a wholly-owned subsidiary within the Group. The Group has recorded finance costs of RMB4,487,000 and RMB4,818,000 associated with the changes in the present value of the exercise price, which are regarded as implicit interest included in finance costs in profit or loss for the years ended 31 December 2023 and 2022, respectively.

Notes to Financial Statements

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28. INTEREST-BEARING BANK BORROWINGS

	2023		
	Effective interest rate (%)	**Maturity**	***RMB'000***
Current			
Bank loans – unsecured	3.00	2024/12/19	**3,003**
Bank loans – unsecured	2.65	2024/11/24	**10,008**
Bank loans – secured	Loan Prime Rate ("LPR")-1.2	2024/12/21	**32,814**
			45,825
Non-current			
Bank loans – secured	LPR-1.2	2025-2027	**331,834**
			377,659

	2022		
	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank loans – unsecured	3.50	2023/6/29	50,000
Bank loans – secured	LPR-1.2	2023/6/21	613
Bank loans – secured	LPR-1.2	2023/12/21	600
Bank loans – unsecured	LPR+0.2	2023/12/29	9,950
			61,163
Non-current			
Bank loans – secured	LPR-1.2	2024-2027	28,800
			89,963

	2023 ***RMB'000***	2022 *RMB'000*
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**45,825**	61,163
In the second year	**68,195**	2,700
In the third to fifth years, inclusive	**263,639**	26,100
	377,659	89,963

Notes to Financial Statements

31 December 2023

28. INTEREST-BEARING BANK BORROWINGS (Continued)

Notes:

(a) The Group's bank loans amounted to RMB377,659,000 (2022: RMB89,963,000), of which RMB364,648,000 (2022: RMB30,013,000) are secured by mortgages over the Group's machinery equipment of RMB440,584,000 (2022: no less than RMB430,000,000).

(b) The Group committed to secure the above mentioned borrowings amounted RMB364,648,000 (2022: RMB30,013,000) by mortgages over the Group's buildings and land use right situated in Chengdu Biotown (成都生物城), which had net carrying amount of approximately RMB236,889,000 (2022: Nil).

(c) All borrowings are denominated in RMB.

29. DEFERRED INCOME

	2023 ***RMB'000***	2022 *RMB'000*
Government grants	**228,194**	163,671

The movements in deferred income during the year ended 31 December 2023 are as follows:

	2023 ***RMB'000***	2022 *RMB'000*
At beginning of the year	**163,671**	10,331
Grants received during the year	**66,135**	155,851
Amounts released to profit or loss during the year (note 6)	**(1,612)**	(2,511)
At end of the year	**228,194**	163,671

The grants were mostly government subsidies received from government authorities related to property, plant and equipment to support the Group's research and development activities and will be released to profit or loss over the expected useful life of the relevant property, plant and equipment.

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30. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities:

	Right-of-use assets	
	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**–**	–
Effect of adoption of amendments to IAS 12 (note 2.2)	**6,302**	7,395
At beginning of year (restated)	**6,302**	7,395
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 11)	**95**	(1,093)
Gross deferred tax liabilities at end of year	**6,397**	6,302

Deferred tax assets:

	Lease liabilities	
	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**–**	–
Effect of adoption of amendments to IAS 12 (note 2.2)	**6,302**	7,395
At beginning of year (restated)	**6,302**	7,395
Deferred tax charged to the statement of profit or loss during the year (note 11)	**(183)**	(1,093)
Gross deferred tax liabilities at end of year	**6,119**	6,302

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023	2022
	RMB'000	*RMB'000*
Net deferred tax liabilities recognised in the consolidated statement of financial position	**278**	–
Net deferred tax liabilities in respect of continuing operations	**278**	–

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Notes to Financial Statements

31 December 2023

31. SHARE CAPITAL

Issued and fully paid:

	Number of shares in issue	Number of shares fully paid	2023 *RMB'000*	2022 *RMB'000*
Ordinary shares of USD0.0001 each	279,735,566	261,759,413	**169**	170

Among these 279,735,566 issued ordinary shares, 17,976,153 shares reserved under the restricted share units scheme remained unpaid as at 31 December 2023 and 31 December 2022.

Share capital

	Number of shares in issue	Share Capital *RMB'000*
At 1 January 2023 and at 31 December 2022	277,386,066	170
Shares repurchased for the Restricted Share Units ("RSU") Scheme	(782,000)	(1)
At 31 December 2023	**276,604,066**	**169**

Treasury Shares

	Number of treasury shares	Share Capital *RMB'000*
At 1 January 2023 and at 31 December 2022	2,349,500	1
Shares repurchased for the RSU Scheme	782,000	1
At 31 December 2023	**3,131,500**	**2**

During the year ended 31 December 2023, the Company repurchased 782,000 shares at a total consideration of RMB32,901,000 from the open market, which are held by Bright Season Enterprises Limited, a trust controlled by the Company established for the 2022 RSU Scheme.

32. SHARE-BASED PAYMENTS

Restricted Share Units ("RSUs") Scheme

Pursuant to a written shareholders' resolution of the Company passed on 5 April 2021, a Restricted Share Unit Scheme (the "2021 RSU Scheme") has been approved for the purpose of providing incentives to eligible participants who contribute to the success of the Group's operation. Up to 17,976,153 shares of the Company were authorised and approved under the 2021 RSU Scheme. The number of RSUs granted, the grant date, and the vesting period under the 2021 RSU Scheme will be determined at the discretion of the Company's board of directors. The Scheme shall be valid and effective for the period of ten years commencing on the listing date of 8 July 2022.

Pursuant to a written board resolution passed by the Company on 21 January 2022, a Restricted Share Unit Scheme (the "2022 RSU Scheme") has been approved to recognise and incentivize the grantee's contributions and to retain and further develop to attract outstanding employees. Under the 2022 RSU Scheme, the authorized and approved shares of the Company will not exceed 2% of the total issued share capital of the Company as at the grant date (i.e., not more than 5,594,711 shares). The number of RSUs granted, the grant date, and the vesting period under the 2022 RSU Scheme, shall be determined by the Company's board of directors. The 2022 RSU scheme was effective on 21 January 2022 and is valid for ten years. None RSU is granted under the 2022 RSU scheme during the year ended 31 December 2023.

As at 31 December 2023, 3,131,500 shares were repurchased from the open market and held under the 2022 RSU Scheme.

The RSUs under the 2021 RSU Scheme have respective vesting terms over 4 years or 3 years from the grant date. The RSUs shall be vested according to the vesting schedule: 25% or 33.3% of the total number of RSUs shall be vested on the first anniversary of the grant date and the remaining 75% or 66.7% of the total number of RSUs shall be vested in three or two substantially equal annual instalments, with the first instalment vested on the second anniversary of the grant date, and then on the fourth or the third anniversary of the grant date. The RSUs are granted with the subscription price of zero during the reporting period.

The following RSUs were outstanding during the year ended 31 December 2023:

	Number of RSUs
At 1 January 2023	**6,152,527**
Granted during the year	**1,419,768**
Vested during the year	**(1,657,967)**
Forfeited during the year	**(690,606)**
At 31 December 2023	**5,223,722**

The fair values of RSUs granted during the reporting periods were determined with reference to the closing price of ordinary shares of the Company traded publicly on the Stock Exchange at the grant date or the previous trading day, and hence no inputs were applicable.

The Group recognised share-based payment expenses of RMB40,079,000 under the 2021 RSU Scheme for the year ended 31 December 2023 (2022: RMB48,567,000).

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33. RESERVES

The Group

The amounts of the Group's deficits and the movements therein for the year ended 31 December 2023 are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Treasury shares

The treasury shares of the Group represents the cost of own equity instruments which are reacquired and held by the Group for the 2022 RSU Scheme.

Share premium

The share premium of the Group represents: 1) conversion of redeemable convertible preferred shares into ordinary shares upon IPO, 2) the issue of ordinary shares upon IPO and exercise of over-allotment option, and 3) the transfer of share-based payments to share premium resulting from the exercise of RSUs.

Share-based payments reserve

The share-based payments reserve of the Group represents the share-based payments reserve in respect of equity-settled share awards.

Other reserve

The other reserve of the Group represents the changes in fair value of equity investments measured at fair value through other comprehensive income and the exchange differences on translation of foreign operations.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets of RMB28,041,000 and non-cash additions to lease liabilities of RMB28,041,000, in respect of lease arrangements for office and laboratory premises.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank and other loans *RMB'000*	Other financial liabilities *RMB'000*	Lease liabilities *RMB'000*	Accrued listing expenses included in other payables *RMB'000*	Amounts due to related parties *RMB'000*
At 1 January 2022	–	141,294	38,709	30,513	553
Changes from financing cash flows	88,097	–	(14,518)	(30,513)	(328)
New leases	–	–	12,333	–	–
Lease modification	–	–	(6,053)	–	–
Accretion of interest	1,866	4,818	1,535	–	–
At 31 December 2022 and 1 January 2023	89,963	146,112	32,006	–	225
Changes from financing cash flows	**276,868**	**(150,599)**	**(18,649)**	**–**	**(225)**
New leases	**–**	**–**	**28,041**	**–**	**–**
Termination	**–**	**–**	**(2,292)**	**–**	**–**
Accretion of interest	**10,828**	**4,487**	**1,944**	**–**	**–**
At 31 December 2023	**377,659**	**–**	**41,050**	**–**	**–**

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Within operating activities	**1,056**	1,887
Within financing activities	**21,012**	14,180
	22,068	16,067

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35. COMMITMENTS

The Group had the following contractual commitments as at 31 December 2023:

	2023 ***RMB'000***	2022 *RMB'000*
Plant and machinery	**228,008**	897

36. RELATED PARTY TRANSACTIONS

The Directors are of the opinion that, the following personnel is a related party that had material transactions or balances with the Group during the year ended 31 December 2023.

(a) Name and relationships of the related parties

Name	**Relationship**
Dr. Qian Jia	Key management personnel

(b) Outstanding balances with related parties:

	2023 ***RMB'000***	2022 *RMB'000*
Amounts due to related parties – non-trade		
Dr. Qian Jia	**–**	225
	–	225

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

	2023 ***RMB'000***	2022 *RMB'000*
Salaries, allowances and benefits in kind	**19,371**	17,989
Pension scheme contributions	**897**	237
Equity-settled share-based payments	**15,442**	17,726
Performance related bonuses	**173**	697
	35,865	36,649

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	2023			
	Financial assets at amortised cost ***RMB'000***	**Financial assets at FVTPL** ***RMB'000***	**Financial assets at FVTOCI** ***RMB'000***	**Total** ***RMB'000***
Trade receivable	**16,091**	**–**	**–**	**16,091**
Financial assets included in prepayments, other receivables and other assets	**59,687**	**–**	**–**	**59,687**
Other investments classified as financial assets at FVTPL – Wealth management products	**–**	**174,374**	**–**	**174,374**
Equity investments designated at FVTOCI	**–**	**–**	**15,808**	**15,808**
Restricted cash	**1,775**	**–**	**–**	**1,775**
Time deposits	**1,693,783**	**–**	**–**	**1,693,783**
Cash and cash equivalents	**851,029**	**–**	**–**	**851,029**
	2,622,365	**174,374**	**15,808**	**2,812,547**

	2022			
	Financial assets at amortised cost *RMB'000*	Financial assets at FVTPL *RMB'000*	Financial assets at FVTOCI *RMB'000*	Total *RMB'000*
Financial assets included in prepayments, other receivables and other assets	13,506	–	–	13,506
Other investments classified as financial assets at FVTPL – Wealth management products	–	232,188	–	232,188
Equity investments designated at FVTOCI	–	–	10,001	10,001
Time deposits	2,339,068	–	–	2,339,068
Cash and cash equivalents	604,070	–	–	604,070
	2,956,644	232,188	10,001	3,198,833

Notes to Financial Statements

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37. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	2023 Financial liabilities at amortised cost *RMB'000*
Trade payables	**29,488**
Interest-bearing bank borrowings	**377,659**
Financial liabilities included in other payables and accruals	**107,294**
	514,441

	2022		
	Financial liabilities at amortised cost *RMB'000*	Financial liabilities at present value of repurchase price *RMB'000*	Total *RMB'000*
Trade payables	14,913	–	14,913
Interest-bearing bank borrowings	89,963	–	89,963
Financial liabilities included in other payables and accruals	54,192	–	54,192
Amounts due to related parties	225	–	225
Other financial liabilities	–	146,112	146,112
	159,293	146,112	305,405

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The Group's finance department headed by the Chief Finance Officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the Chief Finance Officer in 2022 and 2023. The finance department analyses the movements in the value of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors of the Company once a year for annual financial reporting.

Notes to Financial Statements

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38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2023 were assessed to be insignificant.

Fair value hierarchy

Assets measured at fair value:

	Fair value measurement using			
As at 31 December 2023	**Quoted prices in active markets (Level 1) *RMB'000***	**Significant observable inputs (Level 2) *RMB'000***	**Significant unobservable inputs (Level 3) *RMB'000***	**Total *RMB'000***
Financial assets				
Other investments classified as financial assets at FVTPL – Wealth management products	**–**	**174,374**	**–**	**174,374**
Equity investments designated at FVTOCI	**–**	**–**	**15,808**	**15,808**
	–	**174,374**	**15,808**	**190,182**

	Fair value measurement using			
As at 31 December 2022	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial assets				
Other investments classified as financial assets at FVTPL – Wealth management products	–	232,188	–	232,188
Equity investments designated at FVTOCI	–	–	10,001	10,001
	–	232,188	10,001	242,189

During the year ended 31 December 2023, there were no transfers of fair value measurements into or out of Level 2 or Level 3 for financial assets.

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly comprise cash and cash equivalents, time deposits, other investments classified as financial assets at FVTPL, interest-bearing bank borrowings and other financial liabilities. The main purpose of these financial instruments is to raise fund for the Group's operations. The Group has various other financial assets and liabilities such as financial assets included in prepayments, other receivables and other assets, amounts due to related parties, trade payables, and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates.

The Group's financial assets and liabilities are subject to foreign currency risk as a result of certain cash and cash equivalents and time deposits, other investments classified as FVTPL and other payables and accruals denominated in non-functional currency. Therefore, the fluctuations in the exchange rate of functional currency against non-functional currency could affect the Group's results of operations. The Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currency.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (arising from USD and HKD denominated financial instruments) and the Group's equity.

	Increase/ (decrease) in rate of foreign exchange *%*	Decrease/ (increase) in loss before tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
31 December 2022			
If RMB weakens against USD	5	(24,949)	24,949
If RMB strengthens against USD	(5)	24,949	(24,949)
If RMB weakens against HKD	5	(7,008)	7,008
If RMB strengthens against HKD	(5)	7,008	(7,008)
31 December 2023			
If RMB weakens against USD	**5**	**(47,169)**	**47,169**
If RMB strengthens against USD	**(5)**	**47,169**	**(47,169)**
If RMB weakens against HKD	**5**	**(8,381)**	**8,381**
If RMB strengthens against HKD	**(5)**	**8,381**	**(8,381)**

Notes to Financial Statements

31 December 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

Credit risk is the risk that a counterparty will default on contractual obligations resulting in financial loss to the Group.

The credit risk of the Group's financial assets, which primarily comprise cash and cash equivalents, time deposits, trade receivables, other investments classified as at FVTPL, and financial assets included in prepayments, other receivables and other assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

For financial assets included in prepayments, other receivables and other assets, management makes periodic collective assessment as well as individual assessment on the recoverability of such assets based on historical settlement records and past experience. The Directors believe that there is no material credit risk inherent in the Group's outstanding balances. At the end of the reporting period, cash and cash equivalents were deposited in reputable financial institutions without significant credit risk. Other investments at FVTPL were obtained through reputable financial institutions without significant credit risk.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as 31 December 2023.

	As at 31 December 2023				
	12-Month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Time deposit	**1,693,783**	–	–	–	**1,693,783**
Cash and cash equivalents	**851,029**	–	–	–	**851,029**
Restricted cash	**1,775**	–	–	–	**1,775**
Trade receivables	–	–	–	**16,091**	**16,091**
Contract assets	–	–	–	**11,000**	**11,000**
Financial assets included in prepayments, other receivables and other assets	**58,807**	–	–	**880**	**59,687**
	2,605,394	–	–	**27,971**	**2,633,365**

Notes to Financial Statements

31 December 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

***Maximum exposure and year-end staging** (Continued)*

	As at 31 December 2022				
	12-Month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Time deposit	2,339,068	–	–	–	2,339,068
Cash and cash equivalents	604,070	–	–	–	604,070
Financial assets included in prepayments, other receivables and other assets	13,026	–	–	480	13,506
	2,956,164	–	–	480	2,956,644

The credit quality of other financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. During the reporting periods, the Group estimated that the expected credit loss for financial assets included in prepayments, other receivables and other assets was minimal.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2023			
	On demand or within one year *RMB'000*	**One to five years *RMB'000***	**Over five years *RMB'000***	**Total *RMB'000***
Trade payables	**29,488**	**–**	**–**	**29,488**
Financial liabilities included in other payables and accruals	**107,294**	**–**	**–**	**107,294**
Lease liabilities	**18,883**	**24,916**	**–**	**43,799**
Interest-bearing bank borrowings (excluding lease liabilities)	**46,521**	**338,568**	**–**	**385,089**
	202,186	**363,484**	**–**	**565,670**

Notes to Financial Statements

31 December 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	2022			
	On demand or within one year *RMB'000*	One to five years *RMB'000*	Over five years *RMB'000*	Total *RMB'000*
Trade payables	14,913	–	–	14,913
Financial liabilities included in other payables and accruals	54,192	–	–	54,192
Lease liabilities	12,020	23,361	–	35,381
Interest-bearing bank borrowings (excluding lease liabilities)	61,163	28,800	–	89,963
Amounts due to related parties	225	–	–	225
Other financial liabilities	146,112	–	–	146,112
	288,625	52,161	–	340,786

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital as at the end of the reporting period.

Notes to Financial Statements

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40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023	2022
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**724,981**	684,902
Amounts due from subsidiaries	**2,262,348**	1,546,555
Total non-current assets	**2,987,329**	2,231,457
CURRENT ASSETS		
Financial assets at fair value through profit or loss	**–**	50,000
Prepayments, other receivables and other assets	**8,178**	1,664
Restricted cash	**1,775**	–
Time deposits	**1,507,590**	2,339,068
Cash and cash equivalents	**260,453**	31,733
Total current assets	**1,777,996**	2,422,465
CURRENT LIABILITY		
Other payables and accruals	**20,502**	7,185
Total current liability	**20,502**	7,185
NET CURRENT ASSETS	**1,757,494**	2,415,280
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,744,823**	4,646,737
Total non-current liabilities	**–**	–
NET ASSETS	**4,744,823**	4,646,737
EQUITY		
Share capital	**171**	171
Reserves (note)	**4,744,652**	4,646,566
TOTAL EQUITY	**4,744,823**	4,646,737

Notes to Financial Statements

31 December 2023

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The balances of the Company's reserves and the movements therein for the year ended 31 December 2023 are presented as follows:

	Reserves *RMB'000*
At 1 January 2022	4,402,355
Total comprehensive income for the year	246,779
Share-based payment	48,567
Shares repurchased	(51,135)
At 31 December 2022 and 1 January 2023	4,646,566
Total comprehensive income for the year	**90,908**
Share-based payment	**40,079**
Shares repurchased	**(32,901)**
At 31 December 2023	**4,744,652**

The share-based payment reserve of the Company represents the share-based payment reserve in respect of equity-settled share awards.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2024.

Five Year Financial Summary

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	**851,029**	604,070	1,520,619	199,409	432,608
Time deposits	**1,693,783**	2,339,068	1,950,559	144,279	–
Total assets	**3,882,922**	3,932,316	3,934,455	529,945	658,578
Total liabilities	**896,109**	593,098	289,073	1,624,748	934,533
Total equity/(deficits)	**2,986,813**	3,339,218	3,645,382	(1,094,803)	(275,955)

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**354,095**	100,063	110,269	–	–
Gross profits	**317,217**	97,478	93,069	–	–
Other income and gains	**123,249**	259,002	52,667	41,190	15,645
Research and development expenses	**(596,282)**	(507,374)	(358,156)	(127,400)	(64,812)
Administrative expenses	**(177,006)**	(133,912)	(92,454)	(21,548)	(15,158)
Listing expenses	**–**	–	(37,932)	(280)	–
Fair value losses on convertible redeemable preferred shares	**–**	–	(3,480,294)	(696,470)	(97,212)
Other expenses	**(1,359)**	(683)	(57,680)	(31)	(298)
Finance costs	**(17,259)**	(8,397)	(11,133)	(14,309)	(5,677)
Loss for the year	**(357,785)**	(303,597)	(3,892,632)	(818,848)	(167,512)