乐普生物
LEPU BIOPHARMA

樂普生物科技股份有限公司
LEPU BIOPHARMA CO., LTD.

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

Stock Code: 2157

2023
Annual Report

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Dr. Pu Zhongjie (蒲忠傑) *(Chairman)*
Dr. Sui Ziye (隋滋野) *(Chief Executive Officer)*
Dr. Hu Chaohong (胡朝紅) *(Co-Chief Executive Officer) (retired with effect from January 31, 2024)*

NON-EXECUTIVE DIRECTORS

Mr. Yang Hongbing (楊紅冰)
Ms. Pu Jue (蒲珏)
Mr. Lin Xianghong (林向紅) *(retired with effect from January 31, 2024)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SUPERVISORS

Mr. Xu Yang (徐揚)
Mr. Yang Ming (楊明)
Ms. Zhao Lixuan (趙力萱) *(appointed with effect from January 31, 2024)*
Mr. Wang Jiwei (王徫緯) *(retired with effect from January 31, 2024)*

AUDIT COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

HONG KONG LEGAL ADVISER

Herbert Smith Freehills
23/F, Gloucester Tower
15 Queen's Road Central
Hong Kong

PRC LEGAL ADVISER

Zhong Lun Law Firm
23-31/F, South Tower of CP Center
20 Jin He East Avenue
Chaoyang District
Beijing
PRC

COMPLIANCE ADVISER

Maxa Capital Limited
Unit 2602, 26/F
Golden Centre
188 Des Voeux Road Central
Sheung Wan
Hong Kong

STRATEGY COMMITTEE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

PRINCIPAL BANKS

Industrial and Commercial Bank of China Shanghai Xinzhuang Industrial District Sub-branch
No. 3800 Jindu Road
Minhang District
Shanghai
China

Agricultural Bank of China Shanghai Branch Minhang Sub-branch
No. 68 South Shuiqing Road
Minhang District
Shanghai
China

China Merchants Bank Shanghai Minhang Sub-branch
No. 365, Xinsong Road
Minhang District
Shanghai
China

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 651, Lianheng Road
Minhang District, Shanghai
PRC

H SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

02157

COMPANY WEBSITE

www.lepubiopharma.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

Lepu Biopharma is innovation-driven and dedicated to discovering, developing, and commercializing first-in-class and best-in-class drug candidates in anti-tumor targeted therapy and oncology immunotherapy. Since its establishment, the Company has been dedicated to promoting the technological advancement of innovative ADCs in China, establishing an advanced and systematic ADC technology development platform, and developing more optimal and innovative drugs to better address significant unmet medical needs in oncology therapeutics. The Company is committed to continuously developing a market-differentiating pipeline by combining in-house research and development with strategic collaborations, strengthening its in-house manufacturing capabilities, and commercializing our pipeline products in China through a professional sales and marketing team, and internationally through partnerships. Through continuously building its own commercialization capabilities, the Company constantly achieves a strong transformation and industrialization from core technology to finished drugs.

In the past year, amidst a challenging and opportunistic external environment, Lepu Biopharma focused on its core pipelines, increased revenue streams, reduced costs, and seized development opportunities, ultimately delivering satisfactory results. In 2023, the Company achieved rapid growth in revenue and significant decrease in losses, with ADC entering the harvest period. We are hereby pleased to present the Company's annual report for the year ended December 31, 2023 to share our operating results for 2023 with our Shareholders.

I. Achieving Breakthroughs in Commercialization with Total Revenue of RMB225 Million and Remarkable Decrease in Losses

BD of CMG901 achieved revenue of RMB124 million. In February 2023, KYM, a joint venture formed by the Company and Keymed, entered into the license agreement with AstraZeneca to develop and commercialize CMG901. Pursuant to the AstraZeneca will be granted an exclusive global license for research, development, registration, manufacturing and commercialization of CMG901. According to the License Agreement and subject to the terms and conditions thereof, KYM shall receive an upfront payment of US$63 million with the potential for additional payments up to US$1,125 million subject to achievement of certain development, regulatory and commercial milestones. As of December 31, 2023, the Company received approximately RMB124 million total revenue from KYM as licensing income and from AstraZeneca in relation to the supply of services and drug products.

PUYOUHENG (Pucotenlimab Injection) achieved a sales revenue of RMB101 million. 2023 was Lepu Biopharma's first full accounting year after the commercialization of PUYOUHENG (Pucotenlimab Injection). As of December 31, 2023, PUYOUHENG (Pucotenlimab Injection) has recorded a sales revenue of RMB101 million.

Remarkable decrease in loss. On September 28, 2023, the Company has partially disposed of its investment in HealSun Biopharma, which contributed to net gains of RMB104 million. The preferred rights granted upon the issuance of ordinary shares by Wuhan Binhu to certain investors have been converted into ordinary shares, resulting in the dilution of the Company's percentage equity interests held in Wuhan Binhui from 20.03% to 11.84%. The Company generated a net gain of RMB116 million in respect of dilution of equity interests. As of December 31, 2023, other gains generated through these investment activities have totalled RMB220 million.

The Company recorded a net loss of approximately RMB30 million in 2023, representing a significant decrease of approximately 96% from the previous year. The adjusted net loss for the year (net of the impact of other gains above) was approximately RMB250 million.

II. Embarking onto the Harvest Stage of our ADC Pipeline

MRG003, an EGFR-targeted ADC, is scheduled for production in 2024. The Company continued to focus on the clinical studies on advanced NPC and advanced HNSCC, which have demonstrated promising efficacy. With the excellent clinical data from the Phase IIa clinical study on NPC, data on NPC indications was selected for the oral presentation at the ESMO Congress 2023, and MRG003 was granted IND approval and FTD from the FDA in October 2023 and November 2023 respectively. Currently, the Company is conducting the Phase IIb clinical study for MRG003 on NPC and has completed patients enrollment. The excellent Phase II clinical data on HNSCC indications was presented as a poster at the ESMO Congress 2023. The Company is conducting the Phase III clinical study for MRG003 on HNSCC.

The single-arm registration clinical trial for MRG002, a HER2-targeted ADC, has reached its primary endpoint, and NDA preparation is underway. We have completed patients enrollment for the registrational Phase II clinical trial of MRG002 in HER2 over-expressed BC, and we are making our best efforts to progress it into the NDA stage. On the other hand, the Company is also conducting the Phase III clinical study for this indication at the same time. Meanwhile, the Company is also conducting the Phase III clinical study of MRG002 on UC.

MRG004A, a TF-targeted ADC, presented positive efficacy signal on PC indications. The Company is conducting the Phase I/II clinical trial of MRG004A, a TF-targeted ADC, on solid tumor in the United States and China, and have observed positive efficacy signal on PC, TNBC and CC. Phase I clinical data on the solid tumor will also be presented at the ASCO Annual Meeting 2024. The Company is expanding Phase Ib sub-group and dose optimization clinical trials for PC indications and will continue to explore the potential clinical value in PC indications. In December 2023, MRG004A has been granted ODD from the FDA for the treatment of PC.

III. Expediting our Advancement in Oncolytic Adenovirus

CG0070 is an oncolytic adenovirus for the treatment of BCG unresponsive bladder cancer patients and is currently in the Phase III clinical study conducted by our U.S. partner, CG Oncology. As of July 2023, patients enrollment has been completed for the MRCT Phase III clinical study. The Company in-licensed CG0070 from CG Oncology and was granted the rights to develop, manufacture and commercialize it in greater China, including Mainland China, Hong Kong and Macau. Currently, the Company is initiating a Phase I clinical trial in China.

IV. Encouraging Data of Combination Therapies and Positive Results of ADC + IO

For MRG003 + PUYOUHENG (Pucotenlimab Injection), the Company has completed the Phase I trial of combination therapy with MRG003 and pucotenlimab in the treatment of solid tumor and have observed encouraging preliminary data, which will be presented orally at the ASCO Annual Meeting 2024. The Company is currently conducting a Phase II clinical trial and has observed encouraging data on NPC and HNSCC.

For MRG002 + PUYOUHENG (Pucotenlimab Injection), the Company is conducting a Phase II trial of combination therapy with MRG002 and pucotenlimab in the treatment of HER2-expressing solid tumor and have observed encouraging data on UC, which is expected to be presented at the ESMO Congress 2024.

V. Development of New Platforms and Innovative Targets, and Encouraging Pre-clinical Data from Drug Candidates

Hi-TOPi ADC platform: The innovative linker-payload platform has shown initial success. The Company has used this platform to develop a drug candidate MRG006A, which is a global leading ADC candidate and has entered the IND-enabling stage. We expect to file IND in the second quarter of 2024.

T cell engager platform-TOPAbody: Based on the platform, the Company has developed a drug candidate CTM012, a new-generation T cell agonistic antibody with first-in-class potential which has entered the IND-enabling stage. We expect to file IND in 2024.

Pre-clinical data of MRG006A and TOPAbody platforms were presented at AACR annual meeting in April 2024.

FUTURE OUTLOOK

In 2023, we are grateful for the strong support from all our Shareholders, as we continue to forge ahead together. In the future, the Company will stay true to its original aspiration, promote the technological advancement of China's innovative ADCs to better meet the unmet medical needs of cancer patients, and strive to develop and expand our product pipeline through a combination of internal research and development and external strategic partnerships.

Looking ahead to 2024, the Company will accelerate the development of our two key ADC products, MRG003 and MRG002, to the next milestones. We will also make every effort to expedite the NDA application for MRG003, which is expected to be submitted in 2024. The Company will fully accelerate the entry of MRG002, which is used for HER2 over-expressing BC, into the NDA stage and explore the potential clinical value of innovative drugs candidate such as MRG004A. The Company will also strengthen the construction of innovative platforms and strive to file IND for innovative drug molecules MRG006A and CTM012.

On the commercial front, the Company will be committed to deepening our efforts on marketing and commercialization and to actively expand our market share and product recognition in the Chinese market. By introducing talents with commercialization expertise and experience to further expand the commercialization team, the Company is gradually improving the construction of its own team. At the same time, the Company will work to promote the market accessibility of PUYOUHENG, continue to accelerate market penetration at all levels and further expand our market share by leveraging the expertise and industry connections of our commercialization team and our solid understanding of the Chinese market environment, thereby further enhancing the Company's brand's image and market influence. The successful commercialization of the PUYOUHENG product also lays a solid foundation in terms of market and channels for the future commercialization of our ADC product pipeline.

On the international front, the Company will ramp up our efforts to expand into the global market. As the Company's ADC technology platform has been recognized by multinational companies, we believe our other ADC products will have promising business development opportunities. The Company will continue to seek potential business development cooperation opportunities worldwide.

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

April 25, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

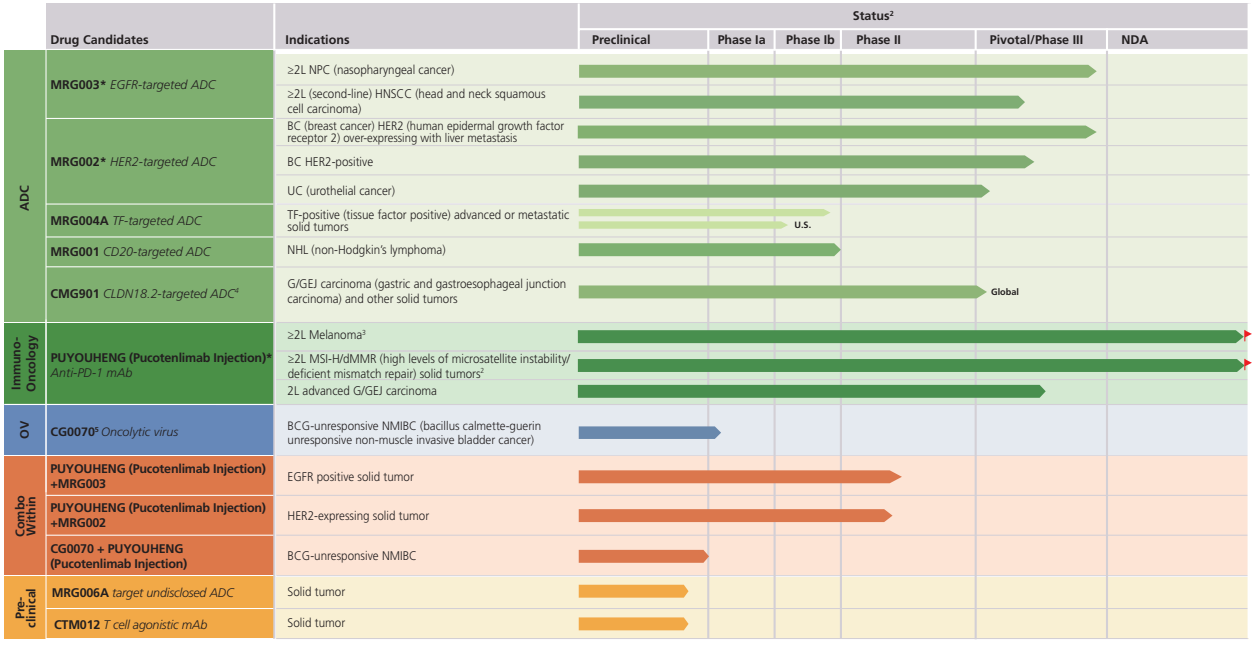
OVERVIEW

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

We have strategically designed our pipeline with a range of oncology products. For clinical-stage candidates, we have (i) one clinical/commercialization-stage drug candidate; (ii) six clinical – stage drug candidates, including one co-developed through a joint venture; and (iii) three clinical – stage combination therapies of our candidates. One of our drug candidates has obtained marketing approval with respect to two of its targeted indications, with clinical trials for other indications ongoing. Among the six clinical-stage drug candidates, five are targeted therapeutics and one is an immunotherapeutic, which is an oncolytic virus drug. We have initiated multiple clinical trials, amongst which one is ongoing in the U.S., and five have entered the stage of registrational trials in the PRC. MRG003 was granted ODD and FTD on NPC from the FDA and BTD from the CDE. MRG002 was granted ODD on GC/GEJ from the FDA. CMG901 was granted FTD and ODD in GC/GEJ from the FDA, and obtained BTD from CDE. MRG004A was granted ODD and FTD by the FDA for the treatment of PC. We have continuously striven to build up and develop novel technology platforms as innovative engines for the Company. Among our pre-clinical-stage candidates, we have observed encouraging data in pre-clinical studies of MRG006A and CTM012 during the Reporting Period, and are advancing these two candidates to enter into the clinical research stage efficiently.

PRODUCT PIPELINE

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



Notes:

1. * denotes the Core Products.

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

3. On July 19, 2022 and September 29, 2022, we obtained from the NMPA conditional marketing approval for PUYOUHENG (Pucotenlimab Injection) on MSI-H/dMMR and inoperable or metastatic melanoma, respectively. We are conducting confirmatory Phase lll clinical studies on the first-line MSI-H/dMMR metastatic colorectal cancer and the first-line stage IV (M1c) melanoma respectively.

4. In February 2023, KYM has entered into a global exclusive out-license agreement with AstraZeneca to grant an exclusive global license for research, development, registration, manufacturing and commercialization of CMG901 to AstraZeneca. For details, please refer to the Company's announcement dated February 23, 2023.

5. Apart from the Phase Ia clinical trial currently conducted in China, the MRCT clinical trial of CG0070 is also being conducted by CG Oncology, a third-party business partner with whom we have a licensed-in arrangement to develop, manufacture and commercialize CG0070 in Mainland China, Hong Kong and Macau.

BUSINESS REVIEW

The Group recorded a breakthrough in its revenue and a remarkable decrease in its loss for the year ended December 31, 2023.

During the Reporting Period, the Group recorded a total revenue of RMB225.4 million, which was contributed by the Group's licensing activities and the commercialization of PUYOUHENG (Pucotenlimab Injection). For licensing activities, the Group has recognized approximately RMB124.0 million in total, which was in relation to the License Agreement entered into between KYM, a joint venture formed by us and Keymed, and AstraZeneca on February 23, 2023 to develop and commercialize CMG901. Under the License Agreement, we have received approximately RMB109.5 million from KYM as licensing income, and we have also entered into series of agreements with AstraZeneca to provide services and drug products, which has contributed to the remaining revenue from licensing activities. At the same time, we have also successfully commercialized PUYOUHENG (Pucotenlimab Injection) and recorded a sales revenue of RMB101.4 million during the Reporting Period.

In addition, there was an increase in other gains for the year ended December 31, 2023. On September 28, 2023, the Company has partially disposed of its investment in HealSun Biopharma, which contributed to net gains of RMB103.9 million. During the Reporting Period, the percentage of share of interests held by the Company in Wuhan Binhui was diluted from 20.03 % to 11.84% as the preferred rights granted upon issuance of ordinary shares by Wuhan Binhui to certain investors were terminated, and we have made net gains of RMB116.4 million on the dilution of equity interests. Through these investment activities, the Group recognized other gains of approximately RMB220.3 million for the year ended December 31, 2023.

The significant increase in revenue, together with the increase in other gains recognized from the Group's investment activities, have largely contributed to a remarkable decrease in loss of approximately 95.7% as compared to the year ended December 31, 2022.

During the year ended December 31, 2023, the Group also continued to focus its efforts on the research and development of its drug candidates, while continuously assessing market demand and the competitive landscape relating to the range of oncology therapeutics and the broad spectrum of indications covered by its drug candidates, in order to maximize the competitiveness of its product pipeline. A description of the progress made and the latest status in respect of the Group's drug candidates for the year ended December 31, 2023 and up to the Latest Practicable Date is as follows:

MRG003

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

- As of December 31, 2023, we are conducting a pivotal Phase IIb clinical study on NPC and have completed patients enrollment, and we are concurrently conducting a Phase III clinical study on HNSCC. We are also exploring the potential efficacy of MRG003 in other prevalent cancer types of EGFR over-expression.

    - **NPC**: We have observed encouraging data from the Phase IIa clinical study on NPC, which was presented orally at the ESMO Congress 2023. As of March 15, 2023, the ORR was 47.4% and the DCR was 79.0% on NPC patients previously received PD-1 (L1) and platinum-based therapy. For the 2.0mg/kg dose group, the ORR was 39.3% and the DCR was 71.4%. The mPFS in this group was 7.3 month. For the 2.3mg/kg dose group, the ORR was 55.2% and the DCR was 86.2%. The mPFS in the 2.3mg/kg dose group was immature. Based on the promising data, MRG003 was granted IND approval and FTD from the FDA for the treatment of R/M NPC in October 2023 and November 2023 respectively. We are conducting a pivotal Phase IIb clinical study on NPC and have completed patients enrollment as of December 31, 2023. We expect to file NDA in China in 2024.

    - **HNSCC**: We have observed encouraging data from the Phase II clinical study on HNSCC, which was a poster presentation at the ESMO Congress 2023. As of March 15, 2023, the ORR and DCR was 43% and 86% respectively, and the mOS was 11.3 months on patients who progressed following platinum-based chemotherapy and PD-1 (L1) inhibitors, and prior therapy ≤ 2 lines with 2.3 mg/kg dose. As of December 31, 2023, we are conducting a randomized, open-label, multicenter Phase III clinical study on HNSCC.

- **Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that the MRG003 will ultimately be successfully developed and marketed by the Company. Shareholders and our potential investors are advised to exercise caution when dealing in the Shares.

MRG002

– MRG002 is an innovative ADC targeting HER2, a molecular target abnormally overexpressed in many cancer types including BC, UC and GC/GEJ. Our clinical development strategy for MRG002 in China aims at realizing the efficacy potential of MRG002 in various prevalent malignancies, especially for second – or later-line systemic therapy of BC and UC. Registrational clinical trials in the aforementioned indications are ongoing.

  o **HER2 over-expressing BC:** We are currently conducting a pivotal Phase II clinical trial on HER2 over-expressed BC with liver metastasis in China and patients enrollment thereof has been completed. We observed encouraging data and are currently making our best efforts on pushing it to the NDA stage. Meanwhile, as of December 31, 2023, we are conducting a Phase III clinical study on HER2-positive BC.

  o **UC**: We are conducting an open-label, randomized, multi-center Phase III clinical study of MRG002 versus investigator's choice of chemotherapy in the treatment of patients with HER2-positive unresectable locally advanced or metastatic UC previously treated with platinum-based chemotherapy and PD-1/PD-L1 inhibitors as of December 31, 2023.

– **Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that the MRG002 will ultimately be successfully developed and marketed by the Company. Shareholders and our potential investors are advised to exercise caution when dealing in the Shares.

MRG004A

– MRG004A is a novel TF-targeted site-specifically conjugated ADC. We are currently conducting a Phase I clinical study on solid tumors in the United States and China and have observed anti-tumor activity signal on PC, TNBC and CC. The preliminary Phase I data on solid tumors will be presented orally at the ASCO Annual Meeting 2024. We are expanding sub – group of PC patients in the Phase I clinical trial to explore further potential of MRG004A on PC. In December 2023, MRG004A was granted ODD by the FDA for the treatment of PC.

– **Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that the MRG004A will ultimately be successfully developed and marketed by the Company. Shareholders and our potential investors are advised to exercise caution when dealing in the Shares.

MRG001

– MRG001 is a clinically advancing CD20-targeted ADC which addresses the medical needs of B-cell NHL patients with either primary drug resistance to rituximab or acquired drug resistance to the combination therapy of rituximab and standard chemotherapies. We are conducting a Phase Ib dose expansion study of MRG001 in China and observed encouraging preliminary data on DLBCL. Such data was presented at 65th ASH Annual Meeting as a poster. As of July 28, 2023, the CR rate and ORR was 17.6% and 38.2% respectively on CD20 positive DLBCL patients that failed ≥2L prior therapies, of which a prior anti-CD-20 treatment is necessary. For patients who did not receive prior CAR-T treatment, the CR rate and ORR was 22.2% and 44.4% respectively, and the mPFS was 6.3 months.

– **Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that MRG001 will ultimately be successfully developed and marketed by the Company. Shareholders and our potential investors are advised to exercise caution when dealing in the Shares.

CMG901

– CMG901 is a CLDN18.2-targeting ADC comprising a CLDN18.2-specific antibody, a cleavable linker and a toxic payload, MMAE. It is the first CLDN18.2 targeting ADC to have received IND clearance both in China and the U.S.. CLDN18.2 is selectively and widely expressed in GC, PC and other solid tumors, which makes it an ideal tumor target for therapeutic development. It is being co-developed by us and Keymed through a joint venture, KYM. Phase Ia trial of CMG901 was conducted for advanced solid tumors. CMG901 showed a favorable safety and tolerability profile in this trial. In November 2023, the latest data from a Phase I clinical study of CMG901 in the treatment of advanced GC/GEJ has been presented by way of oral presentation at the 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 GC/GEJ 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 TEAEs occurred in 54% of patients, and drug-related serious adverse events were reported in 31% of patients. 8% of patients had discontinued CMG901 treatment due to TEAEs. Among 89 evaluable patients with CLDN18.2-positive GC/GEJ in three cohorts, confirmed ORR and confirmed DCR were 33% and 70%, respectively. Among others, CMG901 showed a 42% confirmed ORR in 2.2 mg/kg dose cohort, with 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 CLDN 18.2-positive GC/GEJ. As of March 26, 2024, AstraZeneca has conducted multiple clinical studies regarding CMG901 for the treatment of advanced solid tumors.

– **Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that CMG901 will ultimately be successfully developed and marketed by the Company. Shareholders and our potential investors are advised to exercise caution when dealing in the Shares.

PUYOUHENG (Pucotenlimab Injection)

– PUYOUHENG (Pucotenlimab Injection) is a humanized IgG4 mAb against human PD-1, which can antagonize the PD-1 signal to restore the capability of the immune cells to kill cancer cells through blocking PD-1 binding to their ligands PD-L1 and PD-L2, and which has been commercialized for treating MSI-H/dMMR and inoperable or metastatic melanoma since the second half of 2022. In April 2023, two indications were included into the 2023 CSCO Guideline, which are pucotenlimab as ≥ second-line treatment of MSI-H/dMMR colorectal cancer and solid tumors, and pucotenlimab as second-line treatment of melanoma. Moreover, Pucotenlimab for treatment of advanced and recurrent MSI-H/dMMR gynecological cancer was included into the 2023 CSGO Guideline.

  o **MSI-H/dMMR solid tumors:** We are conducting an open label, multi-center and randomized Phase III clinical trial on the first-line MSI-H/dMMR metastatic colorectal cancer as a confirmatory clinical study for the conditional marketing approval as of December 31, 2023.

  o **Melanoma:** We are conducting an open label, multi-center and randomized Phase III clinical trial on the first-line treatment of subjects with stage IV (M1c) melanoma as a confirmatory clinical study for the conditional marketing approval as of December 31, 2023.

  o **GC/GEJ in second-line therapy:** We are conducting a multi-center, randomized, double-blinded and placebo-controlled Phase III clinical study of pucotenlimab in combination therapy with irinotecan. Patients enrollment is ongoing as of December 31, 2023.

CG0070

– CG0070 is an oncolytic adenovirus for the treatment of BCG unresponsive bladder cancer patients and is currently in a MRCT Phase III clinical study conducted by our U.S. partner, CG Oncology. As of July 2023, patients enrollment has been completed for the MRCT Phase III clinical study. As of October 5, 2023, the overall CR rate was 75.7% on patients with NMIBC who have failed prior BCG therapy. The 3 and 6-month landmark CR rates were 68.2% and 63.6%, respectively. Furthermore, CG0070 was granted FTD and BTD by the FDA in December 2023 in the United States. We in-licensed CG0070 from CG Oncology and were granted the rights to develop, manufacture and commercialize it in Mainland China, Hong Kong and Macau. We are conducting a Phase I clinical trial in China as of December 31, 2023, with patients enrollment ongoing.

– **Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that CG0070 will ultimately be successfully developed and marketed by the Company. Shareholders and our potential investors are advised to exercise caution when dealing in the Shares.

Combination Therapies within Pipelines

- **MRG003 + PUYOUHENG (Pucotenlimab Injection):** We have completed a Phase I trial of combination therapy with MRG003 and pucotenlimab in the treatment of solid tumors and have observed encouraging preliminary data, which will be presented orally at the ASCO Annual Meeting 2024. We are currently conducting a Phase II trial and have observed encouraging data on NPC and HNSCC.

- **MRG002 + PUYOUHENG (Pucotenlimab Injection):** We are conducting a Phase II trial of combination therapy with MRG002 and pucotenlimab in the treatment of HER2-expressing solid tumors and have observed encouraging preliminary data on UC, which is expected to be presented at the ESMO Congress 2024.

- **CG0070 + PUYOUHENG (Pucotenlimab Injection):** We received an IND approval from the NMPA for a Phase I trial of combination therapy with CG0070 and pucotenlimab in the treatment of patients with BCG-unresponsive NMIBC. We plan to initiate a Phase I/II clinical study of CG0070 and pucotenlimab combination therapy on BCG-unresponsive NMIBC.

Innovation Platforms

We continuously strive to build up and develop novel technology platforms as innovative engines for the Company. During the Reporting Period, our innovative platforms, being Hi-TOPi platform for ADC and T cell engager platform TOPAbody, have achieved significant progress. Based on these innovation platforms, we have generated ADC candidate MRG006A and the new-generation T cell agonistic antibody CTM012 which have global first-in-class potential. We have observed encouraging data in pre-clinical studies and are advancing these two candidates to enter into clinical research stage efficiently. Pre-clinical data of MRG006A and TOPAbody platforms have also been presented at AACR annual meeting in April 2024.

- **Hi-TOPi platform:** The Hi-TOPi platform for ADC is featured by: (i) Linker, which is highly stable in circulation and effective in releasing payload in cells; (ii) Payload, which has good potency when compared to competitors (it is not a substate for Pgp, and therefore it has a great potential of overcoming drug resistance); (iii) ADCs utilizing the novel linker-payload have demonstrated strong anti-tumor activity in PDX of multiple tumor types and also shown excellent safety profile and good tolerance in monkeys; and (iv) improved therapeutic window.

    - Using the novel linker-payload platform, we have developed MRG006A, which is an ADC candidate with global first-in-class potential and has entered the IND-enabling study stage. We expect to file IND in the second quarter of 2024.

- **T cell engager platform:** Our proprietary T cell engager platform-TOPAbody is featured by (i) simultaneous activation of both TCR signaling and co-stimulatory pathway that intends to unlock the full potential of T cells, and (ii) restricted activity in the tumor microenvironment.

    - Based on the T cell engager platform, we have developed CTM012, a new-generation T cell agonistic antibody with first-in-class potential which has entered the IND-enabling study stage during the Reporting Period. We target to file IND in 2024.

Manufacturing Facilities

We have been operating a 2,000L GMP-compliant bioreactor production line at our Beijing manufacturing plant during the Reporting Period, which mainly supports the production of clinical drug supply and offers CDMO production services.

In addition, the building construction of the Shanghai Biotech Park has been preliminarily completed and accepted during the Reporting Period, and the research and development center in the Shanghai Biotech Park has been put in use. The manufacturing facilities in the Shanghai Biotech Park has a designed total capacity of 12,000L, and it has obtained the environmental impact assessment report for the production of mAb and ADC. Going forward, we will continue to build the manufacturing facilities based on our business needs arising from the commercialization of ADC.

License-out and Commercialization

Licensing income from BD activities

For the year ended December 31, 2023, the Group has recorded a total revenue of approximately RMB124.0 million from its licensing activities, which was in relation to the License Agreement entered into between KYM, a joint venture formed by us and Keymed, and AstraZeneca on February 23, 2023 to develop and commercialize CMG901. Under the License Agreement, AstraZeneca has been granted an exclusive global license for the research, development, registration, manufacturing, and commercialization of CMG901, and shall be responsible for all costs and activities associated with the further development and commercialization of CMG901 except as otherwise agreed. According to the License Agreement and subject to the terms and conditions thereof, KYM shall receive an upfront payment of US$63 million with the potential for additional payments up to US$1,125 million subject to achievement of certain development, regulatory and commercial milestones. KYM is also entitled to receive tiered royalties on net sales from AstraZeneca. During the Reporting Period, we have received approximately RMB109.5 million from KYM. Based on the License Agreement, we have also entered into series of agreements with AstraZeneca, pursuant to which we have recognized revenue through providing services and supplying drug products to AstraZeneca.

For details of the License Agreement, please refer to the Company's announcement dated February 23, 2023.

Commercialization of PUYOUHENG (Pucotenlimab injection)

The Company has commercialized its first product, PUYOUHENG (Pucotenlimab Injection), in the second half of 2022, and has since then achieved sales of such product. For the year ended December 31, 2023, PUYOUHENG (Pucotenlimab Injection) recorded a sales revenue exceeding RMB100 million.

We have built a highly efficient sales and marketing team based on our commercialized product, PUYOUHENG (Pucotenlimab Injection). Our commercialization team is mainly responsible for developing strategies for product promotion, product positioning and brand management, establishing a good brand image in the market through academic promotion activities and product education to increase product awareness among leading physicians and the patient population. In April 2023, Pucotenlimab has been successfully included in the 2023 CSCO and CSGO Guidelines for melanoma and MSI-H/dMMR solid tumors, which represents a high degree of recognition from clinical KOL.

In terms of the establishment of sales channels, we actively develop cooperative relationships with various business channel partners. As of December 31, 2023, we have completed the tendering process on the procurement platform in 21 provinces. We have covered approximately 76 cities through various sales channels, and we will further expand our sales network.

KEY EVENTS AFTER THE REPORTING PERIOD

Development Progress of our Drug Candidates After the Reporting Period

– **MRG004A:** In March 2024, MRG004A was granted FTD from the FDA for the treatment of pancreatic cancer which have relapsed or are refractory to prior approved therapies, and this designation signified the innovativeness and the potential of MRG004A to fulfill the unmet medical needs.

Continuing Connected Transaction with Lepu Medical

The Company has entered into a framework agreement with Lepu Medical in respect of the provision of CDMO technical services by the Company and/or its subsidiaries to Lepu Medical and/or its subsidiaries for their development of GLP-1 and related products on November 13, 2023 (which was subsequently supplemented and amended pursuant to a supplemental framework agreement entered into between the Company and Lepu Medical on December 22, 2023). The aforementioned framework agreement and supplemental framework agreement (together with the monetary transaction caps therein) were approved by the Independent Shareholders in the 2024 first EGM of the Company held on January 31, 2024. Upon the passing of the relevant resolutions by the Independent Shareholders at the Company's 2024 first EGM, the Company has commenced the provision of its CDMO services to Lepu Medical pursuant to the terms and conditions of the aforementioned framework agreement and supplemental framework agreement.

For further details of the aforementioned continuing connected transaction with Lepu Medical, please refer to the Company's announcements dated November 13, 2023 and December 22, 2023, circular dated January 16, 2024 and poll results announcement dated January 31, 2024.

FUTURE DEVELOPMENT

The Company is an innovation-driven biopharmaceutical company focusing on oncology therapeutics, dedicated to promoting the technological advancement of innovative ADCs in China to better serve the unmet medical needs of cancer patients. We strive to develop and broaden our product pipeline by combining our in-house research through development and with strategic collaborations. Looking ahead to 2024, we will accelerate the development of our two key ADC products, MRG003 and MRG002, to the next milestones. We will expedite the NDA submission for MRG003 and expect to file NDA in 2024. We will make every effort to push MRG002 for HER2 over-expressing BC to the NDA stage, and to explore further potential clinical value of our innovative drug candidates, such as MRG004A. We will reinforce the establishment of our innovation platforms and make efforts to file IND for the innovative molecules MRG006A and CTM012.

In 2024, we will work to deepen our efforts on marketing and commercialization and to actively expand our market footprint and product recognition within China. We will expand our commercialization team by recruiting talents with the appropriate skills and expertise in the commercialization of pharmaceutical products. We will take further actions to promote the market accessibility of PUYOUHENG (Pucotenlimab Injection) and continue to accelerate market penetration at all levels, with a view to further increasing market share. By leveraging the expertise and industry connections of our commercialization team and our solid understanding of the Chinese market environment, we will seek to foster our brand's image and market knowledge of our product through various methods. We believe that the enhancement of our efforts in terms of market outreach will translate into better market access, increased market share and increases in the sales of our commercialized product and our brand in general, thereby laying a solid market and channel foundation for the future commercialization of our ADC product pipeline.

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

FINANCIAL REVIEW

Revenue

For the year ended December 31, 2023, we have recorded a revenue of RMB225.4 million (2022: RMB15.6 million), representing an increase of 1,347.2%. During the same period, the Group has recognized revenue of approximately RMB124.0 million from the out-licensing of CMG901 to AstraZeneca. At the same time, after the successful commercialization of PUYOUHENG (Pucotenlimab Injection) in late 2022, the Company has also recognized a revenue of RMB101.4 million from the sale of pharmaceutical products for the year ended December 31, 2023, representing an increase of 551.1% as compared to the relevant amount for the year ended December 31, 2022.

Cost of Sales

For the year ended December 31, 2023, the Group has recorded cost of sales of RMB28.3 million (2022: RMB2.0 million), representing an increase of 1,310.3%, which was in line with the growth in revenue.

Selling and Marketing Expenses

For the year ended December 31, 2023, the Group has recorded selling and marketing expenses of RMB43.3 million (2022: RMB1.7 million). This is mainly because the Group had commercialized PUYOUHENG (Pucotenlimab Injection) in late 2022 and has expanded the selling and marketing activities conducted for it during the Reporting Period.

Administrative Expenses

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

Our administrative expenses decreased from RMB138.8 million in 2022 to RMB86.7 million in 2023, primarily due to a decrease in the listing expenses by approximately RMB34.3 million given the Company was listed in February 2022.

Research and Development Expenses

Our research and development expenses primarily consist of (i) clinical study related expenses; (ii) pre-clinical study costs; (iii) raw materials and consumables used, primarily representing expenses for procuring raw materials and consumables used in pre-clinical and clinical studies; (iv) employee benefit expenses (mainly including wages, salaries and bonuses and share-based payment expenses) relating to our research and development staff; (v) depreciation and amortization expenses for property, plant and equipment as well as amortization expenses for intangible assets such as intellectual properties; and (vi) other expenses. Our research and development expenses decreased from RMB524.3 million in 2022 to RMB458.1 million in 2023. The following table sets forth the components of our research and development expenses for the years indicated.

	Year ended 31 December			
	2023		2022	
	RMB'000	**%**	RMB'000	%
Clinical study related expenses	**173,425**	**37.9**	204,991	39.1
Pre-clinical study costs	**34,463**	**7.5**	71,211	13.6
Raw material and consumables used	**26,455**	**5.8**	34,235	6.5
Employee benefit expenses	**120,682**	**26.3**	127,211	24.3
Depreciation and amortization	**88,372**	**19.3**	72,705	13.9
Others	**14,676**	**3.2**	13,932	2.6
Total	**458,073**	**100**	524,285	100

(i) Clinical study related expenses decreased by RMB31.6 million because the Group has been continuously focusing on the research and development of more advanced pipelines and core products;

(ii) Pre-clinical study costs decreased by RMB36.7 million, mainly because the Group has been focusing more on the research and development of innovative drug candidates based on our advanced technology development platforms;

(iii) Raw material and consumables expenses decreased by RMB7.8 million, mainly due to the capitalisation of the clinical trials expenses on PD-1;

(iv) Employee benefit expense decreased by RMB6.5 million, mainly due to the decrease in employee share incentive expenditures;

(v) Depreciation and amortization costs increased by RMB15.7 million, mainly due to an increase in depreciation of research and development facilities and equipment as a result of the commencement of the first phase of Shanghai Biotech Park in late 2022; and

(vi) Other expenses for the year ended December 31, 2023 stay constant as compared to the year ended December 31, 2022.

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

We had fair value loss on financial liabilities at fair value through profit or loss of RMB62.8 million for 2022 and fair value gain of RMB175.0 million for 2023. Our financial liabilities include financial liabilities at fair value through profit or loss, representing the variable part of the consideration arisen from the acquisition of 40% equity interests of Taizhou Hanzhong from non-controlling interest, being 4.375% of future annual net sales revenue of relevant PD-1 products.

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Fair value changes on financial liabilities at fair value through profit or loss		
– Fair value changes through profit or loss	**174,976**	(62,816)

Finance Income and Finance Costs

Our finance income primarily represents our bank interest income and foreign exchange gains. Our finance costs primarily consist of interest costs on lease liabilities and borrowings. Our finance income decreased from RMB45.9 million in 2022 to RMB8.3 million in 2023, mainly due to a decrease in foreign currency exchange gain. Our finance costs increased from RMB8.6 million in 2022 to RMB16.0 million in 2023, due to an increase in interest on borrowings.

Income Tax Expenses

For the year ended December 31, 2022 and 2023, the Group's income tax expenses were nil.

Loss for the Reporting Period

Based on the factors described above, the Group's loss decreased from RMB699.4 million in 2022 to RMB30.3 million in 2023.

Adjusted Net Loss (Non-IFRS Measure) for the Reporting Period

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net loss (non-IFRS measure) for the year (defined below) as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that the presentation of this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impact of non-recurring income related to our associate companies that are non-operating in nature. We believe that this measure provides useful information to investors in understanding and evaluating the Group's consolidated results of operations in the same manner as they help our management. However, the use of non-IFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, the non-IFRS financial measure may be defined differently from similar terms used by other companies.

For the Reporting Period, we define "adjusted net loss (non-IFRS measures) for the year" as loss for the year after deducting (i) net gains on dilution of equity interests in an associate and (ii) net gains on disposal of investments in an associate, which are items that are not in the financial results for the previous financial year. For the year ended December 31, 2023, our adjusted net loss (non-IFRS measure) for the year was approximately RMB250.6 million (for the year ended December 31, 2022: approximately RMB699.4 million).

The following table sets forth the reconciliations of our non-IFRS financial measure for the years ended December 31, 2022 and 2023 to the nearest measure prepared in accordance with IFRS:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss for the year	**(30,301)**	(699,441)
Deduct:		
Net gains on dilution of equity interests in an associate[(1)]	**116,388**	–
Net gains on disposal of investments in an associate[(2)]	**103,874**	–
Adjusted net loss (non-IFRS measure) for the year	**(250,563)**	(699,441)

Notes:

(1) Net gains on dilution of equity interests in an associate represents the net gains recognized owing to the dilution of the Company's percentage equity interests held in Wuhan Binhui from 20.03% to 11.84% as a result of the preferred rights granted upon issuance of ordinary shares by Wuhan Binhui to certain investors were terminated. Such net gains recognized are non-operating and non-cash in nature.

(2) Net gains on disposal of investments in an associate represents the net gains recognized on the Company's partial disposal of equity interest in HealSun Biopharma. Such net gains recognized are non-operating in nature.

Liquidity and Financial Resources

We have incurred net losses and cash outflows from operations since inception. Our primary use of cash is to fund our research and development activities and the commercialization of our commercialized products. For the year ended December 31, 2023, our net cash used in operating activities was RMB250.8 million, a decrease of RMB230.1 million from RMB480.9 million as of December 31, 2022 due to an increase in the revenue and cash flow following the Group's licensing income and commercialization of PUYOUHENG (Pucotenlimab Injection). As of December 31, 2023, we had cash and cash equivalent of RMB426.0 million, representing a decrease of RMB243.4 million from RMB669.4 million as of December 31, 2022, as a result of the continuous research and development activities carried out by the Company.

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

Our bank borrowings are divided into secured loans and unsecured loans. As of December 31, 2023, the Group's bank borrowings amounted to RMB694.3 million (December 31, 2022: RMB650.0 million), among which unsecured and unguaranteed bank borrowings amounted to RMB394.0 million (December 31, 2022: RMB329.6 million) in total with interest at fixed and floating interest rates. Such borrowing will be repayable within one year.

As of December 31, 2023, the Group's secured and unguaranteed bank borrowings amounted to RMB300.3 million (December 31, 2022: RMB320.4 million) in total which bear interest at floating interest rates. Such bank borrowings are repayable by instalments and will mature in September 2027, and are secured by the Group's land use rights and construction-in-progress.

As of December 31, 2023, we had utilized RMB743.6 million from our banking facilities and RMB706.4 million remained unutilized under our banking facilities.

Gearing Ratio

The gearing ratio is calculated using the Group's liabilities divided by its assets. As of December 31, 2023, the Group's gearing ratio was 62.73% (December 31, 2022: 64.39%).

Significant Investments, Material Acquisitions and Disposals

Disposal of 15% equity interests in HealSun Biopharma

The Company (as vendor), Kangzhe Venture Capital (an independent third-party of the Company as the purchaser) and HealSun Biopharma entered into an equity transfer agreement on September 28, 2023, pursuant to which the Company agreed to sell, and Kangzhe Venture Capital agreed to purchase, 15% of the equity interest of HealSun Biopharma, at a consideration of RMB125 million. As at the Latest Practicable Date, the aforementioned disposal has been completed. Upon completion of the disposal, the Company's equity interest in HealSun Biopharma has become 5.68%, and therefore, HealSun Biopharma has ceased to be an associate of the Company.

For further details in respect of the aforementioned disposal of equity interests in HealSun Biopharma, please refer to the Company's announcement dated September 29, 2023.

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

Future Plans for Material Investments and Capital Assets

As of December 31, 2023, the Group did not have any future plans for material investments and capital assets.

Capital Commitments

As of December 31, 2023 and 2022, the Group had capital commitments for property, plant and equipment of RMB456.6 million and RMB482.0 million, respectively, reflecting the capital expenditure our Group contracted at the end of year but not yet incurred.

Contingent Liabilities

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

Charges on Group Assets

Save as disclosed in this annual report, as of December 31, 2023, the Group did not have any charges over its assets.

Foreign Exchange Exposure

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

Employees and Remuneration

As of December 31, 2023, the Group had a total of 429 employees. The total remuneration cost for 2023 was RMB198.9 million, as compared to RMB188.3 million for 2022, primarily due to the expansion of the sales team upon the commercialization of our products, thereby resulting in an increase of total remuneration.

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

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

USE OF PROCEEDS FROM THE LISTING

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

The net proceeds from the Listing (pro-rata adjustment based on the actual net proceeds) have been and will be used in accordance with the purposes set out in the Prospectus. The following table sets forth the planned use of the net proceeds and the actual use as at December 31, 2023:

Proposed use	Percentage of total net proceeds	Allocation of net proceeds (RMB million)	Unutilized amount as at December 31, 2022 (RMB million)	Utilized amount as at December 31, 2023 (RMB million)	Utilized amount during the Reporting Period (RMB million)	Unutilized amount as at December 31, 2023 (RMB million)
a) To fund our Core Products	68.51%	450.57	366.19	328.67	244.28	121.90
• To be used for MRG003	23.00%	151.28	119.27	101.08	69.07	50.2
– To fund the clinical development and preparation for registration filings of MRG003	19.27%	126.75	102.56	81.45	57.27	45.3
– To fund the manufacturing of MRG003	3.73%	24.53	16.71	19.63	11.8	4.9
• To be used for MRG002	22.01%	144.74	109.99	113.71	78.95	31.03
– To fund the clinical development and preparation for registration filings of MRG002	18.65%	122.66	95.35	91.70	64.39	30.96
– To fund the manufacturing of MRG002	3.36%	22.08	14.64	22.01	14.56	0.07
• To be used for HX008	16.17%	106.30	91.92	92.52	78.14	13.78
– To fund the clinical development and preparation for registration filings of HX008	7.46%	49.06	38.23	40.44	29.61	8.62
– To fund the manufacturing of HX008	6.22%	40.89	37.34	40	36.45	0.89
– To fund the commercialization of HX008	2.49%	16.35	16.35	12.08	12.08	4.27
• To fund the clinical development and preparation for registration filings of LP002	1.24%	8.18	7.01	8.07	6.9	0.11
• To be used to fund the planned clinical development and other development activities of the combination therapies of HX008 and LP002 with our other products including MRG003, MRG002 and CG0070	6.09%	40.07	38.00	13.29	11.22	26.78
b) To fund our other key clinical-stage drug candidates and our key pre-clinical drug candidates	6.35%	41.70	25.01	34.07	17.38	7.63
• Ongoing pre-clinical studies and planned clinical trials for the pre-clinical drug candidates in our pipeline	0.62%	4.09	0.93	4.09	0.93	–
• To fund the clinical development and preparation for registration filings of CG0070	1.87%	12.27	11.96	5.44	5.13	6.83
• To fund the clinical development and preparation for registration filings of MRG001	1.87%	12.27	9.16	12.27	9.16	–
• To fund the clinical development and preparation for registration filings of MRG004A	1.87%	12.27	2.16	12.27	2.16	–
• To fund, through our contribution to KYM, the clinical development and preparation for registration filings of CMG901	0.12%	0.80	0.80	–	–	0.80

Proposed use	Percentage of total net proceeds	Allocation of net proceeds (RMB million)	Unutilized amount as at December 31, 2022 (RMB million)	Utilized amount as at December 31, 2023 (RMB million)	Utilized amount during the Reporting Period (RMB million)	Unutilized amount as at December 31, 2023 (RMB million)
c) To acquire potential technologies and assets and expand our pipeline of drug candidates and to fulfill our continuous payment obligation under our acquisition of HX008 from HanX	15.79%	103.85	93.85	75.00	65	28.85
d) For general corporate purposes	9.35%	61.49	24.63	61.49	24.64	–
Total	100%	657.61	509.68	499.23	351.30	158.38

The licensing income from BD activity of CMG901 and the commercialization of PUYOUHENG (Pucotenlimab Injection) had generated revenue and additional cashflow for the Group, therefore the usage of the net proceeds from the Listing has been extended. The unutilized amount of net proceeds from the Listing is expected to be used by June 30, 2025.

DIRECTORS

Executive Directors

Dr. Pu Zhongjie (蒲忠傑) (**"Dr Pu"**) aged 61, is the founder and Controlling Shareholder of the Group, serving as an executive Director and the chairman of the Board, director and the chairman of the board of Taizhou Aoke, director of Miracogen Shanghai and executive director of Lepu Beijing.

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

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

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

Dr. Sui Ziye (隋滋野) ("**Dr. Sui**"), aged 44, is an executive Director and the chief executive officer of the Company, an executive director of Miracogen Shanghai, a director of Taizhou Aoke, an executive director of CtM Bio, and the general manager of Lepu Beijing. In addition, Dr. Sui also served as a director of HealSun Biopharma, a company owned by us as to 5.68% as at the Latest Practicable Date, from March 2020 to September 2023. In addition, Dr. Sui served as a non-executive director of Star Combo Pharma Limited, a company listed on the Australian Stock Exchange (stock code: S66), from June 2018 to August 2022. Dr. Sui has nearly seventeen years of managerial experience in the pharmaceutical sector.

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

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

Non-executive Directors

Mr. Yang Hongbing (**楊紅冰**) ("**Mr. Yang**"), aged 55, is a non-executive Director. In addition to his position in the Group, Mr. Yang is the co-founder of Hainan Shiyu (previously known as Shenzhen Shiyu) and has been serving as the chairman of the board of Hainan Shiyu since December 2017, the chairman of the board of Suzhou Shiyu Investment Management Co., Ltd. (蘇州拾玉投資管理有限公司), a company wholly-owned by Hainan Shiyu, since October 2018, an executive director of Qingdao Shiyu Health Technology Co., Ltd. (青島拾玉健康科技有限公司) since March 2020, and a director of Zhejiang Ciji Hospital Management Co., Ltd. (浙江慈繼醫院管理有限公司) since June 2020. Prior to that, Mr. Yang served as (a) a manager of the sales department and subsequently general manager of Gloria Pharmaceutical Co., Ltd. (哈爾濱譽衡藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002437), from September 2004 to December 2017; and (b) a deputy general manager of Shaanxi Dongsheng Pharmaceutical Co., Ltd. (陝西東盛醫藥有限責任公司) from May 2001 to August 2004.

As of the Latest Practicable Date, Mr. Yang serves as a non-executive director of Gloria Pharmaceutical (Guangzhou) Co., Ltd. (廣州譽衡生物科技有限公司) ("**Gloria Guangzhou**"), a company with PD-1 products business. Since Mr. Yang is not involved in the daily management and operation of the Company and Gloria Guangzhou, the directorship held by Mr. Yang would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

Mr. Yang obtained a bachelor's degree in management from Northwest University (西北大學) in the PRC in July 1991 and an EMBA from China International Business School (中國國際工商學院) in the PRC in October 2011.

Ms. Pu Jue (蒲珏) ("**Ms. Pu**"), aged 35, is a non-executive Director. In addition to her position in the Group, she leads international business development for Lepu Medical since April 2015, with successful investments including Viralytics Limited (acquired by Merck in February 2018).

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

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

Independent Non-executive Directors

Mr. Zhou Demin (周德敏) ("**Mr. Zhou**"), aged 57, is an independent non-executive Director. In addition to his position in the Group, Mr. Zhou served consecutively as professor, deputy dean and now dean of Peking University School of Pharmaceutical Sciences since September 2008 and is an independent director of North China Pharmaceutical Co., Ltd. (華北製藥集團有限責任公司), a company listed on the Shanghai Stock Exchange (stock code: 600812) since May 2019.

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

Mr. Yang Haifeng (楊海峰) ("**Mr. Yang**"), aged 47, is an independent non-executive Director. In addition to his position in the Group, Mr. Yang is the head of managing committee of Silkroad Law Firm (錦路律師事務所) since June 2011. Prior to that, Mr. Yang served as a director of legal and risk department of CCB International Asset Management Limited (建銀國際資產管理有限公司) from July 2009 to June 2011, and a legal manager of Simmons (英國西盟斯律師事務所香港辦公室) from October 2004 to July 2009.

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

Mr. Fengmao Hua (華風茂) ("**Mr. Hua**"), aged 55, is an independent non-executive Director. In addition to his position at the Group, Mr. Hua serves as the chairman of the Board of China Finance Strategies Investment Holdings Limited since August 2014 and served as the chief executive officer of Chempartner Pharmatech Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 300149) from July 2021 to October 2022. Mr. Hua has more than 16 years of experience in investment banking industry. Mr. Hua previously worked at a number of investment banking firms where he was mainly responsible for corporate finance, public offering, reorganization, merger and acquisitions as well as other financial consulting work, the details of which are set forth below:

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

- since July 2021, Mr. Hua has served as an independent non-executive director of Biocytogen Pharmaceuticals (Beijing) Co., Ltd., a company listed on the Stock Exchange (stock code: 2315);
- since December 2021, Mr. Hua has served as an independent non-executive director of Sirnaomics Ltd., a company listed on the Stock Exchange (stock code: 2257);
- from December 2021 to February 2024, Mr. Hua served as an independent non-executive director of Ferretti S.p.A., a company listed on the Stock Exchange (stock code: 9638); and
- since December 2022, Mr. Hua has served as an executive director of Biometas Group Limited.

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

SUPERVISORS

Mr. Xu Yang (徐揚) ("**Mr. Xu**"), aged 56, is a Supervisor of the Company. In addition to his position in the Group, Mr. Xu is a director of Lepu Medical since January 2014 and a founding partner of Chong Guang Law Office (北京市重光律師事務所) since May 2005. Prior to that, Mr. Xu served as (i) an independent director of NAURA Technology Group Co., Ltd. (北方華創科技集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002371), from September 2010 to October 2016, and (ii) an independent director of Sino-air Transportation Co., Ltd. (中外運空運發展股份有限公司), a company previously listed on the Shanghai Stock Exchange (stock code: 600270) and delisted by way of merger and absorption in December 2018, from October 2005 to April 2012.

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

Mr. Yang Ming (楊明) ("**Mr. Yang**"), aged 58, is a Supervisor of the Company. Mr. Yang joined the Group in December 2020 and has been serving as a Supervisor since then. In addition to his position in the Group, Mr. Yang is the vice president of research and development department of Lepu Medical since January 2013 and had held various positions in Lepu Medical, including the manager of clinical registration department from January 2007 to December 2012, the manager of marketing department from October 2005 to December 2006, and the manager of technology quality department from June 2002 to September 2005. Prior to that, Mr. Yang served as a technician of No. 725 Institution of China State Shipbuilding Corporation Limited (中國船舶重工集團公司第七二五研究所) until May 2002.

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

Ms. Zhao Lixuan (趙力萱) ("**Ms. Zhao**"), aged 32, is the employee representative Supervisor of the Company. Ms. Zhao has served as the investor relations director of the Company since March 2023. Prior to this, Ms. Zhao served as the senior assistant to the deputy general manager, as the investor relations manager and as the investor relations director of Lepu Medical from December 2015 to March 2023.

Ms. Zhao obtained a Bachelor of International Economics and Trade from Zhengzhou University (鄭州大學) in the PRC in July 2014 and a Master of Science (MSc) in Global Marketing from the University of York in January 2016.

The Company has entered into a service contract with Ms. Zhao and the term of office of Ms. Zhao as employee representative Supervisor will be three (3) years effective from the date of the Employees' Representative Meeting at which Ms. Zhao was elected as employee representative Supervisor. Ms. Zhao will not receive any Supervisors' remuneration from the Company during her term as employee representative Supervisor.

RETIRING DIRECTORS AND SUPERVISOR

Dr. Hu Chaohong retired from her positions as an executive Director and the co-chief executive officer of the Company, and Mr. Lin Xianghong retired from his position as a non-executive Director, both with effect from January 31, 2024. Mr. Wang Jiwei also retired from his office as the employee representative Supervisor with effect from January 31, 2024. The Board would like to express its heartfelt respect and thanks to Dr. Hu Chaohong, Mr. Lin Xianghong and Mr. Wang Jiwei for their great contributions to the Company during their respective tenures, and welcome Ms. Zhao Lixuan as the employee representative Supervisor of the Company.

SENIOR MANAGEMENT

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

Dr. Qin Minmin (秦民民) ("**Dr. Qin**"), aged 67, is the chief technology officer of the Company and senior vice president of Miracogen Shanghai responsible for CMC. Dr. Qin has over twenty years of experience in biopharma research and development and is an expert in the fields of recombinant protein, fusion protein, mAb, bispecific antibody and antibody drug conjugate.

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

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

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

Dr. Fang Lei (方磊) ("**Dr. Fang**"), aged 41, is the vice president of the Company and the general manager of CtM Bio. Dr. Fang has more than ten years of experience in oncology clinical drug development and is an expert in immunology, development strategy and early-stage clinical trials for innovative drugs and translational medical science.

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

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

Ms. Li Yunyi (李昀軼), aged 44, is the chief financial officer and Board secretary of the Company. Prior to joining the Group, Ms. Li Yunyi served as the deputy financial director of Lepu Medical from May 2016 to October 2020. From September 2013 to December 2015, Ms. Li Yunyi served as an executive director of debt capital market of Credit Suisse Founder Securities Limited (瑞信方正證券有限責任公司). From June 2008 to August 2013, Ms. Li Yunyi served consecutively as associate, senior associate, vice president of fixed income team of investment banking department of China International Capital Corporation Limited (中國國際金融有限公司), a company listed on the Stock Exchange (stock code: 03908) and Shanghai Stock Exchange (stock code: 601995). From July 2001 to May 2008, Ms. Li Yunyi served as the manager of investment banking and marketing development department of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), a company listed on the Stock Exchange (stock code: 01359).

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

Ms. Li Maggie Geman (李歌曼) ("**Ms. Li**") has retired as the vice president of the Company and the vice general manager of the regulatory affairs department of Miracogen Shanghai with effect from 1 January 2024. The Company confirms that the research and development related matters of the Group are all in an orderly manner and the departure of Ms. Li will not have any adverse effect on the operations of the Group.

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

JOINT COMPANY SECRETARIES

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

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

DIRECTORS' REPORT

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

PRINCIPAL BUSINESS

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

The activities and particulars of the Company's principal subsidiaries are shown under note 38 to financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

RESULTS AND BUSINESS REVIEW

The results of the Group for the year ended December 31, 2023 are set out in the section headed "Chairman's Statement" of this annual report and the consolidated statement of comprehensive loss of the Group on page 126 of this annual report.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

- Our business and financial prospects depend substantially on the success of our clinical-stage and pre-clinical-stage drug candidates. If we are unable to successfully complete clinical development, obtain regulatory approvals or achieve commercialization for our drug candidates, or if we experience significant delays or cost overruns in doing any of the foregoing, our business and competitive position could be materially and adversely affected.

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

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

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

- We may rely on third parties to manufacture a portion of our drug candidates for clinical development and commercial sales. Our business could be harmed if those third parties fail to deliver sufficient quantities of product or fail to do so at acceptable quality levels or prices.

Risks Relating to Regulatory Approvals and Government Regulation

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

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

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

Risks Relating to our Operations

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

- We are exposed to credit risks related to delay in payment of our customers. We cannot assure you that we will be able to collect our trade receivables from our customers in full, or at all, in the future, despite our efforts to conduct credit assessment on them.

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales attributable to the Group's five largest customers and the largest customer accounted for 61.12% and 48.60%, respectively, of the Group's total sales for the Reporting Period.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 19.68% and 5.74%, respectively, of the Group's total purchases for the Reporting Period.

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

DIVIDENDS

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

DIVIDEND POLICY

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

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Reporting Period are set out in note 26 to financial statements.

SHARE SCHEME

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

BORROWINGS

Particulars of bank loans and other borrowings of the Group as of December 31, 2023 are set out in the section headed "Management Discussion and Analysis" in this annual report and note 31 to financial statements.

RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 129 of this annual report. Details of the movement in the reserves of the Company during the Reporting Period is set out in note 27 to the consolidated financial statements on page 171 of this annual report.

As of December 31, 2023, the Group had distributable reserve accounting to approximately RMB1,591.0 million.

FINANCIAL SUMMARY AND FINANCIAL STATEMENTS

A summary of the Group's results, assets and liabilities for the last five financial years (prepared in accordance with IFRS) are set out on page 213 of this annual report. This summary does not form part of the audited consolidated financial statements.

The results of the Group for the year ended December 31, 2023 and the state of the Group's financial position as at that date are set out in the consolidated financial statements on pages 126 to 128 of this annual report.

DIRECTORS AND SUPERVISORS

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

Executive Directors

Dr. PU Zhongjie
Dr. SUI Ziye
Dr. HU Chaohong (retired with effect from January 31, 2024)

Non-executive Directors

Mr. LIN Xianghong (retired with effect from January 31, 2024)
Mr. YANG Hongbing
Ms. PU Jue

Independent Non-executive Directors

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

Supervisors

Mr. XU Yang
Mr. YANG Ming
Mr. WANG Jiwei (retired with effect from January 31, 2024)
Ms. ZHAO Lixuan (appointed with effect from January 31, 2024)

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

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTION, ARRANGEMENT OR CONTRACT

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

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

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

From time to time, the Company's non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are neither Controlling Shareholders nor members of its executive management team, the Company is of the view that their interests in such companies as Directors would not render the Company incapable of carrying on its business independently from the other companies in which they may hold directorships from time to time.

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

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

Details of emoluments of Directors, Supervisors and the top five highest paid individuals are set out in note 40 and note 9 to financial statements. For the year ended December 31, 2023, none of the Directors has waived or agreed to waive any emoluments.

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

As at December 31, 2023, the interests and short positions of the Directors, Supervisors, and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

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

Long position in the Shares as at December 31, 2023

Name of Director	Class of Shares	Nature of Interest	Number of Shares or underlying Shares	Approximate percentage in relevant class of Shares[1]	Approximate percentage of shareholding[1]
Dr. Pu Zhongjie[2]	H Shares	Interests in controlled corporation	658,591,549	41.03%	39.69%
Dr. Hu Chaohong[3]	H Shares	Interests in controlled corporation	136,355,106	8.49%	8.22%
Ms. Pu Jue[4]	H Shares	Interests in controlled corporation	90,000,000	5.61%	5.42%
Mr. Lin Xianghong[5]	H Shares	Beneficiary of a discretionary trust	20,900,000	1.30%	1.26%

Notes:

(1) The calculation is based on the total number of 1,659,444,838 issued, including 1,605,176,474 H Shares and 54,268,364 Domestics Shares issued as at December 31, 2023.

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

(3) Miracogen HK directly holds 136,355,106 H Shares as beneficial owner, and Miracogen HK is held as to 100% by Miracogen Inc., which is in turn held as to 100% by Dr. Hu Chaohong, an executive Director and a co-chief executive officer of the Company during the Reporting Period. Dr. Hu Chaohong is therefore deemed to be interested in the 136,355,106 H Shares held by Miracogen HK. Dr. Hu Chaohong has ceased to be a Director from 31 January 2024 onwards.

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

(5) King Star Med LP directly holds 20,900,000 H Shares as beneficial owner, and the general partner and manager of King Star Med LP, namely King Star Med Management Limited and King Star Consulting Limited, are both indirectly held by Ace Treasure Trust and Superb Outcome Trust (the "**Trusts**") as to 40% and 30%, respectively. Mr. Lin Xianghong, a non-executive Director during the Reporting Period, is the settlor, the protector and one of the beneficiaries of the Trusts. Under the SFO, as settlor and beneficiary of such Trusts, Mr. Lin Xianghong is deemed to be interested in the H Shares held by King Star Med LP. Mr. Lin Xianghong has ceased to be a Director from 31 January 2024 onwards.

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

So far as the Directors are aware, as at December 31, 2023, none of the Directors, Supervisors, or chief executives of the Company had any interests and/or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations, 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 he is taken or deemed to have under such provisions of SFO), or were required to be recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to the Company, as at December 31, 2023, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

Long position in the Shares as at December 31, 2023

Name of Shareholder	Class of Shares	Nature of Interest	Number of Shares or underlying Shares	Approximate percentage in relevant class of Shares[1]	Approximate percentage of shareholding[1]
Mr. Su Rongyu	H Shares	Beneficial interest	88,339,000	5.50%	5.32%
Ms. Hao Chunmei[2]	H Shares	Interests of spouse	88,339,000	5.50%	5.32%
Kington Capital No. 1 Equity Investment Partnership (Limited Partnership)*	H Shares	Beneficial interest	39,436,621	2.46%	2.38%
蘇州翼樸一號股權投資合夥企業(有限合夥) ("**Kington Capital**")	Domestic Shares	Beneficial interest	39,436,620	72.67%	2.38%
Suzhou Yipu No. 1 Chuangzhe Management Consultation Limited Partnership*	H Shares	Interest in controlled corporation	39,436,621	2.46%	2.38%
蘇州翼樸一號創喆管理諮詢合夥企業(有限合夥) ("**Suzhou Yipu No.1**")[3]	Domestic Shares	Interest in controlled corporation	39,436,620	72.67%	2.38%
Suzhou Suzi Investment Limited Partnership* 蘇州蘇梓投資合夥企業	H Shares	Beneficial interest	5,825,155	0.36%	0.35%
(有限合夥) ("**Suzhou Suzi**")	Domestic Shares	Beneficial interest	9,859,155	18.17%	0.59%

Name of Shareholder	Class of Shares	Nature of Interest	Number of Shares or underlying Shares	Approximate percentage in relevant class of Shares[1]	Approximate percentage of shareholding[1]
Suzhou Zisu Investment Consultation Limited Partnership* 蘇州梓蘇投資諮詢合夥企業(有限合夥) ("**Suzhou Zisu**")[4]	H Shares	Interest in controlled corporation	5,825,155	0.36%	0.35%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Shanghai Qianyu Equity Investment Fund Management Co., Ltd.* 上海前宇股權投資基金管理有限公司 ("**Shanghai Qianyu**")[4]	H Shares	Interest in controlled corporation	5,825,155	0.36%	0.35%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Suzhou Yumeng Investment Management Co., Ltd.* 蘇州宇夢投資管理有限公司 ("**Suzhou Yumeng**")[4]	H Shares	Interest in controlled corporation	5,825,155	0.36%	0.35%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Qian Xin (US) (錢鑫)[4]	H Shares	Interest in controlled corporation	5,825,155	0.36%	0.35%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Yinhua Changan Capital Management (Beijing) Co., Ltd.* 銀華長安資本管理(北京)有限公司("**Yinhua Changan**")[4]	H Shares	Interest in controlled corporation	5,825,155	0.36%	0.35%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%

Name of Shareholder	Class of Shares	Nature of Interest	Number of Shares or underlying Shares	Approximate percentage in relevant class of Shares[1]	Approximate percentage of shareholding[1]
Yinhua Fund Management Co., Ltd.* 銀華基金管理股份有限公司 ("**Yinhua Fund**")[4]	H Shares	Interest in controlled corporation	5,825,155	0.36%	0.35%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Southwest Securities Co., Ltd. (西南證券有限責任公司) ("**Southwest Securities**")[4]	H Shares	Interest in controlled corporation	5,825,155	0.36%	0.35%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Suzhou Kington Equity Investment Fund Management Co., Ltd. (蘇州翼樸股權投資基金管理有限公司) ("**Suzhou Kington**")[5]	H Shares	Interest in controlled corporation	45,261,776	2.81%	2.72%
	Domestic Shares	Interest in controlled corporation	49,295,775	90.84%	2.97%
Suzhou Private Capital Investment Holdings Co., Ltd. (蘇州民營資本投資控股有限公司) ("**Suzhou Private Capital Investment**")[6]	H Shares	Interest in controlled corporation	45,261,776	2.81%	2.72%
	Domestic Shares	Interest in controlled corporation	49,295,775	90.84%	2.97%
Shanghai Healthcare Capital Partnership (Limited Partnership) (上海生物醫藥產業股權投資基金合夥企業(有限合夥)) ("**SHC**")	H Shares	Beneficial interest	10,962,335	0.68%	0.66%
	Domestic Shares	Beneficial interest	3,654,111	6.73%	0.22%
Shanghai Healthcare Capital Investment Fund Co., Ltd. (上海生物醫藥產業股權投資基金管理有限公司) ("**Shanghai Healthcare**")[7]	H Shares	Interest in controlled corporation	10,962,335	0.68%	0.66%
	Domestic Shares	Interest in controlled corporation	3,654,111	6.73%	0.22%

Notes:

(1) The calculation is based on the total number of 1,659,444,838 Shares issued, including 1,605,176,474 H Shares and 54,268,364 Domestic Shares issued as at December 31, 2023.

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

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

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

Yinhua Changan is the limited partner of Suzhou Suzi holding 69.47% partnership interest, which in turn is wholly owned by Yinhua Fund and Southwest Securities owns 44.1% equity interest in Yinhua Fund.

Therefore, each of Suzhou Zisu, Suzhou Kington, Shanghai Qianyu, Suzhou Yumeng, Qian Xin, Yinhua Changan, Yinhua Fund and Southwest Securities is deemed to be interested in our Shares held by Suzhou Suzi.

(5) Suzhou Kington is the general partner of Suzhou Yipu No. 1 and Suzhou Zisu, and therefore deemed to be interested in our Shares held by Kington Capital and Suzhou Suzi.

(6) Suzhou Private Capital Investment holds 100% equity interest in Suzhou Kington and is therefore deemed to be interested in our Shares held by Kington Capital and Suzhou Suzi.

(7) Shanghai Healthcare is the general partner of SHC and therefore is deemed to be interested in our Shares held by SHC.

Save as disclosed above, as at December 31, 2023, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period or at the end of the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

PERMITTED INDEMNITY

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

CONNECTED TRANSACTIONS

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

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

1. Procurement Framework Agreements

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

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

Given the Previous Procurement Framework Agreement expired on December 31, 2023 and it was expected that the Group would continue to enter into procurement transactions of a similar nature with the Lepu Medical Connected Persons, on December 22, 2023, a new procurement framework agreement (the "**New Procurement Framework Agreement**", together with the Previous Procurement Framework Agreement, the "**Procurement Framework Agreements**") was entered into between the Company and the Lepu Medical. The term of the New Procurement Framework Agreement is from January 1, 2024 to December 31, 2024 (both days inclusive), and can be renewed upon parties' agreement up to three years.

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

Pricing

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

Annual caps and actual amount

The actual transaction amount for the Reporting Period for transactions covered under the Previous Procurement Framework Agreement was RMB439,210.31, and the annual cap for the year ended December 31, 2023 was RMB4,650,000. Under the New Procurement Framework Agreement, the annual cap for the year ending December 31, 2024 is RMB8,500,000.

2. CDMO Services Framework Agreement

Our Company has conditionally entered into an agreement on November 13, 2023 with Lepu Medical (the "**CDMO Services Framework Agreement**"), pursuant to which the Company and/or its subsidiaries shall provide Lepu Medical and/or its subsidiaries with CDMO services including CMC technical services, subject to the approval of the Independent Shareholders. Lepu Medical is our substantial shareholder and our Controlling Shareholder is its actual controller.

In light of the relevant time for the requisite regulatory and corporate approvals of the Company and Lepu Medical before the commencement of the transactions under the CDMO Services Framework Agreement, the Company and Lepu Medical noted that the transactions contemplated under the CDMO Services Framework Agreement could only commence in 2024 and therefore entered into a supplemental agreement to the Original CDMO Services Framework Agreement (the "**Supplemental CDMO Services Framework Agreement**") on December 22, 2023 to aggregate the proposed annual cap for the period ending on December 31, 2023 into the proposed annual cap for the period ending on December 31, 2024. Other major terms and conditions of the CDMO Services Framework Agreement remained unchanged.

The CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) was approved by the Independent Shareholders at the EGM on January 31, 2024. The term of the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) commenced on January 31, 2024 and will expire on December 31, 2024. The Company and/or its subsidiaries and Lepu Medical and/or its subsidiaries may from time to time enter into specific agreements in respect of the specific CDMO services for the development of particular drugs, and the CDMO services will be carried out in accordance with such specific agreements to be entered into.

The Group is well-equipped which high-quality manufacturing facility which is in compliance with GMP standards. Taking into account the needs of the Group for drugs manufacturing to cater for its clinical trials and commercialization, the Group can utilize its excess production capacity to provide CDMO services for appropriate business. By entering into the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement), the Directors believe this will enable a more effective use of the Group's excess production capacity and can generate supplementary cashflow for the Group as a whole.

Pricing

The fees payable by Lepu Medical and/or its subsidiaries to the Company and/or its subsidiaries under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) and the specific agreements will be determined at arm's length and on a fair and reasonable basis based on a number of factors, including but not limited to the scope, volume, nature, complexity and value of the service involved, the expected operational costs and the then prevailing market rates charged by other independent comparable CDMO service providers for similar services in respect of similar tasks in in the market.

Annual caps and actual amount

As the term of the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) only commenced on January 31, 2024, no transaction amount was incurred under the CDMO Services Framework Agreement during the Reporting Period, and the annual cap for the year ending December 31, 2024 is RMB46,000,000.

Confirmations

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

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

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

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

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

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

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

(A) the above continuing connected transactions have not been approved by the Board;

(B) the above continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

(C) the transactions contemplated under the CDMO Services Framework Agreement were not, in all material respects, in accordance with the pricing policies of the Group; and

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

MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in the section headed "Directors' Report – Connected Transactions" in this annual report, the related party transactions as set out in note 39 to financial statements were not regarded as connected transactions or were exempt from reporting, announcement and Shareholders' approval requirements under the Listing Rules.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company since the Listing and up to December 31, 2023.

EQUITY-LINKED AGREEMENTS

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

PRE-EMPTIVE RIGHTS AND TAX RELIEF

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

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

SUFFICIENT PUBLIC FLOAT

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

SUBSIDIARIES

Particulars of the Company's subsidiaries as at December 31, 2023 are set out in note 38 to financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DONATIONS

During the Reporting Period, the Group made charitable donations of approximately RMB3,405,906 (2022: RMB1,392,540).

COMPLIANCE WITH LAWS AND REGULATIONS

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

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2023. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2023.

ENVIRONMENTAL POLICY AND PERFORMANCE

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

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

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

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

CORPORATE GOVERNANCE

The Board is of opinion that the Company had adopted, applied and complied with the code provisions as set out in the CG Code contained in Appendix C1 to the Listing Rules during the Reporting Period. Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section of this annual report.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

AUDITORS

The consolidated financial statements of the Group for the year ended December 31, 2023 have been audited by PricewaterhouseCoopers who will retire at the AGM. PricewaterhouseCoopers, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company will be proposed at the AGM.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on June 19, 2024. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course. For the purposes of determining the Shareholders' eligibility to attend, speak and vote at the AGM, the Register of Members will be closed as appropriate as set out below:

FOR DETERMINING THE ENTITLEMENT TO ATTEND AND VOTE AT THE AGM

The Register of Members will be closed from June 14, 2024 to June 19, 2024, both days inclusive, during which period no transfer of Shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on June 13, 2024.

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

Shanghai, the PRC
April 25, 2024

REPORT OF THE SUPERVISORY COMMITTEE

WORKS OF THE SUPERVISORY COMMITTEE IN 2023

In 2023, the Supervisory Committee of the Company conscientiously performed its supervising responsibilities on a good faith basis in strict compliance with the relevant requirements of applicable laws and regulations, including the Company Law, and the Articles, by obtaining an understanding of the Company's production and operational conditions, financial position, operational decision making and investment and financing plans and supervising the performance of duties by the Directors and senior management of the Company, to safeguard the legitimate rights and interests of the Company and the Shareholders as a whole and strictly and effectively monitor the operational compliance of the Company.

For the year ended December 31, 2023, the Supervisory Committee of the Company held a total of 4 meetings. All the Supervisors have conducted their work and performed their duties and obligations with due diligence in accordance with the requirements of normative documents such as the Rules of Procedure of the Supervisory Committee. During the Reporting Period, no incidence of Directors or senior management prejudicing the Company's interests or violating the laws, regulations or the Articles was noted by the Supervisory Committee. The Company operates well in compliance with the law and has established sound financial policies and internal control and risk management systems.

2024 WORK PLAN

In 2024, the Supervisory Committee will continue to strictly comply with the requirements of the law and regulations and the internal rules and systems of the Company to perform all its duties with due diligence and actively review each resolution and oversee the performance of duties by the Directors and senior management of the Company. The Supervisory Committee will enhance its communication with the Board and the management, pay attention to the building of the Company's risk management and internal control systems and promote the improvement of the corporate governance structure and the operational compliance of the Company.

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

Shanghai, the PRC
April 25, 2024

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

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

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

The Company has complied with all applicable code provisions as set out in the CG Code (as it was applicable to corporate governance reports during the Reporting Period) during the Reporting Period.

BOARD OF DIRECTORS

Composition of the Board

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

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

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

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

Chairman and Chief Executive Officer

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

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

During the Reporting Period, Dr. Pu Zhongjie held the position of the chairman of the Board, and Dr. Sui Ziye and Dr. Hu Chaohong held the positions as the chief executive officer and co-chief executive officer, respectively, of the Company, responsible for the daily operation and management of the Company. Dr. Hu Chaohong ceased to be the co-chief executive officer with effect from January 31, 2024.

Directors' Responsibilities

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

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

Delegation by the Board

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

Directors' Responsibilities for Financial Statements

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

Independent Non-Executive Directors (INEDs)

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

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

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

Mr. Zhou Demin and Mr. Yang Haifeng were appointed from December 10, 2020. Mr. Fengmao Hua was appointed from December 16, 2021. All independent non-executive Directors are appointed for a term until the expiration of the term of its first session of the Board on December 9, 2023. All independent non-executive Directors remained on the Board until the EGM held on January 31, 2024, and were all re-elected as independent non-executive Directors with effect from the same date 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. The Company is of the view that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent.

Board Diversity Policy

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

The Board have set the measurable objectives for implementing the board diversity policy which include having one-third female representation on the Board. For the Reporting Period, the Board consists of six male members and three female members, achieving a female representation of one-third. For the Reporting Period, the Board considers that the Board is diverse in gender. Going forward, the Board will continue to seek opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

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

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

Our diversity philosophy including gender diversity was also generally followed within our workforce, and as at the date of this annual report, two of our senior management members out of four are female, achieving a female representation of 50% parity in this regard, and 42.89% of our total workforce were male. Considering the nature of the industry, the Company believes that the gender ratio of employees in the Group is normal and is of the view that the Group has achieved gender diversity among employees. Therefore, the Company has not set any plans or measurable objectives for gender diversity.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Pursuant to the requirements of the Articles, Directors (including non-executive Directors) shall be elected at the general meeting with a term of three years. Each of the current non-executive Directors have been appointed for a term of three years commencing on January 31, 2024. A Director may serve consecutive terms if re-elected upon the expiry of his/her term. The Company has implemented a set of effective procedures for the appointment of new Directors. The nomination of new Directors shall be first deliberated by the Nomination Committee and then submitted to the Board, subject to approval by election at the general meeting.

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

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

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 40 and 9 to financial statements on pages 187 to 189, and pages 149 to 151 of this annual report. Details of the Directors' and Supervisors' emoluments are set out in note 40 to financial statement on pages 187 to 189 of this annual report.

For the year ended December 31, 2023, there was no remuneration paid or payable by the Company to any of the Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

None of the Directors or Supervisors has waived any emoluments or benefits in kind for the year ended December 31, 2023.

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

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

During the year ended December 31, 2023, the Company have provided the relevant materials including legal and regulatory updates to the Directors for their reference and studying. Pursuant to the requirements of the Code Provision C.1.4 of the CG Code, all Directors have provided the Company with records of the training they received to ensure that their contributions to the Board remain informed and relevant.

BOARD MEETINGS

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

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

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

Attendance Record of Directors and Committee Members

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

	Attendance/Number of meetings						
Name of Director	Board	Audit Committee	Nomination Committee	Remuneration and Appraisal Committee	Strategy Committee	Annual general meeting	Other general meetings
Dr. Pu Zhongjie	7/7	N/A	1/1	1/1	1/1	1/1	1/1
Dr. Sui Ziye	7/7	N/A	N/A	N/A	1/1	1/1	1/1
Dr. Hu Chaohong	7/7	N/A	N/A	N/A	N/A	1/1	1/1
Ms. Pu Jue	7/7	4/4	N/A	N/A	N/A	1/1	1/1
Mr. Yang Hongbing	7/7	N/A	N/A	N/A	N/A	1/1	1/1
Mr. Lin Xianghong	7/7	N/A	N/A	N/A	N/A	1/1	1/1
Mr. Zhou Demin	7/7	N/A	1/1	N/A	1/1	1/1	1/1
Mr. Yang Haifeng	7/7	4/4	1/1	1/1	N/A	1/1	1/1
Mr. Fengmao Hua	7/7	4/4	N/A	1/1	N/A	1/1	1/1

NOMINATION POLICY

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

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

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

- Reputation for character and integrity;
- Accomplishment and experience in the relevant industries in which the Company's business is involved and other professional qualifications;
- Skills that are complementary to those of the existing Board;
- Commitment for responsibilities of the Board in respect of available time and relevant interest;
- Diversity in aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;
- Contribution that the candidate(s) can potentially bring to the Board;
- Plans in place for the orderly succession of the Board; and
- (in relation to the candidate(s) for independent non-executive directorship), factors set out in Rules 3.10(2) and 3.13 of the Listing Rules.

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

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

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

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

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

REMUNERATION PAYABLE TO MEMBERS OF SENIOR MANAGEMENT

Pursuant to Code Provision E.1.5 of the CG Code, the annual remuneration of members of the senior management (other than Directors) by band for the year ended December 31, 2023 is set out below. Directors' remuneration policy is provided in the section headed "Corporate Governance Report – Board of Directors – Compensation of Directors, Supervisors and Senior Management" in this annual report.

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

DIVIDEND POLICY

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

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

The Company has adopted a policy on payment of dividends pursuant to Code Provision F.1.1 of the CG Code taking into consideration of various factors including but not limited to, among other things, the actual/projected financial performance of the Group, operational capital need, cash flow, future expansion plans, current and future liquidity condition, internal and external circumstances that may impact upon the Company's business or financial performance or condition, or any other conditions which the Board may deem relevant. The policy sets out the factors in consideration, procedures and methods of the payment of dividends and has been approved by the Shareholders. According to the policy, the distribution of dividends will be formulated by the Board, and will be subject to Shareholders' approval.

CORPORATE GOVERNANCE FUNCTIONS

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

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

The Board has performed the above duties for the Reporting Period.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authorities and duties pursuant to paragraph C.4 of the CG Code.

Audit Committee

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

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

- to make recommendations to the Board on the appointment, replacement and removal of the external auditor, approve the remuneration and terms of engagement of the external auditor, and deal with all matters of the resignation or dismissal of external auditor;

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

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

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

During the Reporting Period, the Audit Committee has held 4 meetings to review (among other things) the draft audited annual consolidated financial statements and significant issues on the financial reporting, the draft annual results announcement, the draft annual report, the effectiveness and sufficiency of the risk management and internal control systems, the effectiveness of the Company's internal audit function, and the appointment of external auditors. The attendance records of the Audit Committee for the Reporting Period are set out under "Corporate Governance Report – Board of Directors – Board Meetings – Attendance Record of Directors and Committee Members" of this annual report.

Remuneration and Appraisal Committee

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

- to make recommendations to the Board on the Company's remuneration policy and structure for all Directors, Supervisors and senior management, and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- to review and approve the remuneration proposals of senior management with reference to the Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration packages of the executive Director and senior management or to determine, with delegated responsibility, the remuneration packages of the executive Director and senior management. The remuneration packages shall include benefits in kind, pension rights and compensation payments (including compensation for loss or termination of their office or appointment);
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- to review and approve the compensation payable to the executive Director and senior management for their loss or termination of office or appointment to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;
- to review and approve the compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive; and
- to ensure that no Director or any of their associates is involved in deciding that Director's own remuneration.

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

- made recommendations to the Board on the remuneration package of the executive Directors and senior management;
- reviewed and made recommendations to the Board on the procedure for developing the remuneration policy; and
- reviewed the performance of duties of Directors and senior management of the Company.

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

Nomination Committee

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

- to review the structure, size and composition of the Board (including the skills, knowledge and experience) at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become board members and select and make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of the independent non-executive Directors;
- to develop and maintain a policy for the nomination of the Directors;
- to develop and maintain a policy concerning diversity of the Board of Directors, and to review periodically and disclose the policy in the corporate governance report;
- to review annually the time required to be devoted by the non-executive Directors and independent non-executive Directors; and
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

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

- reviewed the structure, size and composition of the Board;
- developed, reviewed and assessed the board diversity policy;
- assessed the independence of the independent non-executive Directors.

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

Strategy Committee

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

- to conduct research and make recommendations for the long-term strategic development plans of the Company;
- to conduct research and make recommendations for major investment plans which are subject to the approval of the Board;
- to conduct research and make recommendations for major capital operation and asset operation projects which are subject to the approval of the Board;
- to review the annual investment plan of the Company;
- to conduct research and make recommendations for major investment programs which are subject to the approval of the Board; and
- other duties as conferred by the Board.

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

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

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

SUPERVISORY COMMITTEE

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

FINANCIAL REPORTING SYSTEM, RISK MANAGEMENT, AND INTERNAL CONTROL SYSTEM

Financial Reporting System

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended December 31, 2023, which give a true and fair view of the affairs of the Company and the Group and of the Group's financial performance and cash flows. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner.

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

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

Risk Management and Internal Control

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

The Company is devoted to establishing and maintaining risk management and internal control systems consisting of policies, procedures and risk management methods that are considered to be appropriate for the Company's business operations, and the Company is dedicated to continuously reviewing and improving these systems in terms of their effectiveness. The Company has adopted and implemented comprehensive internal control and risk management policies in various aspects of our business operations. Such systems are designed to manage rather than eliminate the risk of failing to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. In accordance with Code Provisions D.2.1 and D.2.4 of the CG Code, the Board, supported by the Audit Committee, confirms its responsibility for the Company's risk management and internal control systems and will oversee and review their effectiveness on an annual basis. The Company considers that the Directors and the senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

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

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

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

  a. the adequacy of resources;

  b. qualifications, experience and training of staff;

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

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

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

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

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

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

Financial Reporting Risk Management

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

Information System Risk Management

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

Patient Data Management

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

Quality Control Risk Management

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

Anti-bribery and Anti-kickback

The Company strictly prohibits bribery or other improper payments in any of the business operations. This prohibition applies to all business activities anywhere in the world, whether involving government officials, medical professionals or private or public payors. Improper payments prohibited by this policy include bribes, kickbacks, excessive gifts or entertainment, or any other payment made or offered to obtain an undue business advantage. The Company keeps accurate books and records that reflect transactions and asset dispositions in reasonable details. The Company also ensures that the commercialization team complies with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities.

Human Resources Risk Management

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

Internal Control Systems

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

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

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

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

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

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

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

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

For IP-related issues, in particular, we have engaged third party IP legal advisers to assist us in registering and applying for and reviewing the relevant patent and trademark rights of our IPs. The Company has also engaged a Compliance Adviser to provide advice to the Directors and management team regarding matters relating to the Listing Rules. The Compliance Adviser is expected to provide support and advice regarding the requirements of relevant regulatory authorities, including those relating to corporate governance, on a timely basis. The Company has also engaged a PRC Legal Adviser to advise it on, and keep it abreast with, PRC laws and regulations.

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

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

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

HANDLING OF INSIDE INFORMATION

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

AUDITOR'S REMUNERATION

The Company appointed PricewaterhouseCoopers as the external auditor for the year ended December 31, 2023. A statement by PricewaterhouseCoopers about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 116 to 125. The remunerations paid to PricewaterhouseCoopers in respect of its audit services and non-audit services for the year ended December 31, 2023 are as follows:

Service	Fees paid (RMB'000)
Audit services	2,850
Non-audit services	–
Total	2,850

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

The Audit Committee was satisfied that the non-audit services provided by PricewaterhouseCoopers in 2023 did not affect its independence as the Company's auditor.

JOINT COMPANY SECRETARIES

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

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

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

SHAREHOLDERS' INFORMATION

Important Shareholders' Dates

Financial Calendar 2023

Announcement of the 2023 annual results	March 27, 2024
Publication of the 2023 annual report	April 25, 2024
2023 annual general meeting	June 19, 2024

For Shareholders to Attend and Vote at 2023 Annual General Meeting

Latest time to lodge transfer documents for registration with the Company's H Share Registrar in Hong Kong	4:30 p.m. on 13 June, 2024
Closure of the Register of Members (both days inclusive)	14 June, 2024 – 19 June, 2024

PUBLIC FLOAT

On the basis of information publicly available to the Company and to the best knowledge of the Directors, approximately 55% of the Company's issued Shares were held by members of the public as at the Latest Practicable Date.

SHAREHOLDERS' RIGHTS

Right to Convene Extraordinary General Meeting

Pursuant to the Articles, Shareholders severally or jointly holding 10% or more of the Shares shall be entitled to request the Board to convene an EGM in writing.

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

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

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

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

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

Right to Put Forward Proposals at a General Meeting

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

Right to Propose a Person for Election as a Director

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

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

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

Right to Directing Enquiries to the Board

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

EFFECTIVE COMMUNICATIONS WITH SHAREHOLDERS

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

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

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

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

INVESTOR RELATIONS

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

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

THE ARTICLES OF ASSOCIATION

Save for the amendments of the Articles passed and approved on June 15, 2023, there are no significant changes in the Articles during the Reporting Period. For details of amendments to the Articles, please refer to the Company's announcements dated June 15, 2023 and August 1, 2023, and the Company's circular dated May 24, 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. ABOUT THIS REPORT

This Environmental, Social and Governance Report (hereinafter referred to as "**this Report**") issued by Lepu Biopharma Co., Ltd. is prepared in a faithful and reliable manner to disclose Lepu Biopharma's efforts and achievements in the field of environmental, social and governance (hereinafter referred to as "**ESG**") in 2023 to all stakeholders. This Report should be read in conjunction with the Corporate Governance Report in the annual report and the "Corporate Governance" section of Lepu Biopharma's website to enable readers to have a comprehensive understanding of the Company's practices and measures in ESG aspects.

Reporting Scope

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

Reporting Period

This is an annual report covering the period from January 1, 2023 to December 31, 2023 unless otherwise specified. To enhance the comparability and completeness of this Report, part of its content can be traced back to previous years or extended to the following years.

Reporting Principles

This Report is prepared with reference to the Appendix C2 Environmental, Social and Governance Reporting Guide (hereinafter referred to as the "**ESG Reporting Guide**") in the Main Board Listing Rules released by the Stock Exchange of Hong Kong Limited (HKEX) and adheres to the reporting principles of materiality, quantitative, balance and consistency.

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

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

Data Source

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

Access to the Report

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

II. ABOUT LEPU BIOPHARMA

(I) Company Profile

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

(II) ESG Management

Our Company has long been committed to establishing a high-standard ESG management system, continuously optimizing ESG strategies, improving the ESG governance framework, gradually enhancing the quality of ESG work, implementing ESG concepts and requirements into corporate governance and company development, and continuously improving the level of ESG management.

1. ESG Strategy

We always closely follow the national dual-carbon strategy, dedicated to optimizing our energy structure to minimize the negative environmental impact of our business operations and actively address the potential risks posed by climate change. We adhere to our original intention of innovation, continually stepping up our product research and development innovation efforts, committed to improving product quality, and establishing a comprehensive supplier management system.

We consistently uphold the "people-oriented" concept, focusing on the healthy growth of our employees, effectively safeguarding their legitimate rights and interests, and committed to promoting community empowerment. We take the initiative to assume social responsibilities, actively participate in public charity activities, care for vulnerable groups, and through practical actions like donating medical supplies and equipment, strive to contribute to social welfare. We remain committed to our duties, uphold the ethical standards of honesty and integrity, and continuously promote the joint development of the Company and all stakeholders.

2. *ESG Governance Structure*

Board Statement

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

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

This Report disclosed in detail the progress and effectiveness of ESG work of Lepu Biopharma in 2023, which was reviewed and approved by the Board on April 25, 2024. The Board and all directors of Lepu Biopharma guaranteed that the contents of this report do not contain any false statements, misleading statements or material omissions, and assume responsibility for the truthfulness, accuracy and completeness of its contents.

3. *Communication with Stakeholders*

We attach great importance to interactions with stakeholders, and regularly and fully communicate with various stakeholders through various channels to understand their demands and respond positively.

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

Stakeholders	Expectations and Demands	Main Communication and Feedback Channels
Governments and regulatory authorities	Employment Supply chain management Product responsibility Anti-corruption Community investment	Fulfillment of legal compliance and obligation Establishment of operational compliance and internal control mechanisms Regular reporting of company operations Continuous enhancement of pharmaceutical quality Promotion of coordinated development throughout the industry Legal tax compliance
Shareholders and investors	Employment Product responsibility Anti-corruption	Shareholders' General Meetings Results announcement Interim and annual reports Announcements on significant events Telephone, email, and online investor communications Investor meetings and on-site inspections Company's website
Employees	Employment Health and safety Development and training Labour standards	Employee performance assessment and feedback In-house communication meetings for employees In-house announcements and emails Employee training activities Distribution of employee benefits
Patients	Product responsibility Anti-corruption	Strict implementation of full-process drug quality control Protection of customer information and optimization of complaint mechanisms Handling of consumer complaints and feedback Information disclosures Communication on products
Suppliers	Supply chain management Anti-corruption	Supplier tendering and review Standardized management and implementation of contracts and agreements Regular communication meetings with suppliers Site visit to suppliers

Stakeholders	Expectations and Demands	Main Communication and Feedback Channels
Media and non-governmental organizations	Emissions Use of resource Environmental and Natural Resources Employment Supply chain management Product responsibility	Compliant disclosure of environmental performance data and setting environmental objectives Press conference Press interview Official WeChat account of the Company Social media Industry seminars
Community	Community investment	Community engagement and communication Identification of community demands

4. *Assessment on Material ESG-related issues*

To clarify key areas of sustainable development practice and information disclosure, we determined the materiality of ESG issues. Based on the requirements described in ESG Reporting Guide and considering our business sector and operational characteristics, we maintained active interactions with major external stakeholders using the above-mentioned channels for communication and feedback, successfully identified 18 material issues relevant to Lepu Biopharma and ranked them by their importance to our business development and the stakeholders, forming the following matrix of material issues.

Lepu Biopharma's Matrix of Material ESG Issues in 2023

III. HEALTHY EARTH, GREEN PHARMACEUTICALS

(I) Environment Management Targets

The Company adheres to the concept of sustainable development. Strictly abiding by laws and regulations including the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution, and the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Company has established and continuously improves the Company's environmental protection policies and systems, strengthens environmental impact monitoring and risk management, minimizes the operational environmental footprint as much as possible, and fulfills the primary responsibility for corporate ecological and environmental protection.

Environmental Targets for 2023:

Energy conservation & emissions reduction	• The design of the Beijing Factory and Shanghai Biotech Park of Lepu Biopharma requires that the temperature and humidity of the workplace should be controlled at the lowest energy consumption level under the premise of meeting the GMP-compliant requirements, which are 20°C-24°C and 45%-65% in spring and summer, and 18°C-22°C and 40%-60% in autumn and winter for clean areas; while 18°C-26°C and 30%-75% in spring and summer, and 18°C-26°C and 30%-75% in autumn and winter for non-clean areas. • Rooftop photovoltaic power generation equipment was used in Shanghai Biotech Park of Lepu Biopharma to reduce power consumption by using clean energies. • In 2023, Lepu Biopharma continued to purchase office computers that have passed the "China Energy-saving Product Certification" and achieved Grade I energy efficiency from our suppliers.
Saving water	• Purified water systems has been installed in both Shanghai Biotech Park and Beijing Factory of Lepu Biopharma to achieve water conservation by using RO+EDI water production process. • In 2023, Lepu Biopharma has provided direct drinking water in replace of bottled water in the whole Company.
Reducing waste	• In 2023, Lepu Biopharma continued to accomplish 100% waste recycling and processing.

The Company has formulated management standards such as the "Corporate Environmental Management System," setting strict regulations on resource utilization, energy conservation, emission reduction, and management of emissions, striving to minimize the environmental impact of the Company's operations. With environmental management objectives as the guide, it has developed environmental management measures covering all aspects of production, office operations, and

logistics, aiming to integrate environmental management into every detail. The Company also established an environmental management assessment and reward and punishment mechanism, recognizing and rewarding departments and individuals who excel in environmental management work and seriously dealing with violations of environmental protection regulations. By establishing an internal environmental management system and strictly implementing relevant management standards, Lepu Biopharma has successfully reduced the environmental impact of its operations, achieving a win-win for economic and environmental benefits.

Environmental management measures of Lepu Biopharma:

In 2023, we have developed and implemented environmental management measures in our Beijing plant and Shanghai Biotech Park

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

(II) Enhancing Efficiency and Conserving Resources

Resource consumption is closely linked to environmental protection. Lepu Biopharma always pays close attention to the consumption of primary resources such as electricity, water, and office paper. As the business scale continues to expand, the Company becomes more aware of the importance of resource management and conservation, dedicated to optimizing the way resources are used, improving resource efficiency, and achieving sustainable development.

1. Energy Conservation Scenarios

Lepu Biopharma has taken various measures to reduce energy consumption during the experimental and production processes in laboratories and workplace. In 2023, the Company adopted:

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

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

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

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

Variable frequency control system

Multi-effect water distillator

Active power filter

Reactive compensation technology for power grid system

The Company not only focuses on the consumption of primary resources in its daily operations but also demonstrates a profound commitment to environmental protection through attention to detail. In the restrooms of various factories, the Company has fully implemented the use of air-inflated faucets and infrared sensor flushing valves, aiming to further reduce actual water consumption and contribute to environmental protection. The design of air-inflated faucets is unique, allowing for effective handwashing while significantly reducing water flow, thus achieving the goal of water conservation. Infrared sensor flushing valves can precisely detect users' flushing needs, avoiding waste of water resources due to improper manual operation. This intelligent flushing system not only improves convenience in usage but also significantly reduces the consumption of water.

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

In the common office areas, the Company actively implements various energy-saving measures, continuously optimizing resource usage methods to enhance resource efficiency. Regarding electricity consumption, the Company regularly inspects the use of lighting fixtures in office areas to ensure their normal operation and sensible use. Meanwhile, the Company has unified the use of LED energy-saving lights to replace high-energy-consuming fixtures. LED lights are efficient, energy-saving, and environmentally friendly, effectively reducing electricity consumption. Furthermore, the Company advocates the practice of "lights off when leaving," reducing the electricity consumption of air conditioning, fresh air, and exhaust systems, and fostering good habits of saving electricity. By minimizing unnecessary electricity waste, it further reduces power consumption. In terms of water usage, the Company focuses on improving the efficiency of water resource utilization. In the office areas of the Beijing factory, intelligent water purifiers have been installed to replace bottled water. These purifiers can directly filter tap water, providing safe and healthy drinking water while avoiding the waste associated with the use and transportation of bottled water.

Furthermore, the Company encourages employees to economize on the use of office supplies and to reasonably control the distribution and use of office paper. Employees are encouraged to use teleconferencing, online working and other paperless forms for cross-regional communication so as to minimize the use of office papers. In 2023, the Company's total consumption of packaging materials is 585kg.

2. *Completion Status of Energy Saving Targets*

Energy conservation efforts made in 2023:

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

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

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

3. Key Performance Indicators (KPIs)

Indicator	Unit	Total in 2023	Total in 2022
Comprehensive energy consumption[1]	MWh	14,461.35	13,494.46
Direct energy consumption[2]	MWh	8,928.48	8,635.62
Natural gas	MWh	8,928.48	8,635.62
Indirect energy consumption[3]	MWh	5,532.87	4,858.84
Outsourced electric power	MWh	5,532.87	4,858.84
Energy consumption per person	MWh/person	33.71	34.08
Total water consumption[4]	metric ton	47,759.00	49,815.44
Water consumption per person	metric ton/person	111.33	125.80

4. GHG emissions

The main source of greenhouse gas emissions for the Company is electricity use. For this reason, the Company actively optimizes its electricity use structure, increases the proportion of renewable energy usage, and reduces the consumption of fossil fuels, thereby lowering greenhouse gas emissions. At the same time, the Company is exploring advanced technologies such as carbon capture and storage, with the aim of further reducing greenhouse gas emissions.

(1) Completion status of emissions reduction targets

Energy conservation efforts made:

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

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

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

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

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

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

Indicator	Unit	Data in 2023	Data in 2022
Total GHG emissions[5]	metric ton	6,139.96	5,592.50
Direct GHG emissions (Scope 1)[6]	metric ton	1,746.15	1,688.58
Natural gas	metric ton	1,746.15	1,688.58
Indirect GHG emissions (Scope 2)[7]	metric ton	4,393.81	3,903.92
Outsourced electric power	metric ton	4,393.81	3,903.92
GHG Emissions per person	metric ton/person	10.24	14.12

(III) Reducing Pollution and Emissions, Enhancing Performance through Environmental Protection

The Company places great emphasis on environmental protection, adopting stringent management and treatment measures for the gas emissions, wastewater, and solid waste generated during the Company's operations to ensure compliance with environmental regulations and reduce environmental impact.

1. Waste Gas Treatment

Our main challenge is the treatment of waste gas from experiments. We strictly control the process flow in experiments, utilizing advanced waste gas treatment equipment and technologies to ensure emissions meet national and local environmental standards. We regularly inspect and maintain the waste gas treatment equipment to ensure its normal operation and efficient processing of exhaust gases.

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

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

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

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

(iv) The Shanghai wastewater treatment station has added exhaust gas treatment facilities, where odors are treated with UV, activated carbon, and alkali spray before being discharged through a 31 m high E5 exhaust stack;

---

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

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

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

(v) The Shanghai laboratory has installed new exhaust treatment equipment, with laboratory reagent preparation and waste gas from experiments, as well as liquid-phase waste gas from experiments being treated with activated carbon before being discharged through the E2 exhaust stack. Disinfection waste gas from the biosafety laboratory clean area is treated through an activated carbon filter screen before being discharged through the E4-1 and E4-2 exhaust stacks.

Tail gas treatment devices at laboratories in Beijing plant

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

Shanghai sewage station waste gas treatment facilities

Shanghai laboratory exhaust treatment unit

Harmless treatment of waste gas used for the sewage treatment system in Beijing plant

2. *Wastewater Treatment*

The wastewater produced by the Company mainly includes laboratory liquid waste, production wastewater, and domestic wastewater. Although laboratory waste liquids are small in volume and non-toxic, the Company still adopts a cautious approach, entrusting qualified third parties to collect and treat them uniformly to ensure no adverse environmental impact. The production wastewater is discharged into the municipal pipeline network together with the domestic wastewater after being treated by the sewage station in the plant and reaching the standard.

3. *Solid Waste Treatment*

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

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

In 2023, the amount of hazardous wastes generated by the Company was 22.02 metric tons in total, per capita 0.05 metric tons. The total amount of non-hazardous wastes was 5.05 metric tons, per capita 0.01 metric tons.

4. *Emissions KPIs*

Indicator	Unit	Data in 2023	Data in 2022
Waste gas emissions	m^3	43,882,058.00	32,412,402.89
Wastewater	metric ton	9,119.87	11,994.11
COD	metric ton	0.16	0.6045
Ammonia nitrogen	metric ton	0.01	0.0230

Indicator	Unit	Data in 2023	Data in 2022
Total hazardous waste[8]	metric ton	22.02	17.36
Hazardous waste per person	metric ton/person	0.05	0.04
Total non-hazardous waste[9]	metric ton	5.05	6.47
Non-hazardous waste per person	metric ton/person	0.01	0.02

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

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

(IV) Environmental and Natural Resources

Global climate change has become a major challenge for human survival and sustainable development. Frequent occurrence of extreme weather events, ecological degradation, and the emergence of environmental issues such as air, soil, and water pollution not only cause serious environmental damage but also pose unprecedented risks to the daily business and operations of companies. As a company that is highly socially responsible, the Company is acutely aware of the potential impacts of environmental and climate change risks on company operations and development. The Company proactively identifies climate change risks closely related to operations and actively seeks response strategies. At the same time, the Company also sees the opportunities brought about by climate change, driving the Company towards a more environmentally friendly and efficient direction through technological innovation and sustainable development practices.

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

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

IV. MOVING FORWARD TOGETHER TO FOSTER PROSPERITY

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

(I) Integrity in Service, Innovation for the Future

The Company places great emphasis on technological innovation, committed to maintaining a leading position in the industry through continuous R&D investment, while strictly adhering to product responsibility principles to ensure that each product meets the highest standards. In the field of information security, the Company adopts advanced measures and strict policies to ensure the absolute safety of customer and corporate data, winning the trust of customers and society, and achieving sustainable development. The Company insists on responsible operations, strictly conducts responsible marketing, and is committed to implementing responsible business strategies to ensure that the Company's marketing activities fully consider ethics and morals, while implementing strict protective measures for commercial information security to maintain the mutual interests of the Company and customers.

1. *Continuous Innovation, Constant Breakthroughs*

The Company places its mission in the back of our heads to "become a leading platform-based innovative enterprise that meets the medical needs of cancer patients with innovative drugs." The Company focuses on differentiated biopharmaceutical R&D as a strategic priority, keeping pace with the latest technologies and trends in global biopharmaceutical innovation. The goal is to establish a solid foundation in China and expand to the global market, becoming a truly internationally influential innovative biopharmaceutical company.

1.1 Strict Observance of R&D Principles

The Company specializes in innovative medical care, long committed to discovering, developing, and commercializing candidate drugs with originality and optimal performance in the fields of targeted cancer therapy and immunotherapy. In the pre-clinical stage, the Company follows the "Research and Development Management System" to initiate projects, screen candidate drugs, and file IND applications. We strictly abide by laws and regulations including the Drug Administration Law of the People's Republic of China, the Measures for the Administration of Drug Registration, the Guideline for the Acceptance and Examination of the Registration of Biological Products, the Guiding Principles of Pharmaceutical Research and Change of Technology in Biological Products During Clinical Trials, the Good Laboratory Practice (GLP), the Good Clinical Practice (GCP) and the Measures for the Administration of Drug Research and Registration (Trial). At the same time, under the framework of the guidance principles of the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH), the Company standardizes the development of new drugs.

1.2 Building an Integrated Industrial Platform

The Company continuously strengthens the construction of the R&D industrial platform, focusing on cutting-edge technology and concentrating on the development of high-quality innovative drugs. We have established a comprehensive industrial platform that integrates R&D, production, and commercialization, covering key aspects such as new drug research, pharmaceutical development and industrialization, drug production, clinical research, and commercialization.

➢ **Innovative Pharmaceutical R&D Platform**

We continuously strive to build up and develop novel technology platforms as innovative engines for the Company. In 2023, our innovative platforms, being Hi-TOPi platform for ADC and T cell engager platform TOPAbody, have achieved significant progress. Based on these innovation platforms, we have generated ADC candidate MRG006A and the new-generation T cell agonistic antibody CTM012 which have global first-in-class potential. We have observed encouraging data in pre-clinical studies and are advancing these two candidates to enter into clinical research stage efficiently.

Case: Significant progress on the Hi-TOPi platform for ADCs and the T-cell engager platform TOPAbody

Hi-TOPi platform: The Hi-TOPi platform for ADC is featured by: (1) Linker, which is highly stable in circulation and effective in releasing payload in cells; (2) Payload, which has good potency when compared to competitors (it is not a substate for Pgp, and therefore it has a great potential of overcoming drug resistance); (3) ADCs utilizing the novel linker-payload have demonstrated strong anti-tumor activity in PDX of multiple tumor types and also shown excellent safety profile and good tolerance in monkeys; and (4) improved therapeutic window.

Using the novel linker-payload platform, the Company has developed MRG006A, which is an ADC candidate with global first-in-class potential and has entered the IND-enabling study stage. We expect to file IND in the second quarter of 2024.

T cell engager platform: The Company's proprietary T cell engager platform-TOPAbody is featured by (1) simultaneous activation of both TCR signaling and co-stimulatory pathway that intends to unlock the full potential of T cells, and (2) restricted activity in the tumor microenvironment.

Based on the T cell engager platform, we have developed CTM012, a new-generation T cell agonistic antibody with first-in-class potential which has entered the IND-enabling study stage during the Reporting Period. We target to file IND in 2024.

- **Process Development and Analytical Development Platform**

  The Company possesses strong capabilities in process and analytical development, including the following functionalities: (1) the construction of GMP-compliant cell bank; (2) the separation and purification process which improves product purity; (3) advanced ADC conjugation technology; (4) optimization technologies that realize precise control of DAR; (5) sophisticated formulation development technology; and (6) comprehensive release testing and product characterization analysis technologies.

- **GMP – Compliant Production Platform**

  The Company continues to strengthen its capacity for manufacturing. The Beijing base has established 2,000 L GMP-compliant bioreactor production line, which mainly supports the production of clinical drug and offers CDMO production services. Additionally, the construction of the Company's Shanghai Biotech Park has been preliminarily completed and accepted, and the research and development center has been put in use. The Shanghai Biotech Park has a designed total capacity of 12,000 L, and it has obtained the environmental impact assessment report for the production of mAb and ADC. Going forward, it will continue to establish manufacturing facilities based on the business needs.

- **Clinical Development Platform**

  The Company has established a scientific and efficient innovative drug clinical development and operation management system, with clinical development centers set up in China and the United States, possessing extensive experience in medical affairs, clinical operation and regulatory affairs. Currently, one of our drugs, Pucotenlimab Injection, has been approved by the National Medical Products Administration (NMPA) in two indications: unresectable or metastatic MSI-H or mismatch repair deficiency (dMMR) advanced solid tumors, and unresectable or metastatic melanoma that has failed prior systemic therapy and entered into the commercial stage successfully.

Additionally, multiple clinical trials are being efficiently conducted, among which five had entered registrational trial phase and one is ongoing in the United States. Two ADC products have completed patient enrollment for registrational clinical trials and entered into NDA preparation stage.

Case: MRG003 for the treatment of recurrent/metastatic nasopharyngeal carcinoma (R/M NPC) completed patient enrollment for a pivotal Phase IIb clinical trial, and entered into NDA preparation stage

The Company's drug candidate, MRG003 (an epidermal growth factor receptor ("**EGFR**") targeted antibody-drug conjugate ("**ADC**") candidate drug), has successfully completed the patient enrollment for pivotal Phase IIb clinical trial on recurrent or metastatic nasopharyngeal carcinoma ("**R/M NPC**").

This trial is a randomized, open-label, multicenter pivotal Phase IIb clinical study that began patient enrollment in April 2023. As of December 29, 2023, the Company has successfully completed patient enrollment.

Previously, MRG003 had been granted Breakthrough Therapy designation by the Center for Drug Evaluation of the National Medical Products Administration of the People's Republic of China ("**China**"), Orphan Drug designation by the U.S. Food and Drug Administration ("**FDA**") for the treatment of R/M NPC, and Fast Track designation by the FDA.

The pivotal Phase IIb clinical trial of MRG003 in China aims to evaluate the efficacy and safety on R/M NPC. The Company will fully commit to advancing the NDA submission for this product, in order to providing new treatment therapy for R/M NPC patients.

➢ **Commercialization Platform**

The Company has established an efficient marketing team domestically, primarily responsible for formulating product promotion, product positioning, and brand management strategies. By conducting academic promotions, a strong brand image is built to enhance the awareness of the product among doctors and patients. In terms of sales channel development, the Company actively explores cooperative relationships across various business channels, currently covering approximately 76 cities through multiple channels. Additionally, the Company actively seeks overseas partners. In 2023, it reached a global exclusive licensing agreement with AstraZeneca for the Claudin 18.2 antibody-drug conjugate CMG901.

Case: Global Exclusive Licensing Agreement with AstraZeneca for CMG901

On February 23, 2023, KYM (a joint venture established by the Company and Keymed Biosciences Technology Co., Ltd.) reached a global exclusive licensing agreement with AstraZeneca for the Claudin 18.2 antibody-drug conjugate CMG901. AstraZeneca was granted an exclusive global license for the research, development, registration, manufacturing, and commercialization of CMG901. KYM will receive an upfront payment of US$63 million and is eligible for milestone payments up to US$1.125 billion subject to achievement of the development, registration, and commercialization milestones. KYM is also entitled to receive tiered royalties on net sales from AstraZeneca. The successful collaboration with AstraZeneca represents recognition of our ADC technology platform by a multinational pharmaceutical company.

1.3 Creating the Best R&D Team

The Company deeply understands the critical importance of talent and places great emphasis on nurturing and building its scientific research team. By leveraging a diverse talent recruitment mechanism to widely attract outstanding individuals and continuously refining its training processes, the Company has successfully established a R&D team rich in experience in drug discovery, clinical development, pharmaceutical development, and production. The central technology management team is led by industry veterans, who set global strategic innovation goals for the Company from a professional perspective, upgrade the R&D organizational structure, and recruit global R&D talent.

The leadership team of the Company has held positions in leading pharmaceutical companies both domestically and internationally, possessing a broad vision and extensive professional experience. During the Reporting Period, there were 171 employees in the R&D team, including 82 employees with master's degree and 23 with doctoral degree.

1.4 Protection of Intellectual Property Rights

As a knowledge-intensive enterprise, intellectual property is the fundamental source of competitive strength for the Company, which highly values the protection and management of intellectual property. While protecting the Company's own intellectual property rights, it also ensures respect for the intellectual property rights of others. The Company strictly abides by the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other laws and regulations, and has formulated system documents and management measures such as the Lepu Biopharma Intellectual Property System. The Company has specifically established an Intellectual Property Department to assist in completing the application processes for various patents, trademarks, and copyrights, ensuring that the Company's rights are effectively protected by law. Additionally, the Company regularly maintains and updates existing intellectual property rights. Additionally, this department is responsible for the evaluation, transaction, and licensing of intellectual property rights, creating more commercial value and competitive advantages for the Company through reasonable utilization of intellectual property rights.

To ensure timely and accurate safeguarding of its legitimate rights and interests, the Company places great emphasis on the retrieval and analysis of intellectual property information. The Company regularly conducts all-around searches of intellectual property information and thoroughly analyzes potential risk points to proactively identify and manage major risks in intellectual property management, thereby effectively preventing the occurrence of intellectual property infringement. In addition, to further avoid IP risks, during the background check for hiring new employees, the Company will look into independent intellectual property rights ("**IPRs**") that candidates are entitled to, and identify the non-compete agreements signed between the candidates and other companies to ensure IP protection for both parties.

During the Reporting Period, the Company had 6 Chinese mainland patents, 1 Hong Kong patent and 1 Macau patent in China, 8 U.S. patents, 5 Japanese patents, 2 European patents (including 2 authorized by Irish, Belgium, Denmark, France, Finland, the Netherlands, Switzerland, Spain, Germany, and 1 by Italy and the UK) for its main business. In addition, the Company held 31 pending invention patents, including 5 in the Chinese mainland and 26 in overseas jurisdictions (such as the United States, Japan, Korea, Australia, Israel, India and the European Union). Furthermore, we owned 40 trademarks in China and 1 abroad, 61 software copyrights as well as 22 domain names during such period.

2. Pursuit of Excellence, Quality First

As a leading enterprise focused on the research and development of new drugs, the Company deeply understands the importance of product responsibility in corporate development and always considers it as one of the core issues moving forward. The Company's research and development philosophy and mission are "to improve the quality of life for patients worldwide through pharmaceutical innovation," committed to bringing safer and more effective treatment options to patients. In terms of securing product quality, Lepu Biopharma strictly follows the highest international standards of production processes and quality control systems, ensuring that each new drug meets strict quality requirements. The Company continuously introduces advanced production technology and equipment, enhancing the automation and intelligence level of the production process to fully ensure the stability and reliability of product quality. During the Reporting Period, the Company achieved a product qualification rate of 100%.

2.1 Improving Quality Management

The Company strictly abides by relevant laws and regulations, including the Drug Administration Law of the People's Republic of China, the Regulations for the Implementation of the Drug Administration Law of the People's Republic of China (2017), the Good Manufacturing Practice for Drugs (2010 Revision) and the Guideline for International Multicenter Clinical Trials of Drugs, and has established the Clinical Trial Project Management, the Clinical Protocol Preparation, the Investigational Product Management, the Safety Report and other relevant SOPs. For such links as R&D planning, project optimization and clinical trial safety in the early stage, we keep strict control of drug quality and safety.

In the early stage of research and development planning, the Company conducts in-depth market research and sound analysis to define research and development goals and positioning, ensuring that the direction of R&D aligns with market demands and patient interests. At the same time, it strengthens training and instructions for the R&D team, improving their professional qualifications and awareness of quality, ensuring the scientific nature and standardization of the R&D process. In the project optimization stage, the Company actively introduces advanced R&D technology and equipment, optimizes R&D processes, reduces production costs, and increases production efficiency; it also strengthens the screening and testing of raw materials and auxiliaries to ensure the quality and stability of raw materials, laying the foundation for producing high-quality drugs. In terms of clinical trial safety, the Company strictly adheres to relevant laws, regulations, and ethical norms, formulates strict clinical trial protocols and operating procedures, strengthens the supervision and management of the clinical trial process, and ensures the rights and safety of participants as well as the authenticity and reliability of data.

The Company's quality assurance and quality control teams remain closely coordinated and cooperate with the production team to ensure strict control of product quality at every link in the manufacturing process. This coordinated working model allows the Company to avert potential quality risks at the source and timely identify and resolve issues during the production process, thus ensuring the safety and efficacy of the final products. Among them, the production team plays a critical role in quality assurance work. They carefully formulate the production plan for clinical drugs according to the clinical development plan, ensuring that the production progress matches the R&D needs. At the same time, the production team is also responsible for purchasing high-quality raw materials according to the production plan and issuing detailed production line guidelines to ensure that every step of the operation complies with established standards and norms. The quality control and quality assurance teams play a supervisory and overseeing role throughout the entire production process. They are responsible for quality inspection and assessment of raw materials, intermediate products, bulk liquids, and finished products, covering aspects such as physical properties, chemical properties, and microbial limits of the samples. Only when samples meet the established quality standards are they allowed to proceed to the next phase.

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

In response to drug complaints, the Company has formulated a strict handling procedure and continuously refines its related work mechanisms. Upon receiving the complaint about product quality issues, the Company immediately initiates the complaint handling process. First, a professional team meticulously records the details of the complaint and promptly contacts the complainant to understand the situation in detail. Subsequently, a thorough investigation is conducted to analyze the cause of the issue and develop targeted solutions. Throughout the entire process, the Company maintains close communication with the complainant to ensure they are informed about the handling progress and outcome. The Company also sets specified time limits for handling complaints, thus ensuring the timeliness and efficiency of the process. Additionally, the Company reflects on and summarizes the complaint handling process to identify and improve any shortcomings, continuously enhancing service quality. During the Reporting Period, the Company received one customer complaint, which was resolved with a 100% resolution rate.

2.2 Ensuring Product Safety

Strictly adhering to the Medicinal Product Administration Law of the People's Republic of China, the Measures for the Reporting and Monitoring of Adverse Drug Reactions, the Specifications for Pharmacovigilance Quality Management, and other relevant laws and regulations, the Company has established systems such as "Post-Marketing Individual Drug Safety Report Procedures," "Evaluation Guidelines on Adverse Drug Reactions," "Signal Detection and Management Processes," "Preparation and Submission Processes for Regular Safety Update Reports," and "Risk Management Plan Preparation and Submission Processes." A Drug Safety Committee has been formed to handle significant risk assessment and risk control decisions. The Company assesses significant events based on the actual product circumstances and proposes risk management measures based on assessment results. This ensures that operations are carried out in accordance with legal and regulatory requirements, maintaining a favorable risk-benefit balance for the Company's products and safeguarding patient medication safety.

The Company requires all employees to strictly follow the adverse event reporting policy, collecting safety-related information such as adverse reactions through the Company's official website, public email, and 24-hour hotline. During the Reporting Period, we conducted training for all staff on adverse reaction reporting and pharmacovigilance processing procedures. The training covered definitions of adverse events/reactions, reporting channels, and reporting timelines. It clarified that every employee has the responsibility to promptly report product safety information, ensuring that safety-related information is timely addressed when an adverse event occurs. During the reporting period, the company did not experience any product recall incidents caused by product safety.

2.3 Standardizing Trademark Management

The Company places great emphasis on the standardization and legality of market promotion, strictly adhering to laws and regulations such as the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China, and the Measures for the Examination of Drug Advertisements. The Company standardizes its market promotion and related management activities to maintain market order and protect consumer rights.

The Company conducts rigorous reviews of its marketing campaign to ensure that all promotional materials and product explanations are truthful, accurate, and complete, thereby avoiding any false advertising or misleading of consumers. At the same time, the Company steps up training for its marketing personnel, enhancing their legal awareness and professional qualifications to ensure compliance with laws and regulations and adherence to principles of integrity during marketing activities. Moreover, to ensure the effective implementation of various frameworks and measures, the Company has established a sound supervision mechanism, regularly and sporadically inspecting marketing activities, seriously dealing with any detected violations, and holding the responsible personnel accountable.

3. Expanding Distribution Network to Benefit More Families

The Company is deeply aware of the importance of the widespread accessibility and availability of pharmaceuticals for public health. To this end, the Company has implemented multiple measures dedicated to making its high-quality drugs accessible to more people.

By establishing close partnerships with medical institutions and drug distributors at all levels, we optimized supply chain management to ensure efficient and rapid delivery of drugs to patients. In 2023, we have completed the tendering process on the procurement platform in 21 provinces, with sales regions covering 21 provinces, cities, and autonomous regions, 76 cities, over 200 hospitals, and more than 200 pharmacies. Additionally, we actively participated in public medical insurance programs, communicating and negotiating with relevant government departments, successfully joining the Huimin Insurance in five locations: Huzhou, Zigong, Ya'an and Zhuhai, reducing the medication costs for patients. Furthermore, the Company has launched drug assistance programs, offering subsidies or free drugs to economically disadvantaged patients to alleviate their financial burdens. (See (IV) Responsibility and Harmonious Progress).

Through these efforts, the Company has not only improved the accessibility of drugs but also contributed to improving the overall health of society. In the future, the Company will continue to explore innovative cooperation models and solutions to ensure that drugs can cover a wider population and contribute to achieving global health goals.

4. Protect Data and Respect Privacy

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

The Company has taken a series of measures to enhance patient privacy protection:

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

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

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

5. Strict Management and Responsible Marketing

As a reflection of the Company's commitment to openness and transparency, we adhere to the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Advertising Law of the People's Republic of China, the Interim Measures for the Administration of Censorship of Advertisements on Drugs, Medical Devices, Dietary Supplements and Formula Foods for Special Medical Purposes, the Measures for the Administration of Medical Advertisements, the Measures for the Examination of Drug Advertisements, the Notice on Standardizing the Use of Drug Names in Drug Advertisements, and other laws and regulations, as well as a series of strict procedures based on these laws and regulations, to ensure that our marketing communications are not only truthful and reliable but also provide the necessary background information. This helps medical staff accurately determine whether our drugs are appropriate for their patients and fully understand any potential side effects.

Our responsibility begins with ensuring the accuracy of drug labels. Before any new label is finalized or significant changes are submitted to regulatory authorities and/or before the product is marketed, we conduct thorough reviews. Moreover, we ensure that all information and statements released to the public are consistent with the labels and indications approved for the local market, and we perform medical accuracy reviews of the information to ensure compliance with local regulatory and legal standards. We adhere strictly to promoting our pharmaceuticals only for their approved indications and using them in accordance with the approved labeling. Through these measures, we are committed to providing clear and accurate information about our drugs to healthcare professionals and patients, while maintaining the integrity of our brand and the trust of the public.

(II) Caring for Employees, Valuing Talent

Employees are our most valuable assets, and the "engine" for driving the Company's continuous innovation and sustainable development. The Company regards employees as important partners as our business grows, consistently focusing on employee caring and growth, striving to create a comfortable working environment for them. The Company provides employees with an all-around welfare system, allowing them to work in a relaxed and pleasant atmosphere. At the same time, it actively builds a broad career development platform for employees, helping them continuously improve their abilities and caliber through internal training, promotion opportunities, and other means, achieving a win-win situation for personal value and company development.

1. Regulated Hiring, Fair and Transparent

When recruiting, employing, and managing staff, the Company strictly abides by relevant laws and regulations including the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Women's Rights and Interests, and the Special Rules on the Labour Protection of Female Employees, dedicated to creating a good working environment for employees. The Company reasonably safeguards employees' legal rights and interests, enhancing employee satisfaction and loyalty, laying a solid foundation for the enterprise's long-term development.

To standardize the management of recruitment and separation, salary, benefits and promotion, working hours and holidays, the Company has formulated a series of employee management systems, such as Recruitment Management System, Interview Management Measures, Salary Management System, Employee Probation Management Measures, and Entry and Exit Management System, to strictly eliminate all forms of child labour and forced labour. The Company strictly adheres to the principles of openness, fairness, and just in the recruitment process, ensuring all qualified applicants have equal opportunities to compete, avoiding any form of discrimination and bias, and not providing different treatment based on the applicant's ethnicity, race, age, gender, marital status, or religious beliefs. The Company actively expands recruitment networks through campus recruitment, social recruitment, internal referrals, etc., attracting talents from different backgrounds with diverse professional skills and experiences, achieving diversity and inclusiveness in our team of talent. By establishing a diversified talent introduction and training mechanism, the Company provides equal career opportunities for employees, effectively attracting and retaining various outstanding talents, continuously driving the Company's innovative development.

During the Reporting Period, the Company had 429 employees, of which 57% were females, with three female senior executives.

Number and percentage of employees in 2023

Employee category		Number of employees	Percentage of employees
Overall		429	100%
By gender	Male	184	43%
	Female	245	57%
By age	Under 30	127	30%
	30 – 50	299	70%
	50 and above	3	0%
By rank	Senior Management employees	5	1%
	Middle management employees	107	25%
	Ordinary employees	317	74%
By region	China (the Chinese mainland)	425	100%
	China (Hong Kong, Macao and Taiwan) and foreign countries	4	0%
Employment category	Full-time employees	428	100%
	Interns	1	0%

Employee turnover rate in 2023

Employee category		Employee turnover rate
Overall		35%
By gender	Male	44%
	Female	28%
By age	Under 30	35%
	30 – 50	34%
	50 and above	80%
By region	China (the Chinese mainland)	34%
	China (Hong Kong, Macao and Taiwan) and foreign countries	80%

2. Protecting Rights, All-around Support

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

The Company is always committed to creating an efficient and humane working environment. The Company encourages employees to maintain a highly efficient work state within regular working hours, to work with focus and enthusiasm, jointly promoting the Company's innovation and development. The Company fully respects and protects employees' time off work, in addition to adhering to national statutory holidays such as the Spring Festival, Labour Day, and National Day. It also provides paid annual leave based on employees' tenure, allowing them to fully rest and recuperate. For female employees, the Company provides paid maternity leave, and for male employees, paid paternity leave, ensuring female employees or their family members receive adequate rest and care during childbirth. Furthermore, Lepu Biopharma continues to regulate the management of employee benefits, committed to providing comprehensive and multi-level benefits for employees. The Company pays social insurance for employees and provides various subsidies, effectively caring for every employee. The Company also highly values the needs and feelings of its employees, and highlights equal communication with employees to keep up with their developments and demands. Zero complaints were received on human rights-related issues during the Reporting Period.

The Company always believes that a vibrant and cohesive team is an important cornerstone for the sustainable development of the enterprise. Therefore, every year, the Company plans various recreational and sports activities to strengthen the building of corporate culture, enhance the cohesion of employees, and continuously improve the well-being of employees as well as their loyalty to the Company. During the Reporting Period, the Company organized a variety of team-building activities for employees, including the annual meeting, monthly birthday parties, and team development activities.

Team-building activities:

Monthly birthday parties:

3. Emphasizing Safety, Prevention First

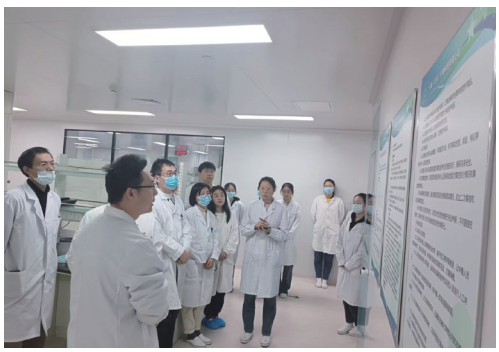
The Company places employee health and production operation safety in a crucial position, continuously strengthens safety management, implements sustained safety management, improves staff safety awareness, and is committed to providing employees with a healthy and safe working environment. The Company strictly abides by the relevant laws and regulations as well as industry standards, including the Law of the People's Republic of China on Work Safety, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, the Law of the People's Republic of China on Prevention and Treatment of Infectious Diseases, the Regulations on the Safety Management of Hazardous Chemicals, the Technical Specifications for Occupational Health Surveillance, and the Regulations on Work-Related Injury Insurance of the People's Republic of China, and we have also established relevant management systems and specifications, such as the Employee Health Management System, the Standardized Management Manual on Production Safety, the System on Safety Management of Hazardous Chemicals, the Special Chemical Emergency Response Plan, the Management System on Fire Safety, the Management System on the Prevention and Control of Occupational Hazards, the Management System on Hazardous Operation, etc.

To enhance the environment, health and safety (EHS) management and reduce EHS-related risks and impacts, the Company constantly optimizes the EHS management team, timely adjusts the Company's EHS policies, long-term plans and annual objectives, defines the annual EHS work priorities, prepares EHS risk assessment reports and emergency response plans, investigates EHS incidents, follows up improvement progress, and takes corresponding measures in time.

The Company values its employees' occupational health and safety in manufacturing and work, and takes multiple measures to protect employees from injuries arising therefrom. During the reporting period, the Company thoroughly identified and managed occupational disease hazards in the workplace, adopting scientific methods to comprehensively analyze and evaluate potential hazards in the production process and formulate corresponding control measures. At the same time, it strengthens the management of occupational health-related facilities, ensuring their normal operation, effectively preventing the occurrence of occupational diseases. Additionally, to enhance employees' awareness of occupational health and safety operation skills, the Company requires all employees operating special equipment to have the necessary certification. The Company provides professional training and guidance to employees, helping them master relevant knowledge and skills for safe operation, enabling them to complete tasks at work proficiently and safely. The Company also pays special attention to employees in high occupational health risk positions, providing them with occupational health examinations before being put on post, during their tenure, and before leaving, to timely discover and address potential health issues. The Company has established a comprehensive emergency response mechanism. Once a work injury incident occurs or an employee experiences occupational health issues, immediate measures are taken, adjusting their positions and taking other remedial measures to maximally protect employees' rights and health.

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

Image: The Company actively organizes EHS emergency training and drills



4. *Empowering Development, Caring for Body and Mind*

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

4.1 Transparent Promotion Mechanism

The Company has established a fair, sensible, and transparent performance evaluation mechanism. It regularly conducts employee performance assessments and evaluations, comprehensively and objectively evaluating employees' work performance through clear goal setting, scientific assessment methods, and fair judging criteria. In this process, the Company not only focuses on employees' performance outcomes but also pays attention to their work attitude, teamwork ability, and innovation capacity. To ensure the transparency in promotion, the Company has established an employee promotion pathway, strictly defining the conditions, standards, and procedures for promotion, providing employees with a clear career development path. Through such a promotion pathway, employees can clearly understand their direction of promotion, thus purposefully enhancing their abilities and qualities. Meanwhile, to ensure the fairness of promotion, the Company implements a strict promotion qualification approval system. An employee's promotion qualification is jointly approved by the respective department head and the human resources department, ensuring a comprehensive and objective consideration of their work performance, caliber, and potential. This system effectively avoids subjective bias and human interference, ensuring the fairness and accuracy of promotion.

4.2 All-around Training System

The Company adheres to people-oriented and lean management, and strives to provide wide-ranging and targeted training to employees of different positions by formulating tailored training plans on the basis of the actual needs of specific job requirements, the construction of talent team building and employees' career plan, so as to continuously improve the professional skills and knowledge level of employees.

Percentage of Employee training in 2023		
Over all	%	100%
By gender		
Male	%	100%
Female	%	100%
By rank		
Senior Management employees	%	100%
Middle management employees	%	100%
Ordinary employees	%	100%

Length of employee training in 2023		
Number of employee training	time	719.00
Total length of training in the year	hour	14,355.50
Average length of training per employee	hour	33.46
Average length of training per male employee	hour	32.27
Average length of training per female employee	hour	34.34
Average length of training per senior management employee	hour	3.70
Average length of training per middle management employee	hour	27.51
Average length of training per ordinary employee	hour	35.94

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

During the Reporting Period, Lepu Biopharma organized a total of 719 employee training sessions or activities.

Content of 2023 Employee Training
Workplace Safety Laws and Regulations Training
Occupational Health Training
Hazardous Waste Safety Training
Three-Level (Company Level, Department Level, Position Level) EHS Safety Basic Training
Hazardous Chemicals Safety Training

(III) Collaborating with Partners for Mutual Benefit and Win-win Cooperation

The Company is dedicated to building a green supply chain, deeply embedding the concept of sustainable development into every aspect of supply chain management. The Company is committed to collaborating with partners to engage in industry exchanges and cooperation, actively fulfilling its corporate social responsibility.

1. Transparent Procurement, Honest Cooperation

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

To ensure the reliability and quality of suppliers' services, the Company's procurement department closely cooperates with the quality management department and the demand departments to form a review team, conducting strict preliminary reviews of suppliers' qualification documents. In the preliminary review phase, the Company carefully checks the suppliers' various qualification documents to ensure they have the legal qualifications for operation and production. At the same time, it also conducts a comprehensive assessment of the suppliers' quality management systems, production equipment, and process flows, and carries out onsite audits of suppliers of key materials. Through onsite visits, the Company gains an in-depth understanding of suppliers' production environments, quality management systems, and staff qualifications, looking for suppliers that meet the Company's requirements and are set for long-term cooperation.

In addition, the Company continuously improves the qualified supplier database and updates the information of qualified suppliers in a timely manner according to changes in market conditions and demands. In terms of supplier evaluation, the Company conducts a comprehensive assessment of suppliers based on their performance in quality, delivery time, and service. For suppliers who perform outstandingly, the Company provides incentives, such as increasing purchases or shortening payment cycles. For those performing poorly, the Company issues timely rectification notices, demanding corrections within a specified period. Unqualified suppliers are decisively eliminated to ensure the overall quality of the supplier team. Through continuous optimization of the qualified supplier database, conducting onsite audits and regular reviews, and implementing supplier evaluations, the Company has successfully established a long-term, stable, and mutually beneficial cooperative relationship with its suppliers. During the Reporting Period, the Company's supplier evaluation work covered all procurement projects and suppliers, effectively ensuring smooth procurement and the stable improvement of product quality.

During the Reporting Period, the Company's business partners mainly included hospitals in the PRC and abroad, CROs, CDMOs and suppliers of raw materials and equipment, and some of the suppliers had obtained ISO9001, ISO13485, ISO14001 and CE certifications. In 2023, the Company had 870 suppliers, of which 849 were in the Chinese mainland, and 21 in China (Hong Kong, Macau and Taiwan) and other countries and regions.

Number of suppliers in 2023

Category	Unit	2023
Number of suppliers by geographical region (details categorized by region)	–	870
Number of suppliers in China (the Chinese mainland)	–	849
Number of suppliers in China (Hong Kong, Macao and Taiwan) and foreign countries	–	21
Number of suppliers reviewed	–	16
Number of suppliers suspended for non-compliance	–	0
Number of potential suppliers rejected for non-compliance	–	0
Number of ISO certified suppliers	–	74

2. *Integrity in Business, Honest Management*

The Company always adheres to business ethics, strictly complies with national laws and regulations, including the Company Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, and the Anti-Unfair Competition Law of the People's Republic of China. Meanwhile, to further strengthen internal management, the Company formulated the internal "Anti-Fraud Management System" rules. This system aims to clarify employees' standards of conduct, prevent corruption, bribery, extortion, fraud, money laundering, and other illegal activities. The Company maintains a zero-tolerance attitude towards these behaviours and will deal with any violations seriously according to the law. The Company also focuses on stepping up training and education for employees, requiring all employees to strictly adhere to ethical standards of integrity and honesty, outlined in the "Employee Handbook." By regularly organizing training on laws, regulations, and internal management systems, employees are made aware and familiar with relevant legal and system requirements, enhancing their self-discipline and risk prevention abilities.

The Company encourages departments or individuals to perform whistle-blowing against actual or suspected violations of moral standards or professional ethics through whistle-blowing hotline, email, letters, etc. During the Reporting Period, anti-corruption training data were included in the staff training statistics. In the future, anti-corruption training data will be analyzed separately and disclosed to the public.

In 2023, no concluded legal cases regarding corruption or bribery were brought against the Company or its employees, and no violations of relevant laws and regulations by employees were found to the knowledge of the Company.

(IV) Responsibility and Harmonious Progress

The Company always upholds the principle of "patient-first, innovation-driven." While committed to meeting clinical needs and focusing on innovative research and development, the Company also actively practices corporate social responsibility, establishing stable and effective communication mechanisms with the community to promote its harmonious development.

The Company is fully aware that enterprises and society are interdependent and inseparable. Therefore, the Company always prioritizes taking on social responsibilities and deeply engages in social practices. The Company focuses on building stable and efficient community communication channels, maintaining close interaction with the community, and promoting coordinated progress within the community.

To help patients with cancer receive continuous, organized treatment and improve their quality of life and survival, the Company collaborated with the Quzhou Medical Health and Community Development Foundation to initiate the "Puyou Lifetime – PUYOUHENG® Personal Assistance Project." By providing PUYOUHENG® (Pucotenlimab Injection) drug assistance to patients, it helps them receive timely and effective treatment, alleviating pain and reducing financial burden. As of 2023, the Company has donated nearly 40 million worth of PUYOUHENG® drugs to the foundation, benefiting hundreds of patients.

V. FORGING AHEAD, LOOKING FORWARD TO 2024

In 2024, Lepu Biopharma's practices and achievements in the ESG field once again demonstrate our steadfast strides on the journey towards sustainable development. The accomplishments of the past year have laid a solid foundation for us and inspired us to continue moving forward, facing new challenges and opportunities.

As a biopharmaceutical company centered around patients, Lepu Biopharma remains true to our original mission, committed to researching and providing safer, more effective, and more accessible treatment solutions. With a deeper sense of responsibility, we will continue to focus on meeting the needs of the oncology treatment field, creating a better quality of life for patients by enhancing our R&D strength and production efficiency.

We understand deeply that ESG practices not only reflect a company's social responsibility but are also vital in promoting high-quality development and optimizing governance structures. Therefore, Lepu Biopharma will continue to deepen our ESG strategy, integrating it into every aspect of our operations. We aim to comprehensively improve our performance in environmental protection, social responsibility, and corporate governance through measures such as optimizing energy use, reducing environmental impact, strengthening sustainable supply chain management, and safeguarding employee rights.

In our constant pursuit of excellence, Lepu Biopharma will proceed steadily, continually pushing the boundaries of innovation. By stepping up international cooperation and introducing advanced global technologies and management experiences, we aim to further improve our pivotal competitiveness. At the same time, we will closely monitor market trends and the evolution of patient needs, adjusting our strategic direction and business focus flexibly to maintain a leading position in the competitive market.

Looking forward, Lepu Biopharma aspires to become a leading innovative biopharmaceutical enterprise in China and globally. We will work hand in hand with our partners, jointly promoting innovation and development in the industry, and making greater contributions to the health and well-being of all humanity.

We firmly believe that with the collective efforts of all employees and the strong support of our partners, Lepu Biopharma will continue to make new breakthroughs, welcoming a greener, healthier, and more harmonious future together.

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

Indicators		Section(s)
Mandatory Disclosure Requirements		
Governance Structure	A statement from the Board containing the following elements: (i) a disclosure of the Board's oversight of ESG issues; (ii) the Board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the Board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Page 75
Reporting Principles	A description of, or an explanation on, the application of Reporting Principles (materiality, quantitative and consistency) in the preparation of the ESG report.	Page 73
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	Page 73
"Comply or Explain" Provisions		
Environmental		
A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Page 83
A1.1	The types of emissions and respective emissions data.	Page 85
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	Page 83
A1.3	Total hazardous waste produced and, where appropriate, intensity.	Page 85
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Page 85
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Page 78
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Page 83-85

Indicators		Section(s)
A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Page 80-81
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Page 82
A2.2	Water consumption in total and intensity.	Page 82
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Page 78-81
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Page 78-81
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Page 81
A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Page 86
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Page 86
A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Page 86-87
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Page 86-87
B. Social		
B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Page 100-107
B1.1	Total workforce by gender, employment type, age group and geographical region.	Page 101
B1.2	Employee turnover rate by gender, age group and geographical region.	Page 101

Indicators		Section(s)
B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Page 104-105
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Page 105
B2.2	Lost days due to work injury.	Page 105
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Page 104-105
B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Page 106-107
B3.1	The percentage of employees trained by gender and employee category.	Page 107
B3.2	The average training hours completed per employee by gender and employee category.	Page 107
B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Page 100-102
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Page 100-102
B4.2	Description of steps taken to eliminate such practices when discovered.	Page 100-102
B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Page 108-109
B5.1	Number of suppliers by geographical region.	Page 109
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Page 108-109
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Page 108-109
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Page 108-109

Indicators		Section(s)
B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Page 94-97
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Page 97
B6.2	Number of products and service related complaints received and how they are dealt with.	Page 96
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Page 93-94
B6.4	Description of quality assurance process and recall procedures.	Page 94-97
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Page 98
B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Page 109-110
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Page 109-110
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Page 109-110
B7.3	Description of anti-corruption training provided to directors and staff.	Page 109-110
B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Page 110
B8.1	Focus areas of contribution.	Page 110
B8.2	Resources contributed to the focus area.	Page 110

INDEPENDENT AUDITOR'S REPORT

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

OPINION

What we have audited

The consolidated financial statements of Lepu Biopharma Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 126 to 212, comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill Refer to Notes 4.2 and 17 to the consolidated financial statements. As at 31 December 2023, the Group's goodwill amounted to approximately RMB52,636,000 arisen from the acquisition of a wholly-owned subsidiary, Shanghai Miracogen Inc., and management has performed an annual impairment assessment on the goodwill. To assess the impairment, the goodwill has been allocated to the relevant cash generating units ("**CGUs**") at the acquisition date and management has engaged an independent valuer to assist them to assess the recoverable amounts of the CGUs. The recoverable amounts of the CGUs were determined by management based on value in use ("**VIU**") calculated using the discounted cash flow model. Based on the results of the assessment, management has concluded that no impairment loss to be recognised as of 31 December 2023.	In response to this key audit matter, we have performed the following procedures: • We obtained an understanding of management's internal control and assessment process of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We evaluated management's identification of CGUs and allocation of goodwill based on the Group's accounting policy and our understanding of the Group's business; • We evaluated management's control for preparing the budget and future cash flow forecast of relevant CGUs and reconciled the input data for the impairment assessment to supporting evidence, such as approved budgets;

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill (Continued) The key assumptions used in calculating recoverable amount of the CGUs includes: • The first commercialisation year of products in CGUs; • Expected revenue growth rate during the forecast period from second year of commercialisation; • Expected revenue growth rate beyond the forecast period; • Expected market penetration rate of products in CGUs; • Expected success rate of commercialisation; • Pre-tax discount rate. We focused on this matter due to the significance of goodwill and significant judgement and estimates were involved in determining the key assumptions. As a result, we identified the impairment assessment of goodwill as key audit matter.	• We assessed the competence, capabilities and objectivity of the independent valuer; • We assessed the appropriateness of the valuation model with the assistance of our internal valuation expert; • We assessed the reasonableness of the key assumptions as adopted by management in the discounted cash flow model for the impairment assessment by reference to internal operation information, external industry data and the cost of equity of comparable companies in the industry; • We tested the mathematical accuracy of the calculations of the discounted cash flow model and the recoverable amounts of the CGUs; • We evaluated the sensitivity analysis prepared by management around the key assumptions and estimates applicable to the CGUs to assess the potential impact of a range of possible outcomes; and • We assessed the adequacy of related disclosures in the consolidated financial statements. We found the key assumptions adopted by management in the impairment assessment of the goodwill are supportable based on the evidence obtained and procedures performed.

Key Audit Matter	How our audit addressed the Key Audit Matter

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

Refer to Notes 3.3(b), 4.3, 10 and 35 to the consolidated financial statements.

As at 31 December 2023, the financial liabilities at fair value through profit or loss in relation to the variable consideration payable arisen from acquiring 40% share of interests of Taizhou Hanzhong Biotechnology Co., Ltd. ("**Taizhou Hanzhong**") from non-controlling interests in 2019, amounted to approximately RMB272,625,000.

Management has engaged an independent valuer to assist them for performing the fair value valuation of the variable consideration payable as at 31 December 2023. The fair value of the variable consideration payable was determined by using discounted cash flow method.

During the year ended 31 December 2023, the fair value change of the variable consideration payable amounting to RMB174,976,000 was credited to "Fair value changes on financial liabilities at fair value through profit or loss" in the consolidated statement of comprehensive loss.

In response to this key audit matter, we have performed the following procedures:

- We obtained an understanding of management's internal control and assessment process of fair value measurement of variable consideration payable and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;
- We evaluated management's control for preparing the budget and future cash flow forecast of variable consideration payable and reconciled the input data for the fair value measurement to supporting evidence, such as approved budgets;
- We assessed the competence, capabilities and objectivity of the independent valuer;
- We assessed the appropriateness of the valuation model with the assistance of our internal valuation expert;
- We assessed the reasonableness of the key assumptions as adopted by management in the discounted cash flow model by reference to internal operation information, external industry data, risk-free rate and discount rate of comparable companies in the industry;

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement of financial liabilities at fair value through profit or loss – variable consideration payable for transaction with non-controlling interests (Continued)	
The key assumptions used in calculating the fair value of the variable consideration payable includes: • Expected revenue growth rate during the forecast period; • Expected revenue growth rate beyond the forecast period; • Expected market penetration rate; • Expected success rate of commercialisation; • Discount rate. We focused on this matter due to the significance of balance as at 31 December 2023 and fair value gain for the year then ended, and significant management judgements and estimates were involved in determining the key assumptions to calculate the fair values of the financial instruments. As a result, we identified the fair value measurement of financial liabilities at fair value through profit or loss – variable consideration payable for transaction with non-controlling interests as key audit matter.	• We tested the mathematical accuracy of the calculations of the discounted cash flow model; • We evaluated the sensitivity analysis prepared by management around the key assumptions and estimates applicable to relevant products to assess the potential impact of a range of possible liabilities; and • We assessed the adequacy of related disclosures in the consolidated financial statements. We found the key assumptions adopted by management in the fair value measurement of variable consideration payable are supportable based on the evidence obtained and procedures performed.

Key Audit Matter	How our audit addressed the Key Audit Matter
Research and development costs Refer to Note 4.1, 17(b) and 44.7(c) to the consolidated financial statements. For the year ended 31 December 2023, the Group incurred expenditures on research and development ("**R&D**") activities of approximately RMB469,727,000, out of which, approximately RMB458,073,000 were recognised as R&D expenses in the consolidated statement of comprehensive loss for the year ended 31 December 2023 and approximately RMB11,654,000 were capitalised as intangible assets in the consolidated balance sheet during the year. The R&D expenditures mainly include clinical study related expenses, pre-clinical study costs, depreciation and amortisation, employee benefit expenses, share-based payments expenses and raw material and consumables used in research and development activities.	In response to this key audit matter, we have performed the following procedures: • We understood and evaluated the key controls related to recognition and measurement of R&D expenses and capitalisation of development costs, and assessed the inherent risk of material misstatement by considering the level of inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias; • We obtained the breakdowns of R&D costs and agreed with general ledger. We tested R&D costs, on a sample basis, by examining the relevant supporting documents, such as contracts, invoices and payment slips; tested allocation of depreciation of property, plant and equipment and amortisation of intangible assets recorded in R&D expenses; tested aggregation of employee benefit expenses and share-based payments expenses recorded in R&D expenses to ensure the occurrence and proper classification of R&D expenses; • We obtained contracts for clinical and pre-clinical study, on a sample basis, to evaluate the completion status with reference to the work progress, results of clinical study and the respective contract terms; we circularised confirmations for the work progress or transaction amount related to contracts for R&D activities, on a sample basis, to determine whether the service fees were recorded accurately based on the respective contract terms, work progress and/or relevant milestones achieved;

Key Audit Matter	How our audit addressed the Key Audit Matter
Research and development costs (Continued) Development costs are capitalised as intangible assets only if the capitalisation criteria set out in Note 17(b) to the consolidated financial statements can be met. The determination of the capitalization amounts primarily involved management's judgement in assessing the technical and commercial feasibilities (covering the estimated future economic benefits of the products under development) of each R&D projects and the availability of financial and technological resources to complete the R&D projects and commence production. We focused on this matter due to the large volume of R&D transactions, its significance to the consolidated financial statements and significant management judgement required in determining whether the capitalisation criteria can be met. As a result, we identified the research and development costs as key audit matter.	• We performed background research and inquiries on R&D service providers with material transaction amount, on a sample basis, and evaluated the authenticity of R&D services provided by inspecting the progress reports provided by R&D service providers; • We tested on R&D expenses paid before and after the balance sheet date, on a sample basis, by inspecting relevant supporting evidence such as contracts, invoices and payment slips to ensure the R&D expenses were recorded in appropriate period. • We obtained an understanding of the Group's capitalisation criteria of development costs, and assessed whether they are in line with the applicable financial reporting framework; • For R&D projects which have reached the development stage, we evaluated the stage of development, management's intention to complete these R&D projects and management's judgment on the technical feasibility of these R&D projects by discussion with management, and corroborated with the relevant supporting evidence (including research proposals, approvals for clinical trials, clinical trial application materials, clinical trial reports and latest project timetable); • We assessed management's estimation on the future economic benefits of the products under development by evaluating the reasonableness of the key assumptions as adopted by management (including the estimated market size, revenue growth rate and gross profit margin of the products) in the estimation by comparing with the industry information and market data as we obtained from our independent research;

Key Audit Matter	How our audit addressed the Key Audit Matter
Research and development costs (Continued)	• We evaluated the management's judgements on the availability of financial and technological resources to complete the R&D projects and commence the production by considering the liquidity and financial position of the Group and interviewing the key R&D project team members to understand the adequacy of competent manpower in the project teams; We found the R&D costs recorded are supportable based on the evidence obtained and procedures performed. We also consider that the judgments applied by management in determining the capitalisation of development costs were supported by the evidence obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Lepu Biopharma Co., Ltd. 2023 Annual Report (the "**annual report**") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including the management discussion and analysis prior to the date of this auditor's report. The remaining other information, including the report of the corporate information, chairman's statement, biographies of directors, supervisors and senior management, directors' report, report of the supervisory committee, corporate governance report, environmental, social and governance report, financial summary and the other sections to be included in the annual report, is expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee of the Company is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cheng Kwong On.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	6	**225,352**	15,572
Cost of sales	8	**(28,277)**	(2,005)
Gross profit		**197,075**	13,567
Other income	7	**7,251**	11,284
Other expenses	8	**(3)**	(729)
Selling and marketing expenses	8	**(43,296)**	(1,749)
Administrative expenses	8	**(86,657)**	(138,830)
Research and development expenses	8	**(458,073)**	(524,285)
Fair value changes on financial liabilities at fair value through profit or loss	10	**174,976**	(62,816)
Other gains/(losses), net	11	**213,523**	(924)
Operating profit/(loss)		**4,796**	(704,482)
Finance income		**8,261**	45,919
Finance costs		**(16,017)**	(8,647)
Finance (costs)/income, net	12	**(7,756)**	37,272
Share of loss of investments accounted for using the equity method	18	**(27,341)**	(32,231)
Loss before income tax		**(30,301)**	(699,441)
Income tax expense	13	**–**	–
Loss for the year		**(30,301)**	(699,441)
Loss attributable to:			
Owners of the Company		**(22,096)**	(689,052)
Non-controlling interests		**(8,205)**	(10,389)
		(30,301)	(699,441)
Other comprehensive (loss)/income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**(331)**	109
Total comprehensive loss		**(30,632)**	(699,332)
Total comprehensive loss attributable to:			
Owners of the Company		**(22,427)**	(688,943)
Non-controlling interests		**(8,205)**	(10,389)
		(30,632)	(699,332)
Losses per share for loss attributable to owners of the Company for the year (expressed in RMB per share)			
– Basic losses per share	14	**(0.01)**	(0.42)
– Diluted losses per share	14	**(0.01)**	(0.42)

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

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	15	**948,189**	916,409
Right-of-use assets	16	**139,056**	122,662
Intangible assets	17	**434,221**	450,813
Investments accounted for using the equity method	18	**126,685**	122,392
Other receivables, prepayments and deposits	22	**59,009**	104,095
Total non-current assets		**1,707,160**	1,716,371
Current assets			
Inventories	19	**29,412**	24,061
Trade receivables	20	**37,802**	–
Notes receivables	21	**–**	3,040
Other receivables, prepayments and deposits	22	**120,289**	116,303
Financial assets at fair value through profit or loss	23	**63,628**	–
Cash and cash equivalents	24	**426,015**	669,397
Total current assets		**677,146**	812,801
Total assets		**2,384,306**	2,529,172
Equity			
Equity attributable to owners of the Company			
Share capital	26	**1,659,445**	1,659,445
Reserves	27	**1,591,046**	1,572,807
Accumulated losses		**(2,353,586)**	(2,331,490)
		896,905	900,762
Non-controlling interests		**(8,205)**	–
Total equity		**888,700**	900,762

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	31	**260,000**	290,057
Lease liabilities	32	**24,184**	3,093
Deferred government grants	33	**12,000**	12,000
Deferred tax liabilities	34	**37,687**	37,687
Financial liabilities at fair value through profit or loss	35	**262,174**	441,787
Total non-current liabilities		**596,045**	784,624
Current liabilities			
Borrowings	31	**434,299**	359,988
Trade payables	29	**207,611**	166,129
Other payables and accruals	30	**234,380**	287,242
Lease liabilities	32	**23,271**	30,427
Total current liabilities		**899,561**	843,786
Total liabilities		**1,495,606**	1,628,410
Total equity and liabilities		**2,384,306**	2,529,172

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

The financial statements on pages 126 to 212 were approved by the Board of Directors on 27 March 2024 and were signed on its behalf.

Executives Director: **Dr. Pu Zhongjie**

Executives Director: **Dr. Sui Ziye**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company				
	Note	Share capital RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2022		1,531,670	947,482	(1,642,438)	10,369	847,083
Comprehensive loss						
Loss for the year		–	–	(689,052)	(10,389)	(699,441)
Other comprehensive income		–	109	–	–	109
Transaction with owners						
Issuance of ordinary shares upon global offering	26	127,775	578,165	–	–	705,940
Share-based payments	28	–	30,399	–	20	30,419
Others		–	16,652	–	–	16,652
Balance at 31 December 2022		1,659,445	1,572,807	(2,331,490)	–	900,762
Balance at 1 January 2023		**1,659,445**	**1,572,807**	**(2,331,490)**	**–**	**900,762**
Comprehensive loss						
Loss for the year		**–**	**–**	**(22,096)**	**(8,205)**	**(30,301)**
Other comprehensive loss		**–**	**(331)**	**–**	**–**	**(331)**
Transaction with owners						
Share-based payments	28	**–**	**18,570**	**–**	**–**	**18,570**
Balance at 31 December 2023		**1,659,445**	**1,591,046**	**(2,353,586)**	**(8,205)**	**888,700**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash used in operations	36	**(258,885)**	(488,960)
Interest received		**8,049**	8,032
Net cash used in operating activities		**(250,836)**	(480,928)
Cash flows from investing activities			
Payments for transaction with non-controlling interests		**(65,681)**	(10,000)
Proceeds from disposal of investment in an associate	18	**125,000**	–
Payments for property, plant and equipment		**(28,002)**	(110,451)
Payments for financial assets at fair value through profit or loss		**(50,000)**	(47,000)
Proceeds from disposal of financial assets at fair value through profit or loss		**50,136**	47,176
Payments for intangible assets		**(13,197)**	(5,000)
Withdrawal of term deposits with initial terms of over three months		**–**	50,612
Net cash generated from/(used in) investing activities		**18,256**	(74,663)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares upon global offering		**–**	739,227
Payments for listing expenses		**(1,200)**	(34,570)
Proceeds from borrowings		**403,552**	437,460
Repayment of borrowings		**(359,305)**	(80,976)
Payments of lease liabilities			
– Principal		**(24,686)**	(7,782)
– Interest		**(632)**	(1,378)
Bank loan interest paid		**(28,743)**	(20,016)
Net cash (used in)/generated from financing activities		**(11,014)**	1,031,965
Net (decrease)/increase in cash and cash equivalents		**(243,594)**	476,374
Cash and cash equivalents at the beginning of year		**669,397**	155,168
Effects of exchange rate changes on cash and cash equivalents		**212**	37,855
Cash and cash equivalents at end of year		**426,015**	669,397

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

1 GENERAL INFORMATION

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

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

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

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

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

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

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

(a) Compliance with IFRS Accounting Standards and Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards and requirements of the Hong Kong Companies Ordinance Cap. 622.

IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- International Accounting Standards
- Interpretations developed by the IFRS Interpretations Committee or its predecessor body, the Standing Interpretations Committee.

For the year ended 31 December 2023, the Group has incurred net losses of approximately RMB30.3 million, while net cash used in operating activities was approximately RMB250.8 million. As at 31 December 2023, the Group had net current liabilities of approximately RMB222.4 million and cash and cash equivalents of approximately RMB426.0 million. Historically, the Group has relied principally on non-operational sources of financing from investors and banks as well as cash generated from sales activities to fund its operations and business development. The Group's ability to continue as a going concern is dependent on management's ability to successfully execute its business plan. The directors of the Company believes that the cash and cash equivalent, unutilised bank facilities together with the cash generated from operating activities are sufficient to meet the cash requirements to fund planned operations and other commitments for at least the next twelve months from the date of the issuance of this consolidated financial statement. The Group therefore continues to prepare this consolidated financial statements on a going concern basis.

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities – measured at fair value.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2023:

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

The amendments listed above did not have material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) New standards and interpretations not yet adopted

The following amendments to accounting standards have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Non-current Liabilities with Covenants – Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Supplier finance arrangements – Amendments to IAS 7 and IFRS 7
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28

These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

As at 31 December 2023, if USD strengthened/weakened by 5% against RMB with all other variables held constant, the loss before income tax for the year would have been approximately RMB211,000 lower/higher (2022: RMB146,000 lower/higher), mainly as a result of foreign exchange gain or loss on translation of USD denominated cash and cash equivalents.

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. Generally, the Group enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. For the years ended 31 December 2023 and 2022, the Group has no interest rate swap arrangements.

A 10 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 10 basis points higher and all other variables were held constant, the Group's loss before income tax the year ended 31 December 2023 would approximately increase by RMB394,000 (2022: RMB320,000).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

(i) Risk management

Credit risk is managed on a group basis.

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

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

(ii) Impairment of financial assets

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

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

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

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics of business differences and the days past due.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables (continued)

The expected loss rate is assessed based on the historical loss experience of each business segment, combined with the credit ratings of accounts receivable counterparts and the non-performing loan rate of commercial banks in their respective industries. Moreover, adjustments have been made to account for the impact of macroeconomic changes on the historical loss rates of each counterparty's industry, in order to reflect current and forward-looking information about macroeconomic factors that affect customers' ability to settle accounts receivable.

On that basis, the loss allowances as at 31 December 2023 were determined as follows for trade receivables:

As at 31 December 2023	Current
Expected loss rate	0.6%
Gross carrying amount – trade receivables	38,014
Loss allowance	212

The loss allowances for trade receivables as at 31 December 2023 reconcile to the opening loss allowances as follows:

	Trade receivables RMB'000
Opening loss allowance as at 1 January 2023	–
Increase in the allowance recognised in profit or loss during the year	212
Closing loss allowance as at 31 December 2023	212

Notes receivables

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other receivables and deposits

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

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

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

In view of the history of cooperation with the debtors and collection from them, the management of the Group believes that the credit risk inherent in the Group's outstanding other receivables is not significant. The expected credit loss rate of other receivables as at the 31 December 2023 was approximately 2.86% (31 December 2022: 3.21%).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other receivables and deposits (continued)

The loss allowance for other receivables and deposits as at 31 December 2023 and 2022 reconciles to the opening loss allowance as follows:

	Other receivables and deposits RMB'000
Opening loss allowance as at 1 January 2022	398
Increase in the allowance recognised in profit or loss during the year	140
Closing loss allowance as at 31 December 2022	538
Opening loss allowance as at 1 January 2023	**538**
Decrease in the allowance recognised in profit or loss during the year	**(58)**
Closing loss allowance as at 31 December 2023	**480**

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity Risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2023					
Borrowings	**455,086**	**68,232**	**206,415**	**–**	**729,733**
Trade payables	**207,611**	**–**	**–**	**–**	**207,611**
Other payables and accruals (excluding non-financial liabilities)	**203,623**	**–**	**–**	**–**	**203,623**
Lease liabilities	**26,768**	**25,075**	**–**	**–**	**51,843**
	893,088	**93,307**	**206,415**	**–**	**1,192,810**
At 31 December 2022					
Borrowings	378,384	51,398	268,920	–	698,702
Trade payables	166,129	–	–	–	166,129
Other payables and accruals (excluding non-financial liabilities)	255,833	–	–	–	255,833
Lease liabilities	31,032	3,168	–	–	34,200
	831,378	54,566	268,920	–	1,154,864

Variable consideration payable as described in Note 35 was recognised as financial liabilities at fair value through profit or loss ("**FVPL**") which are managed on a fair value basis and no contractual maturity date is applicable.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group monitors capital (including shares and borrowings) by regularly reviewing the capital structure. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2023 and 2022 was as follows:

	As at 31 December	
	2023	2022
The liability-to-asset ratio	**63%**	64%

There were no changes in the Group's approach to capital management during the reporting period.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

3.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments, and
- for other financial instruments – discounted cash flow analysis.

The following table presents the Group's assets and liabilities that were measured at fair value as at 31 December 2023 and 2022.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2023				
Financial assets				
Financial assets at fair value through profit or loss (Note 23)	**–**	**–**	**63,628**	**63,628**
Financial liabilities				
Financial liabilities at fair value through profit or loss (Note 35)	**–**	**–**	**272,625**	**272,625**
At 31 December 2022				
Financial assets				
Financial assets at fair value through profit or loss	–	–	–	–
Financial liabilities				
Financial liabilities at fair value through profit or loss (Note 35)	–	–	448,282	448,282

There were no transfers between levels 1 and 2 for recurring fair value measurements during the years ended 31 December 2023 and 2022.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(a) Financial assets at fair value through profit or loss in Level 3

The following table presents the changes in level 3 items for the years ended 31 December 2023 and 2022:

	Unlisted equity investment	Structured deposits RMB'000
Opening balance as at 1 January 2022	–	–
Additions	–	47,000
Settlements	–	(47,176)
Gains recognised in profit or loss	–	176
Closing balance as at 31 December 2022	–	–
Net unrealised gains for the year	–	–
Opening balance as at 1 January 2023	**–**	**–**
Additions	**63,628**	**50,000**
Settlements	**–**	**(50,128)**
Gains recognised in profit or loss	**–**	**128**
Closing balance as at 31 December 2023	**63,628**	**–**
Net unrealised gains for the year	**–**	**–**

The Group entered into contracts in respect of structured deposits and wealth management products from banks with expected but not guaranteed rates of return for the year ended 31 December 2023 ranging from 1.60% to 2.65% (2022: 1.35% to 3.46%). The Group managed and evaluated the performance of these investments on a fair value basis, in accordance with the Group's risk management and investment strategy and hence they are designated as financial assets at fair value through profit or loss.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(b) Financial liabilities at fair value through profit or loss in Level 3

Financial liabilities at fair value through profit or loss is the variable consideration payable arisen from acquisition of 40% equity interests of Taizhou Hanzhong Biotechnology Co., Ltd. ("**Taizhou Hanzhong**") from non-controlling interest.

As at 31 December 2023 and 2022, the fair value of variable consideration payable arisen from acquisition of 40% equity of Taizhou Hanzhong from non-controlling interests was determined by the management of the Company with reference to valuation reports issued by an independent qualified professional valuer. The Company used discounted cash flow method covering the forecasted periods ending 31 December 2029 to determine the fair value of the variable consideration payable. The management considers the length of forecast period is appropriate because it generally takes longer for a biopharma company to reach a perpetual growth mode, compared to companies in other industries, especially when recombinant humanized anti-PD-1 monoclonal antibody for injection ("**PD-1**") products are still under clinical study and the market of such product is at an early stage of development with substantial growth potential. Hence, the management believes that a forecasted period longer than five years is feasible and consistent with industry practice. Key assumptions of valuation are as follows:

	As at 31 December	
	2023	2022
Expected revenue growth rate during the forecast period	**87%-2%**	817%-6%
Expected revenue growth rate beyond the forecast period	**1%-0%**	3%-0%
Expected market penetration rate	**0%-19%**	0%-27%
Expected success rate of commercialisation	**15%-100%**	50%-100%
Discount rate	**15.0%**	15.5%

Should the discount rate used in discounted cash flow method be higher/lower by one point of percentage from management's estimates, the estimated fair value of financial liabilities at fair value through profit or loss as at 31 December 2023 would have been approximately RMB22,244,000 lower/RMB25,736,000 higher (31 December 2022: RMB35,258,000 lower/ RMB40,525,000 higher).

The changes and valuations of variable consideration payable arisen from acquisition of 40% equity of Taizhou Hanzhong from non-controlling interests for the years ended 31 December 2023 and 2022 are presented in Note 35.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Development expenditures

Development expenditures incurred on the Group's development activities, including conducting clinical studies and other activities related to regulatory filings for the Group's drug candidates, are capitalised as intangible assets only when meet the capitalisation criteria set out in Note 17(b). Development expenditures that do not meet these capitalisation criteria are recognised as research and development expenses.

4.2 Goodwill impairment

The Group tests whether goodwill has suffered any impairment at balance sheet date. The recoverable amount of a cash generating unit ("**CGU**") is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow forecasts based on financial budgets approved by management covering the forecast period ending in 31 December 2029.

Cash flows beyond the forecast period is extrapolated using the growth rates as estimated by management by reference to certain internal and external market data. Details of key assumptions are disclosed in Note 17(b).

4.3 Fair value of financial liabilities at fair value through profit or loss

The Group has recognised the variable consideration payable arisen from acquisition of 40% interests of Taizhou Hanzhong from non-controlling interests during the years ended 31 December 2023 and 2022 as financial liabilities at FVPL as set out in Note 35.

The Group evaluates the fair value of the variable consideration payable periodically using the discounted cash flow method which key assumptions were adopted to determine the fair value of the variable consideration payable. Further details are disclosed in Note 3.3(b).

Management's estimates are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value to be recognised in the statements of comprehensive loss.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.4 Current and deferred income taxes

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises deferred income tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred income tax assets mainly involved management's judgments and estimations about the timing and the amount of taxable profits of the companies who had tax losses.

4.5 Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for its property, plant and equipment, and reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from property, plant and equipment. This estimate is based on the management's experience of the actual practice of similar nature and functions and normal terms in the PRC. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will adjust the depreciation charge where useful lives are estimated to change compared with previously estimated. Any change in these estimates may have a material impact on the results of the Group.

4.6 Share-based payments

The Group has adopted the ESOP in 2020. The fair value of the restricted shares granted to employees is determined by using back-solve method from the most recent transaction price of the Company's series B financing and equity allocation based on OPM model. The Group has to estimate the expected forfeiture rate at the end of reporting periods ("**Forfeiture Rate**") of the restricted shares granted in order to determine the amount of share-based payment expenses charged to the consolidated comprehensive loss. The Forfeiture Rate of the restricted shares awarded of the Group was assessed to be 23% as at 31 December 2023 (31 December 2022: 30%).

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by chief operating decision maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Group.

During the year ended 31 December 2023, the Group has been principally engaged in the sales of pharmaceutical products and research and development of new drugs. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in the PRC. Accordingly, the Group's results were primarily derived in the PRC during the reporting period.

6 REVENUE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue recognised at a point in time		
– Sales of pharmaceutical products	**101,385**	15,572
– Licensing income (a)	**123,967**	–
	225,352	15,572

Information about the geographical markets of the Group's revenue is presented based on the locations of the customers.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Geographical markets		
– The PRC	**101,385**	15,572
– Overseas	**123,967**	–
	225,352	15,572

For the year ended 31 December 2023, revenue of approximately RMB109,520,000 (2022: nil) was derived from licensing income from the Group's associate, KYM Biosciences Inc. ("**KYM**"), which accounted for 48.60% (2022: nil) of the Group's total revenue. Other than the aforementioned customer, the revenues derived from any of the remaining external customers were less than 10% of the Group's total revenue.

6 REVENUE (CONTINUED)

(a) Licensing income

On 22 February 2023, KYM has entered into a global exclusive out-license agreement (the "**License Agreement**") with AstraZeneca AB ("**AstraZeneca**"), an independent global pharmaceutical company, to develop and commercialise CMG901, a drug candidate co-developed by the Group and Keymed Biosciences Inc. ("**Keymed**") through KYM. KYM was established by Keymed and the Group as the platform solely for commercialisation of CMG901. Keymed and the Group held 70% and 30% share of interests in KYM, respectively.

Upon the execution of the License Agreement and subject to terms and conditions thereof (including obtaining certain regulatory approval for the licensing transaction), AstraZeneca would be granted an exclusive global license for research, development, registration, manufacturing, and commercialisation of CMG901, and shall be responsible for all costs and activities associated with the further development and commercialisation of CMG901 in accordance with the License Agreement.

According to the License Agreement and subject to the terms and conditions thereof, KYM shall receive an upfront payment of US$63.0 million with the potential for additional payments up to US$1,125.0 million subject to achievement of certain development, regulatory and commercial milestones. In addition, KYM is entitled to receive tiered royalties on net sales from AstraZeneca. KYM is obliged to provide assistance and staff to facilitate technology and know-how transfer. Except as otherwise agreed, AstraZeneca would be responsible for bearing all costs for activities associated with the development and regulatory affairs on ongoing trial in relation to CMG901.

Concurrently, the Group has entered into a license agreement with KYM, pursuant to which the Group has granted exclusive global license for research, development, registration, manufacturing, and commercialisation of CMG901 to KYM, and KYM shall pay 30% of the amounts received from AstraZeneca after deducting relevant tax and expenses to the Group upon receiving any payment.

Based on the License Agreement, the Group has entered into series of agreements with AstraZeneca pursuant to which the Group would provide services and supply drug products to AstraZeneca.

During the year ended 31 December 2023, the Group has recognised licensing income in relation to abovementioned transaction approximately RMB123,967,000.

6 REVENUE (CONTINUED)

(b) Accounting policies of revenue recognition

(i) Sales of goods

The Group produces and sells pharmaceutical products to customers. The Group transports the products to the agreed delivery location in accordance with the sales contract, and the sales are recognised after the customer has accepted the products and both parties have signed the goods delivery orders. The Group adopts advance collection or a credit period of 30 days to its customers, and the transaction price does not have a significant financing component.

(ii) Licensing income

The Group generates revenue from licensing of intellectual property ("**IP**") to customers. As the customers are able to direct the use of, and obtain substantially all of the benefits from, the licence at the time that control of the licence is transferred to the licensee, the licences that provide a right to use an entity's IP are performance obligations satisfied at the point in time. Revenue is recognised when or as the control of the licenses is transferred to the licensee.

The Group recognises revenue for a sales-based or usage-based royalty promised in exchange for a license of IP only when (or as) the later of the following events occurs:

- the subsequent sale or usage occurs; and
- the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).

7 OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Government grants (a)	**6,779**	9,990
Investment income on financial assets at fair value through profit or loss	**128**	176
Others	**344**	1,118
	7,251	11,284

(a) Government grants

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

8 EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Clinical study related expenses	**173,425**	204,991
Employee benefit expenses (Note 9)	**198,906**	188,344
Depreciation and amortization (Note 15, 16 and 17)	**102,572**	95,446
Pre-clinical study costs	**34,463**	71,211
Raw material and consumables used	**32,589**	37,021
Changes in inventories of finished goods and working in progress outsourced for processing	**950**	(1,688)
Entertainment and traveling expenses	**21,149**	5,246
Licensing fee	**6,634**	1,091
Utilities	**6,550**	5,461
Technical service fees	**4,321**	–
Auditors' remuneration		
– Audit services	**2,850**	2,300
– Non-audit services	**–**	–
Listing expenses	**–**	34,334
Others	**31,897**	23,841
Total cost of sales, selling and marketing expenses, administrative expenses, research and development expenses and other expenses	**616,306**	667,598

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Wages, salaries and bonuses	**135,986**	126,823
Share-based payment expenses	**18,570**	30,419
Pension costs – defined contribution plans (a)	**15,563**	12,835
Other social security costs, housing benefits and other employee benefits	**28,787**	18,267
	198,906	188,344

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) The employees of the Group in the PRC are members of state-managed pension scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme. The Group did not have any forfeited contribution for the years ended 31 December 2023 and 2022 in connection with the defined contribution plan operated by local governments.

(b) Employee benefit expenses were charged in the following categories in the consolidated statement of comprehensive loss:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Research and development expenses	**120,682**	127,211
Administrative expenses	**43,588**	60,165
Selling and marketing expenses	**26,768**	968
Cost of sales	**7,868**	–
	198,906	188,344

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2022: two) director whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining three (2022: three) individuals during the year are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Wages and salaries	**5,190**	5,652
Bonuses	**1,368**	1,573
Pension costs – defined contribution plans (i)	**135**	–
Other social security costs, housing benefits and other employee benefits (i)	**162**	–
Share-based payment expenses	**6,487**	8,900
	13,342	16,125

(i) One (2022: three) of the remaining three (2022: three) highest paid individuals for the year were foreign senior managements, who are not entitled to the Group's defined contribution plans as well as other social security costs, housing benefits.

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(c) Five highest paid individuals (Continued)

The remaining highest paid individuals fell within the following bands:

	Year ended 31 December	
	2023	2022
Emolument bands (in HK dollar)		
HK$2,500,001 – HK$3,000,000	**1**	–
HK$3,500,001 – HK$4,000,000	**1**	–
HK$4,500,001 – HK$5,000,000	**–**	1
HK$5,000,001 – HK$5,500,000	**–**	1
HK$7,500,001 – HK$8,000,000	**1**	–
HK$8,500,001 – HK$9,000,000	**–**	1

10 FAIR VALUE CHANGES ON FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Fair value gains/(losses) on financial liabilities at fair value through profit or loss – FVPL (Note 35)	**174,976**	(62,816)

11 OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Net gains on dilution of equity interests in an associate (Note 18)	**116,388**	–
Net gains on disposal of investments in an associate (Note 18)	**103,874**	–
Net gains on disposal of right-of-use assets	**–**	608
Expected credit losses	**(154)**	(140)
Donation	**(3,406)**	(1,393)
Others	**(3,179)**	1
	213,523	(924)

12 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Bank interest income	**8,049**	8,173
Net exchange gain	**212**	37,746
Finance income	**8,261**	45,919
Interest on bank borrowings	**(28,717)**	(20,357)
Interest on lease liabilities (Note 16)	**(632)**	(1,378)
Bank charges and others	**(1,340)**	(1,180)
	(30,689)	(22,915)
Less: Amount capitalised (a)	**14,672**	14,268
Finance costs	**(16,017)**	(8,647)
Finance (costs)/income, net	**(7,756)**	37,272

(a) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's borrowings during the year ended 31 December 2023 which was 3.98% (2022: 4.13%) per annum.

13 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax expense	**–**	–
Deferred income tax expense	**–**	–
Income tax expense	**–**	–

The Group's principal applicable taxes and tax rates are as follows:

Shanghai Miracogen Inc. ("**Miracogen Shanghai**") is qualified as a High and New Technology Enterprise ("**HNTE**") under the relevant PRC laws and regulations on 12 December 2023. Accordingly, it was entitled to a preferential corporate income tax rate of 15% on its estimated assessable profits for the years ended 31 December 2023 to 2025.

Lepu (Beijing) Biopharma Co., Ltd. ("**Lepu Beijing**") is qualified as a HNTE under the relevant PRC laws and regulations on 25 October 2021. Accordingly, it was entitled to a preferential corporate income tax rate of 15% on its estimated assessable profits for the years ended 31 December 2021 to 2023.

The Company and the Company's other subsidiaries established and operated in Mainland China are subject to the PRC corporate income tax at the rate of 25%.

13 INCOME TAX EXPENSE (CONTINUED)

A reconciliation of the expected income tax calculated at the applicable corporate income tax rate and loss before income tax, with the actual corporate income tax is as follow:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss before income tax	**(30,301)**	(699,441)
Tax calculated at statutory corporate income tax rates of 25%	**(7,575)**	(174,860)
Tax effect of:		
Impact of applying preferential tax rate	**19,351**	36,542
Super deduction for research and development expenses *(i)*	**(38,881)**	(39,456)
Expenses not deductible for tax purpose	**9,672**	7,476
Impact on fair value changes on financial liabilities at fair value through profit or loss	**(43,744)**	15,704
Impact on investments using equity method	**(41,909)**	8,058
Utilisation of unrecognised deductible temporary differences	**–**	(12,394)
Deductible temporary differences not recognised as deferred tax assets	**28,468**	10,009
Tax losses not recognised as deferred tax assets	**74,618**	148,921
Income tax expense	**–**	–

(i) Accounting for super deduction for research and development expenses

Pursuant to Caishui [2023] circular No.7 in 2023, certain subsidiaries enjoy super deduction of 200% (2022: 175% and 200%) on qualifying and research and development expenditures for the year ended 31 December 2023.

As at 31 December 2023, the Group had unused tax losses of approximately RMB3,010,184,000 (31 December 2022: RMB2,744,953,000) that can be carried forward against future taxable income. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future taxable income.

The unused tax losses of the Group were mainly from the subsidiaries incorporated in Mainland China, where the accumulated tax losses will normally expire within 5 years. Pursuant to the relevant regulations on extension for expiries of unused tax losses of HNTE and Small and Medium-sized Technological Enterprises issued in August 2018, the accumulated tax losses which did not expire from 2018 will have expiries extending from 5 years to 10 years from then on.

14 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year.

	Year ended 31 December	
	2023	2022
Loss for the year and attributable to owners of the Company (in RMB'000)	**(22,096)**	(689,052)
Weighted average number of ordinary shares in issue (in thousands)	**1,659,445**	1,640,825
Basic loss per share (in RMB)	**(0.01)**	(0.42)

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2023 and 2022, the Company had no potential ordinary share. Accordingly, diluted loss per share for the years ended 31 December 2023 and 2022 are the same as basic loss per share of the respective years.

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Equipment and instruments RMB'000	Office equipment and furniture RMB'000	Motor vehicles RMB'000	Leasehold improvements and Antibody purification resin RMB'000	Construction-in-progress RMB'000	Total RMB'000
At 1 January 2022							
Cost	–	173,566	20,543	951	102,415	633,350	930,825
Accumulated depreciation	–	(33,663)	(7,952)	(466)	(52,031)	–	(94,112)
Net book amount	–	139,903	12,591	485	50,384	633,350	836,713
Year ended 31 December 2022							
Opening net book amount	–	139,903	12,591	485	50,384	633,350	836,713
Additions	–	1,113	7,241	–	236	119,647	128,237
Transfer upon completion	45,551	42,746	–	–	3,059	(91,356)	–
Depreciation charge	(206)	(17,938)	(5,026)	(136)	(25,235)	–	(48,541)
Closing net book amount	45,345	165,824	14,806	349	28,444	661,641	916,409
At 31 December 2022							
Cost	45,551	217,425	27,784	951	105,710	661,641	1,059,062
Accumulated depreciation	(206)	(51,601)	(12,978)	(602)	(77,266)	–	(142,653)
Net book amount	45,345	165,824	14,806	349	28,444	661,641	916,409
Year ended 31 December 2023							
Opening net book amount	**45,345**	**165,824**	**14,806**	**349**	**28,444**	**661,641**	**916,409**
Additions	**–**	**25,193**	**8,557**	**–**	**319**	**51,979**	**86,048**
Transfer upon completion	**–**	**85,473**	**–**	**–**	**–**	**(85,473)**	**–**
Depreciation charge	**(1,236)**	**(27,317)**	**(5,756)**	**(136)**	**(19,823)**	**–**	**(54,268)**
Closing net book amount	**44,109**	**249,173**	**17,607**	**213**	**8,940**	**628,147**	**948,189**
At 31 December 2023							
Cost	**45,551**	**328,091**	**36,341**	**951**	**106,029**	**628,147**	**1,145,110**
Accumulated depreciation	**(1,442)**	**(78,918)**	**(18,734)**	**(738)**	**(97,089)**	**–**	**(196,921)**
Net book amount	**44,109**	**249,173**	**17,607**	**213**	**8,940**	**628,147**	**948,189**

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Depreciation of property, plant and equipment has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cost of sales	**472**	–
Administrative expenses	**8,240**	15,837
Research and development expenses	**45,556**	32,704
	54,268	48,541

(b) The addition in construction-in-progress for the year ended 31 December 2023 included the finance costs capitalised amounted to approximately RMB14,672,000 (2022: RMB14,268,000) (Note 12).

(c) As at 31 December 2023, certain of the Group's property, plant and equipment located in Shanghai ("**Shanghai Biological Park**") with the carrying amounts of approximately RMB653,405,000 (31 December 2022: RMB630,605,000) have been pledged to bank as the security for the bank borrowings of RMB300,321,000 (31 December 2022: RMB320,414,000) (Note 31).

(d) Depreciation methods and useful lives

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

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

See note 44.6 for the other accounting policies relevant to property, plant and equipment.

16 RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Leased properties RMB'000	Total RMB'000
At 1 January 2022			
Cost	128,817	75,672	204,489
Accumulated depreciation	(16,959)	(45,806)	(62,765)
Net book amount	111,858	29,866	141,724
Year ended 31 December 2022			
Opening net book amount	111,858	29,866	141,724
Additions	–	7,283	7,283
Disposals	–	(3,638)	(3,638)
Depreciation charge	(6,444)	(16,263)	(22,707)
Closing net book amount	105,414	17,248	122,662
At 31 December 2022			
Cost	128,817	65,071	193,888
Accumulated depreciation	(23,403)	(47,823)	(71,226)
Net book amount	105,414	17,248	122,662
Year ended 31 December 2023			
Opening net book amount	**105,414**	**17,248**	**122,662**
Additions	**–**	**38,621**	**38,621**
Depreciation charge	**(6,443)**	**(15,784)**	**(22,227)**
Closing net book amount	**98,971**	**40,085**	**139,056**
At 31 December 2023			
Cost	**128,817**	**55,198**	**184,015**
Accumulated depreciation	**(29,846)**	**(15,113)**	**(44,959)**
Net book amount	**98,971**	**40,085**	**139,056**

16 RIGHT-OF-USE ASSETS (CONTINUED)

Depreciation charges have been expensed in the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
– Land use rights (a)	**2,731**	1,365
– Leased properties	**15,784**	16,263
	18,515	17,628
Interest costs included in finance costs (Note 12)	**632**	1,378
Expenses relating to short-term leases (included in research and development expenses and administrative expenses)	**648**	2,823
Expenses relating to leases of low-value assets that shown above as short-term leases (included in research and development expenses and administrative expenses)	**103**	464

(a) For the year ended 31 December 2023, depreciation charge of land use rights approximately RMB3,712,000 (2022: RMB5,079,000) were capitalised into construction-in-progress.

(b) For the year ended 31 December 2023, the total cash outflow for leases was approximately RMB25,318,000 (2022: RMB9,160,000).

(c) As at 31 December 2023, land use rights with the carrying amounts of approximately RMB54,133,000 (31 December 2022: RMB57,846,000) were pledged to bank as the security for the bank borrowings of RMB300,321,000 (31 December 2022: RMB320,414,000) (Note 31).

17 INTANGIBLE ASSETS

	Capitalised product development costs RMB'000	Goodwill RMB'000	Intellectual properties RMB'000	Software RMB'000	Total RMB'000
At 1 January 2022					
Cost	–	52,636	515,908	–	568,544
Accumulated amortisation	–	–	(93,454)	–	(93,454)
Net book amount	–	52,636	422,454	–	475,090
Year ended 31 December 2022					
Opening net book amount	–	52,636	422,454	–	475,090
Additions	–	–	5,000	–	5,000
Amortisation charge	–	–	(29,277)	–	(29,277)
Closing net book amount	–	52,636	398,177	–	450,813
At 31 December 2022					
Cost	–	52,636	520,908	–	573,544
Accumulated amortisation	–	–	(122,731)	–	(122,731)
Net book amount	–	52,636	398,177	–	450,813
Year ended 31 December 2023					
Opening net book amount	**–**	**52,636**	**398,177**	**–**	**450,813**
Additions	**11,654**	**–**	**–**	**1,543**	**13,197**
Amortisation charge	**–**	**–**	**(29,644)**	**(145)**	**(29,789)**
Closing net book amount	**11,654**	**52,636**	**368,533**	**1,398**	**434,221**
At 31 December 2023					
Cost	**11,654**	**52,636**	**520,908**	**1,543**	**586,741**
Accumulated amortisation	**–**	**–**	**(152,375)**	**(145)**	**(152,520)**
Net book amount	**11,654**	**52,636**	**368,533**	**1,398**	**434,221**

17 INTANGIBLE ASSETS (CONTINUED)

(a) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

— Intellectual properties	11-23 years
— Software	10 years

(b) Capitalised product development costs

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

- it is technically feasible to complete the development project so that it will be available for use;
- management intends to complete the development project and use or sell the product;
- there is an ability to use or sell the product;
- it can be demonstrated how the development project will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development project and to use or sell the product are available, and
- the expenditure attributable to the asset during its development can be reliably measured.

The Group generally considers capitalization criteria for internally generated intangible assets is met when obtaining marketing approval from the regulatory authority.

17 INTANGIBLE ASSETS (CONTINUED)

(b) Capitalised product development costs (continued)

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

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

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

During the year ended 31 December 2023, the Group capitalised product development costs RMB11,654,000 (2022: nil) of PD-1 which has satisfied the criteria of the capitalisation.

The management of the Company measured the recoverable amounts of the capitalised product development costs and concluded that no provision for impairment has to be recognised as at 31 December 2023.

(c) Amortisation of intangible assets has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Research and development expenses	**29,789**	29,277

(d) Impairment assessment for goodwill

Goodwill of approximately RMB52,636,000 is resulted from the acquisition of Miracogen Shanghai from a third party during the year of 2018 which is principally engaged in the provision of research and development focusing on antibody drug conjugate ("**ADC**") related pipelines.

Goodwill is monitored by the management at level of the CGU of Miracogen Shanghai.

The management has involved an independent qualified valuer to perform goodwill impairment assessment to assess the "value-in-use" (determined by management as the recoverable amount) of the CGU as at 31 December 2023 and 2022 by using the discounted cash flow model.

17 INTANGIBLE ASSETS (CONTINUED)

(d) Impairment assessment for goodwill (continued)

These calculations use pre-tax cash flow forecast based on financial budgets prepared by management covering the forecast period ending 31 December 2029. The management considers the length of forecast period is appropriate because it generally takes longer period for a biopharma company to reach a perpetual growth mode, compared to companies in other industries, especially when ADC related products are still under clinical study and the market of such product is at an early stage of development with substantial growth potential. Hence, the management believes that a forecasted period for CGU of Miracogen Shanghai longer than five years is feasible and consistent with industry practice. Key assumptions are disclosed as below:

	As at 31 December	
	2023	2022
The first commercialisation year of ADC related pipelines	**2025**	2024
Expected revenue growth rate during the forecast period from second year of commercialisation	**119%-15%**	422%-14%
Expected revenue growth rate beyond the forecast period	**8%-0%**	8%-0%
Expected market penetration rate	**0%-26%**	0%-26%
Expected success rate of commercialisation	**8%-50%**	8%-50%
Pre-tax discount rate	**16.1%**	16.7%

Management has determined the values assigned to certain key assumptions abovementioned as follows:

Assumption	Approach used to determine values
Revenue growth rate	Revenue growth rate covering forecast period ending 31 December 2029 were estimated based on management's expectations of market development and industry data from industry research report issued by a third-party consultation company.
Market penetration rate	Based on the expected selling conditions considering the features of marketing and technology development.
Success rate commercialisation	By reference to practice of biopharmaceutical industries, development of technology and related regulations from administrations.
Pre-tax discount rate	Reflect specific risks relating to the operation of the business in the PRC.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the CGU far exceeded its carrying amount and the headroom as at 31 December 2023 was approximately RMB4,040,487,000 (31 December 2022: RMB4,157,200,000).

17 INTANGIBLE ASSETS (CONTINUED)

(d) Impairment assessment for goodwill (continued)

The management performed the sensitivity analysis based on the abovementioned key assumptions have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Expected revenue growth rate from second commercialisation year during the forecast period decreased by 5%	**3,805,218**	3,820,882
Expected revenue growth rate beyond the forecast period decreased by 3%	**4,038,345**	4,156,666
Expected market penetration rate decreased by 5%	**3,821,305**	3,926,221
Expected success rate of commercialisation decreased by 5%	**3,821,305**	3,926,221
Pre-tax discount rate increased by 1%	**3,976,554**	4,001,929

The management believes that any reasonable possible change in any of the key assumptions would not cause the carrying amounts of the CGU to exceed its recoverable amount.

The management of the Company concluded that no provision for impairment on the goodwill has to be recognised as at 31 December 2023 and 2022.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
At beginning of the year	**122,392**	137,971
Disposals *(ii)*	**(84,754)**	–
Share of loss of investments	**(27,341)**	(32,231)
Others *(i and ii)*	**116,388**	16,652
At ending of the year	**126,685**	122,392

Set out below are the associates of the Group as at 31 December 2023. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Principal activities
		2023	2022			
Wuhan Binhui Biological Technology Co., Ltd. ("**Wuhan Binhui**") (武漢濱會生物科技股份有限公司)	The PRC	**11.84% (i)**	20.03%	Associate	Equity method	Research and development of biomedicine
Hangzhou HealSun Biotechnology Co., Ltd. ("**Hangzhou HealSun**") (杭州皓陽生物技術有限公司)	The PRC	**5.68% (ii)**	23.16%	–	–	Technological development of biotechnology
KYM	The United States	**30%**	30%	Associate	Equity method	Technological development of biotechnology

(i) During the year ended 31 December 2023, the preferred rights granted upon issuance of ordinary shares by Wuhan Binhui to certain investors were terminated, the percentage of share of interests held by the Company in Wuhan Binhui was diluted from 20.03 % to 11.84%.

(ii) During the year ended 31 December 2022, Hangzhou HealSun has completed new financing activity by issuing share capital to certain and new investors, the percentage of share of interests held by the Company in Hangzhou HealSun was diluted from 26.37% to 23.16%. The Group has significant influence over Hangzhou HealSun as one member in the board of directors is designated by the Group.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

As at 28 September 2023, the Company has entered into an equity transfer agreement with an independent third party (the "**Buyer**"), pursuant to which the Company has agreed to transfer and the Buyer has agreed to purchase RMB2,901,199 of registered capital in Hangzhou HealSun held by the Company, at a cash consideration of RMB125,000,000. The transaction has been completed at the end of October 2023. The difference between the consideration and the carrying amounts of disposal portion of the investment in Hangzhou HealSun of RMB63,528,000 were credit to profit and loss.

Upon completion of the partial disposal, the Group can neither control nor exercise significant influence on Hangzhou HealSun, the management transferred the remaining equity investment to financial assets measured at FVPL. The difference between the fair value and the carrying amounts of remaining equity investment in Hangzhou HealSun upon completion of the partial disposal of RMB40,346,000 were credit to profit and loss.

The total amount of net gains on partial disposal of investments in Hangzhou Healsun was RMB103,874,000.

The fair value changes of the remaining equity investments in Hangzhou HealSun were insignificant from the completion of the partial disposal to 31 December 2023.

The associates of the Group have been accounted by using the equity method based on the financial information of the associates prepared under the accounting policies consistent with the Group.

All associates are engaged in biotechnology industry and at early stage of development or pre-clinical. Management performed periodically review of their business performance, including development progress of pipelines, the plan of business as well as subsequent financing, and no impairment indicator was noted as at 31 December 2023 and 2022.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Summarised financial information for associates

The tables below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Company's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarised balance sheet

	Wuhan Binhui As at 31 December	
	2023 **RMB'000**	2022 RMB'000
Current assets	**602,472**	701,125
– Cash and cash equivalents	**552,677**	620,242
Non-current assets	**466,417**	402,180
Total assets	**1,068,889**	1,103,305
Current liabilities	**27,758**	960,963
Non-current liabilities	**7,682**	2,400
Total liabilities	**35,440**	963,363
Non-controlling interests	**1,872**	5,180
Equity attribute to owners of the company	**1,031,577**	134,762
Total equity	**1,033,449**	139,942
Share of net assets	**122,150**	26,999
Goodwill	**4,235**	7,165
Carrying amount	**126,385**	34,164

Summarised statements of comprehensive income

	Wuhan Binhui Year ended 31 December	
	2023 **RMB'000**	2022 RMB'000
Revenue	**1,296**	493
Loss for the year	**121,169**	160,060
Total comprehensive loss	**121,169**	160,060

19 INVENTORIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Raw materials	**20,739**	22,373
Finished goods	**738**	1,688
Working in progress outsourced for processing	**7,935**	–
	29,412	24,061

The cost of inventories recognised as expense and included in 'cost of sales', 'research and development expenses' and 'other expenses' amounted to approximately RMB7,084,000, RMB26,455,000 and nil (2022: RMB914,000, RMB34,235,000 and RMB184,000), respectively.

20 TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables	**38,014**	–
Less: Loss allowance	**(212)**	–
	37,802	–

The Group allows a credit period of 30 days to its customers. As at 31 December 2023 and 2022, the ageing analysis of the trade receivables (net of loss allowance) based on invoice date were as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
0 – 30 days	**37,802**	–

(a) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Details about the group's impairment policies and the calculation of the loss allowance are provided in Note 3.1.

21 NOTES RECEIVABLES

As of 31 December 2022, notes receivables amounted to RMB3,040,000 were all bank acceptance notes with maturity date within 6 months.

The Group's notes receivables' contractual cash flow was solely principal and interest. The Group's business model is achieved by collecting contractual cash flows. As a result, the Group's notes receivables are classified as financial assets measured at amortised cost.

22 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Value added tax recoverable	**39,810**	49,882
Deposits	**16,706**	16,694
Prepayments for:		
– property, plant and equipment	**29,077**	69,104
– clinical study related expenses	**89,355**	81,618
Prepayments for listing expenses	**4,779**	3,579
Others	**51**	59
	179,778	220,936
Less: loss allowance for other receivables and deposits	**(480)**	(538)
	179,298	220,398
Less: non-current portion (a)	**(59,009)**	(104,095)
Current portion	**120,289**	116,303

(a) The non-current portion of other receivables, prepayments and deposits include prepayments to suppliers for property, plant and equipment, value added tax recoverable that could not be utilised in the coming 12 months, and deposits as guarantee of land use rights are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current assets		
Value added tax recoverable	**21,958**	27,044
Prepayments for property, plant and equipment	**29,077**	69,104
Deposits	**7,974**	7,947
	59,009	104,095

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Unlisted equity investment in Hangzhou HealSun (Note 18)	**63,628**	–

24 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Cash at bank	**426,015**	669,397

Cash and cash equivalents which are denominated in the following currencies are as follow:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
RMB	**424,433**	665,916
USD	**1,532**	2,833
HKD	**50**	648
	426,015	669,397

25 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Financial Assets		
Financial assets at amortised cost		
– Other receivables, prepayments and deposits excluding non-financial assets	**16,277**	16,215
– Trade receivables	**37,802**	–
– Notes receivables	**–**	3,040
– Cash and cash equivalents	**426,015**	669,397
Financial assets at at fair value through profit or loss		
– Unlisted equity investment in Hangzhou HealSun	**63,628**	–
	543,722	688,652
Financial Liabilities		
Financial liabilities at amortised cost		
– Borrowings	**694,299**	650,045
– Trade payables	**207,611**	166,129
– Other payables and accruals excluding non-financial liabilities	**203,623**	255,833
– Lease liabilities	**47,455**	33,520
Financial liabilities at fair value through profit or loss		
– FVPL	**272,625**	448,282
	1,425,613	1,553,809

26 SHARE CAPITAL

	Number of shares	**Nominal value of shares RMB'000**
Authorised issued and fully paid		
At 1 January 2022	1,531,669,838	1,531,670
Issuance of ordinary shares upon global offering (a)	126,876,000	126,876
Exercise of over-allotment option (b)	899,000	899
At 31 December 2022	1,659,444,838	1,659,445
At 1 January 2023 and 31 December 2023	**1,659,444,838**	**1,659,445**

26 SHARE CAPITAL (CONTINUED)

(a) On 23 February 2022, the Company has completed a global offering of 126,876,000 H Shares of par value of RMB1.00 each at the price of HK$7.13 per H Share.

(b) On 22 March 2022, the Company issued additional 899,000 new H Shares upon the exercises of over-allotment of the global offering at the price of HK$7.13 per H Share.

Share issuance costs related to the global offering mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other costs. Incremental costs that are directly attributable to the issue of the new shares amounting to approximately RMB33,287,000 was treated as a deduction against the share premium arising from the issuance.

27 RESERVES

	Share premium RMB'000	Capital reserves RMB'000	Share-based payment reserves RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 1 January 2022	1,841,680	(401,514)	118,697	(611,381)	947,482
Issuance of ordinary shares upon global offering (Note 26(a) and Note 26(b))	578,165	–	–	–	578,165
Share-based payments (Note 28)	–	–	30,399	–	30,399
Currency translation differences	–	–	–	109	109
Others	–	–	–	16,652	16,652
Balance at 31 December 2022	2,419,845	(401,514)	149,096	(594,620)	1,572,807
Balance at 1 January 2023	**2,419,845**	**(401,514)**	**149,096**	**(594,620)**	**1,572,807**
Share-based payments (Note 28)	**–**	**–**	**18,570**	**–**	**18,570**
Currency translation differences	**–**	**–**	**–**	**(331)**	**(331)**
Balance at 31 December 2023	**2,419,845**	**(401,514)**	**167,666**	**(594,951)**	**1,591,046**

28 SHARE-BASED PAYMENTS

Huarui Zongheng (Beijing) Technology Co., Ltd. (華瑞縱橫(北京)科技有限公司), Shanghai Zupai Technology Partnership (Limited Partnership) (上海築湃科技合夥企業(有限合夥)), Shanghai Zulin Technology Partnership (Limited Partnership)(上海築麟科技合夥企業(有限合夥)), Shanghai Renhong Technology Partnership (Limited Partnership) (上海韌宏科技合夥企業(有限合夥)) and Shanghai Progeun Technology Co., Ltd. (上海芃槿科技有限責任公司) (collectively referred to as the "**Vehicles**") were all incorporated in the PRC under the Company Law of the PRC as a vehicle to hold the ordinary shares for the Company's employees under the ESOP of 2020.

As the Company did not have power to govern the relevant activities of the Vehicles nor repurchase or settlement obligations but only derive benefits from the contributions of the eligible employees who are awarded with the shares under the ESOP, the directors of the Company consider not to consolidate the Vehicles. No statutory financial statements had been prepared by the Vehicles during the reporting period.

(a) ESOP

On 7 December 2020, 151 eligible employees (the "**Grantees**") were granted 45,149,702 shares of the Company at a consideration of RMB1.00 per share which are vested when Grantees complete a contractual term of service with the authorization from the Board of Directors of the Company to acquire their long-term service in future.

Such plan grants under the plan vest over a period of four years of continuous service, with one-fourth (1/4) vesting upon each anniversary date of the stated vesting commencement date.

Set out below are the movement in the number of awarded restricted shares under the ESOP:

	Number of awarded restricted shares
At 1 January 2022	24,731,556
Vested during the year	(7,178,325)
Forfeited during the year	(3,196,581)
At 31 December 2022	14,356,650
At 1 January 2023	**14,356,650**
Vested during the year	**(6,585,685)**
Forfeited during the year	**(1,685,281)**
At 31 December 2023	**6,085,684**

28 SHARE-BASED PAYMENTS (CONTINUED)

(b) Expenses arising from share-based payment transactions

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Administrative expenses	**10,288**	17,460
Research and development expenses	**8,282**	12,959
	18,570	30,419

29 TRADE PAYABLES

The aging analysis of the trade payables based on their respective invoice dates are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Less than 1 year	**196,909**	154,966
Between 1 and 2 years	**10,702**	11,163
	207,611	166,129

Trade payables are unsecured and are usually paid within 30 days from the date of initial recognition.

The carrying amounts of trade payables are considered to be the same as their fair values, due to their short-term nature.

The trade payables are all denominated in RMB.

30 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Fixed payables for acquisition/investments (a)	**75,000**	140,000
Variable payables for acquisition/investments ((a) and Note 35)	**10,451**	6,495
Payables for purchase of property, plant and equipment	**96,643**	97,008
Payroll and welfare payables	**29,755**	29,902
Leases and utilities payables	**5,068**	6,739
Payables for employee reimbursement	**4,947**	–
Payables for professional fees	**3,122**	2,607
Other taxes and surcharges payables	**1,002**	1,507
Deposits from suppliers	**752**	755
Others	**7,640**	2,229
	234,380	287,242

(a) On 29 September 2019, the Group entered into an equity purchase agreement with Hangzhou HanX Biomedical Co., Ltd. ("**HanX**") to acquire 40% equity interests of Taizhou Hanzhong held by HanX at (i) the fixed consideration of RMB350,000,000; and (ii) the variable consideration payable of 4.375% of the annual net sales revenue of PD-1 products which will be settled annually after the PD-1 products launched into the market. As at 31 December 2023, the outstanding fixed consideration amounted to RMB75,000,000 (31 December 2022: RMB140,000,000).

31 BORROWINGS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Current		
Bank borrowings, non-secured	**393,978**	329,631
Bank borrowings, secured (a)	**40,321**	30,357
Non-current		
Bank borrowings, secured (a)	**260,000**	290,057
	694,299	650,045

31 BORROWINGS (CONTINUED)

As at 31 December 2023 and 2022, the Group's borrowings were repayable as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 1 year	**434,299**	359,988
Between 1 and 2 years	**60,000**	40,000
Between 2 and 5 years	**200,000**	250,057
	694,299	650,045

(a) The Group has pledged its land use rights and property, plant and equipment with carrying amounts of approximately RMB54,133,000 and RMB653,405,000 respectively to bank as the security for the bank borrowings of RMB300,321,000 as at 31 December 2023. The borrowings bear interests at float rate range from 3.80% to 4.00% per annum. Interest is payable quarterly. The principals for the borrowings are payable in batches from 20 June 2022 to 1 September 2027.

The Group has pledged its land use rights and property, plant and equipment with carrying amounts of approximately RMB57,846,000, RMB630,605,000 respectively to bank as the security for the bank borrowings of RMB320,414,000 as at 31 December 2022. The borrowings bear interests at float rate range from 4.00% to 4.20% per annum. Interest is payable quarterly. The principals for the borrowings are payable in batches from 20 June 2022 to 1 September 2027.

The fair value of borrowings approximated their carrying amounts as at 31 December 2023 and 2022 as the borrowings carried interests which were benchmarked against rates announced by the People's Bank of China from time to time.

32 LEASE LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Minimum lease payments due		
– Within 1 year	**23,326**	31,032
– Between 1 and 2 years	**25,075**	3,168
	48,401	34,200
Less: future finance charges	**(946)**	(680)
Present value of lease liabilities	**47,455**	33,520
Portion classified as current liabilities	**23,271**	30,427
Portion classified as non-current liabilities	**24,184**	3,093
The present value of lease liabilities is as follows:		
– Within 1 year	**23,271**	30,427
– Between 1 and 2 years	**24,184**	3,093
	47,455	33,520

33 DEFERRED GOVERNMENT GRANTS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Government grants		
Asset-related grants (a)	**12,000**	12,000
To be realised after more than 12 months	**12,000**	12,000

(a) The asset-related grants are subsidies received from the government for compensating the Group's project of Shanghai Biological Park for high-efficiency monoclonal antibody drug production. As at 31 December 2023 and 2022, the project is still under construction and was not completely ready for use.

34 DEFERRED INCOME TAX

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates at which are expected to be applied at the time of reversal of the temporary differences.

The deferred income tax assets and liabilities are mainly due from the acquisition of subsidiaries, and the amount of offsetting deferred income tax assets and liabilities as at 31 December 2023 is RMB14,201,000 (31 December 2022: RMB22,335,000).

The analysis of deferred income tax assets and liabilities before offsetting is as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**11,490**	17,816
– Deferred income tax assets to be recovered within 12 months	**2,711**	4,519
	14,201	22,335
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(49,177)**	(55,503)
– Deferred income tax liabilities to be settled within 12 months	**(2,711)**	(4,519)
	(51,888)	(60,022)
Deferred income tax liabilities – net	**(37,687)**	(37,687)

34 DEFERRED INCOME TAX (CONTINUED)

(a) Deferred tax assets

	Tax losses RMB'000
At 1 January 2022	25,046
Charged to consolidated statements of comprehensive loss	(2,711)
At 31 December 2022	22,335
At 1 January 2023	**22,335**
Charged to consolidated statements of comprehensive loss	**(2,711)**
Impact of applying preferential tax rate	**(5,423)**
At 31 December 2023	**14,201**

(b) Deferred tax liabilities

	Property, plant and equipment acquired in business combination RMB'000	Intangible assets acquired in business combination RMB'000	Total RMB'000
At 1 January 2022	(151)	(62,582)	(62,733)
Credited to consolidated statements of comprehensive loss	15	2,696	2,711
At 31 December 2022	(136)	(59,886)	(60,022)
At 1 January 2023	**(136)**	**(59,886)**	**(60,022)**
Credited to consolidated statements of comprehensive loss	**15**	**2,696**	**2,711**
Impact of applying preferential tax rate	**30**	**5,393**	**5,423**
At 31 December 2023	**(91)**	**(51,797)**	**(51,888)**

35 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Variable consideration payable arisen from acquisition of 40% equity of Taizhou Hanzhong from non-controlling interests (Note 30(a))	**272,625**	448,282
Less: current portion	**(10,451)**	(6,495)
Non-current portion	**262,174**	441,787

As described in Note 30(a), the fair value of variable consideration payable as at 31 December 2023 and 2022 was determined by an independent valuer (Note 3.3(b)). And the changes in fair value was recognised in the consolidated statements of comprehensive loss.

As at 31 December 2023, the current portion of variable consideration payable consisted of 4.375% of actual net sales of PD-1 products in 2023 accounting to approximately RMB4,436,000 and 4.375% of estimated net sales of PD-1 products in 2024 accounting to approximately RMB6,015,000.

The movements of financial liabilities at fair value through profit or loss for the years ended 31 December 2023 and 2022 are set out below:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Opening balance	**448,282**	385,466
Change in fair value (Note 10)	**(174,976)**	62,816
Variable consideration paid to HanX	**(681)**	–
Closing balance	**272,625**	448,282

36 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before income tax	**(30,301)**	(699,441)
Adjustments for:		
– Expected credit losses	**154**	140
– Depreciation of property, plant and equipment	**54,268**	48,541
– Amortisation of intangible assets	**29,789**	29,277
– Depreciation of right-of-use assets	**18,515**	17,628
– Share-based payments	**18,570**	30,419
– Net gains on disposal of right-of-use assets	**–**	(608)
– Change in fair value of financial liabilities at fair value through profit or loss	**(174,976)**	62,816
– Finance costs/(income), net	**6,449**	(38,452)
– Investment income on financial assets at fair value through profit or loss	**(128)**	(176)
– Net gains on dilution of equity interests in an associate	**(116,388)**	–
– Net gains on disposal of investments in an associate	**(103,874)**	–
– Share of (gain)/loss of investments accounted for using the equity method	**27,341**	32,231
Operating cash flows before movements in working capital	**(270,581)**	(517,625)
(Increase)/decrease in inventories	**(5,351)**	123
Increase in trade receivables	**(38,014)**	–
Decrease in other receivables, prepayments and deposits	**5,032**	25,988
Increase in trade payables and other payables and accruals	**50,029**	2,554
Cash used in operations	**(258,885)**	(488,960)

(b) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- Capitalisation of depreciation charge of land use rights – Note 17
- Dilution of equity interests in an associate – Note 18.

36 CASH FLOW INFORMATION (CONTINUED)

(c) Net Debt Reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Cash and cash equivalents	**426,015**	669,397
Financial assets at fair value through profit or loss	**63,628**	–
Financial liabilities at fair value through profit or loss	**(272,625)**	(448,282)
Borrowing	**(694,299)**	(650,045)
Lease liabilities	**(47,455)**	(33,520)
Net debt	**(524,736)**	(462,450)
Cash and liquid investments	**489,643**	669,397
Gross debt – fixed interest rates	**(389,270)**	(254,828)
Gross debt – variable interest rates	**(625,109)**	(877,019)
Net debt	**(524,736)**	(462,450)

	Cash and cash equivalents RMB'000	Term deposits with initial terms over three months RMB'000	Financial assets at fair value through profit or loss RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Net debt as at 1 January 2022	155,168	50,000	–	(385,466)	(292,878)	(38,265)	(511,441)
Cash flows	476,374	(50,612)	(176)	–	(356,484)	9,160	78,262
Addition-leases	–	–	–	–	–	(7,283)	(7,283)
Non-cash movements	37,855	612	176	(62,816)	(683)	2,868	(21,988)
Net debt as at 31 December 2022	669,397	–	–	(448,282)	(650,045)	(33,520)	(462,450)
Cash flows	**(243,594)**	**–**	**(136)**	**681**	**(44,247)**	**25,318**	**(261,978)**
Addition-leases	**–**	**–**	**–**	**–**	**–**	**(38,621)**	**(38,621)**
Non-cash movements	**212**	**–**	**63,764**	**174,976**	**(7)**	**(632)**	**238,313**
Net debt as at 31 December 2023	**426,015**	**–**	**63,628**	**(272,625)**	**(694,299)**	**(47,455)**	**(524,736)**

37 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at end of year but not yet incurred is as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Property, plant and equipment	**456,596**	482,003

The Group entered into licensing agreements with certain collaboration parties. As at 31 December 2023, the possible contractual milestone obligation payments are approximately RMB524,000,000 (31 December 2022: RMB516,146,000), such possible obligation will be confirmed only by the occurrence of specific uncertain future events during the Group's long-term collaboration with such collaboration parties.

(b) Operating lease commitments

At end of the reporting period, the Group's commitments for future minimum lease payments under non-cancellable short-term leases as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
No later than 1 year	**528**	648

38 SUBSIDIARIES

The Group's principal subsidiaries as at 31 December 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of subsidiaries	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2023	2022	2023	2022
Miracogen Shanghai (上海美雅珂生物技術有限責任公司)	The PRC, limited liability company	Research and development focusing on ADC related pipelines in the PRC	RMB99,371,981	100%	100%	–	–
Taizhou Hanzhong (泰州翰中生物醫藥有限公司)	The PRC, limited liability company	Research and development focusing on PD-1 related pipelines in the PRC	RMB7,692,308	91%	91%	9%	9%
Taizhou Houde Aoke Technology Co., Ltd. ("**Taizhou Aoke**") (泰州厚德奧科科技有限公司)	The PRC, limited liability company	Research and development focusing on PD-L1 related pipelines in the PRC	RMB262,000,000	70%	70%	30%	30%
CtM Bio Co., Ltd. ("**CtM Bio**") (樂普創一生物科技(上海)有限公司)	The PRC, limited liability company	Discovery of new drug candidates in the PRC	RMB30,000,000	70%	70%	30%	30%
Lepu Beijing (樂普(北京)生物科技有限公司)	The PRC, limited liability company	Operation of manufacturing site in Beijing, the PRC	RMB100,000,000	100%	100%	–	–
Innocube Limited	The British Virgin Islands, limited liability company	Investment holdings in the British Virgin Islands	USD50,000	100%	100%	–	–
Shanghai Lepu Biopharma Investment Co., Ltd. ("**Lepu Shanghai**") (上海樂普生物投資有限公司)	The PRC, limited liability company	Investment holdings in the PRC	RMB50,000,000	100%	100%	–	–
Lepu Hangjia (Shanghai) Venture Capital Co., Ltd. ("**Lepu Hangjia**") (樂普航嘉(上海)創業孵化器管理有限公司)	The PRC, limited liability company	Business incubator management in the PRC	RMB50,000,000	100%	100%	–	–
Innocube Biosciences Inc.	The United States, limited liability company	Platform for clinical development overseas in the United States	USD10,000	100%	100%	–	–
CtM Bio (Nanjing) Co., Ltd. (樂普創一生物科技(南京)有限公司)	The PRC, limited liability company	Discovery of new drug candidates in the PRC	RMB3,000,000	70%	70%	30%	30%

39 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related because they are subject to common control, common significant influence or joint control in the controlling shareholder's families. Members of key management and their close family member of the Group are also considered as related parties.

The Group is controlled by the following entities:

			Ownership interests in the Company As at 31 December	
Name	**Type**	**Place of incorporation**	**2023**	2022
Ningbo Houde Yimin	Immediate parent entity	Ningbo, the PRC	**26.11%**	26.11%

The Company was ultimately controlled by Dr. Pu Zhongjie.

The directors are of the view that the following parties are other related parties exclude subsidiaries and associates that had transactions or balances with the Group:

Name	**Relationship with the Group**
Beijing Pufeng Medical Management Co., Ltd. (北京普峰醫療管理有限公司)	Subsidiary of an entity which the director is a close family member of Dr. Pu Zhongjie
Beijing Volt Technology Co., Ltd. (北京伏爾特技術有限公司)	Subsidiary of an entity which the director is a close family member of Dr. Pu Zhongjie
Beijing Lepu Hushengtang Network Technology Co., Ltd. (北京樂普護生堂網絡科技有限公司)	Controlled by the shareholder which has significant influence over the Group
Beijing Lejian Dongwai Clinic Co., Ltd. (北京樂健東外門診部有限公司)	Controlled by the shareholder which has significant influence over the Group
Beijing Lepu Medical Technology Co., Ltd. (北京樂普診斷科技股份有限公司)	Controlled by the shareholder which has significant influence over the Group
CG Oncology, Inc.	Entity which the director is Ms. Pu Jue, who is director of the Company

The following significant transactions were carried out between the Group and its related parties during the reporting period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

39 RELATED PARTY TRANSACTIONS (CONTINUED)

39.1 Transactions with other related parties

(a) Purchase and sale of raw materials and various services

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest on lease liabilities from:		
– Beijing Pufeng Medical Management Co., Ltd.	**228**	647
Purchase of technical development services from:		
– associates *(i)*	**2,790**	7,183
– other related parties	**2,202**	2,200
Purchase of professional services from CG Oncology, Inc.	**441**	277
Purchase of raw materials from other related parties	**795**	40
Sale of raw materials to CG Oncology, Inc.	**–**	272

(i) Following the transaction mentioned in Note 18, Hangzhou HealSun no longer being considered as an associate of the Group, nor will it be treated as a related party.

39 RELATED PARTY TRANSACTIONS (CONTINUED)

39.2 Balances with related parties

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Balances due from related parties		
Prepayment to:		
– Beijing Pufeng Medical Management Co., Ltd.	**1,390**	1,390
Balances due to related parties		
Trade payables to:		
– associates	**4,679**	9,974
Other payables and accruals to:		
– Beijing Pufeng Medical Management Co., Ltd.	**4,701**	5,010
– other related parties	**14**	–
Lease liabilities to:		
– Beijing Pufeng Medical Management Co., Ltd.	**36,647**	16,599

As at 31 December 2023 and 2022, there was no any non-trade nature balance with related parties, all balances with related parties were non-interest bearing and trade in nature, and their fair values approximated their carrying amounts due to their short maturities.

39.3 Key management compensation

Key management includes executive directors, supervisors and senior managements. The compensation paid or payable to key management personnel other than directors and supervisors disclosed in Note 40 is shown as below:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries, bonus and other allowances	**6,559**	13,544
Pension costs – defined contribution plans	**135**	124
Other social security costs, housing benefits, and other employee benefits	**162**	151
Share-based payment expenses	**6,487**	11,238
	13,343	25,057

40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

(a) Directors and supervisors

Details of the emoluments paid or payable to the directors and supervisors for the reporting period are set out as follows:

For the year ended 31 December 2023:

Name	Fees RMB'000	Salaries RMB'000	Bonus and other allowances RMB'000	Share-based payments RMB'000	Defined contribution plans RMB'000	Total RMB'000
Directors:						
Dr. Pu Zhongjie	–	–	–	–	–	–
Dr. Sui Ziye	–	1,893	660	4,214	153	6,920
Dr. Hu Chaohong	–	2,747	660	4,214	–	7,621
Ms. Pu Jue	–	–	–	–	–	–
Mr. Yang Hongbing	–	–	–	–	–	–
Mr. Lin Xianghong	–	–	–	–	–	–
	–	4,640	1,320	8,428	153	14,541
Independent non–executive directors:						
Mr. Zhou Demin	250	–	–	–	–	250
Mr. Yang Haifeng	250	–	–	–	–	250
Mr. Fengmao Hua	250	–	–	–	–	250
	750	–	–	–	–	750
Supervisor:						
Mr. Xu Yang	250	–	–	–	–	250
Mr. Yang Ming	–	–	–	–	–	–
Mr. Wang Jiwei	–	110	12	–	54	176
	250	110	12	–	54	426

40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors and supervisors (continued)

For the year ended 31 December 2022:

Name	Fees RMB'000	Salaries RMB'000	Bonus and other allowances RMB'000	Share-based payments RMB'000	Defined contribution plans RMB'000	Total RMB'000
Directors:						
Dr. Pu Zhongjie	–	–	–	–	–	–
Dr. Sui Ziye	–	1,942	660	6,047	140	8,789
Dr. Hu Chaohong	–	2,582	660	6,047	–	9,289
Ms. Pu Jue	–	–	–	–	–	–
Mr. Yang Hongbing	–	–	–	–	–	–
Mr. Lin Xianghong	–	–	–	–	–	–
	–	4,524	1,320	12,094	140	18,078
Independent non-executive directors:						
Mr. Zhou Demin	250	–	–	–	–	250
Mr. Yang Haifeng	250	–	–	–	–	250
Mr. Fengmao Hua	250	–	–	–	–	250
	750	–	–	–	–	750
Supervisor:						
Mr. Xu Yang	250	–	–	–	–	250
Mr. Yang Ming	–	–	–	–	–	–
Mr. Wang Jiwei	–	104	12	–	48	164
	250	104	12	–	48	414

40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors and supervisors (continued)

No directors or supervisors waived or agreed to waive any emoluments during the reporting period. No emoluments were paid to directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office during the reporting period.

(b) Directors and supervisors' retirement benefits

None of the directors or supervisors received or will receive any retirement benefits during the reporting period.

(c) Directors and supervisors' termination benefits

None of the directors or supervisors received or will receive any termination benefits during the reporting period.

(d) Information about loans, quasi-loans and other dealings in favour of directors, supervisors and bodies corporate controlled by or entities connected with directors

Other than disclosed in Note 39, there were no loans, quasi-loans and other dealings in favour of directors, supervisors or controlled bodies corporate by and connected entities with such directors or supervisors during the reporting period.

(e) Directors and supervisors' material interests in transactions, arrangements or contracts

Other than disclosed in Note 39, there were no other significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the reporting period.

41 DIVIDEND

No dividend has been paid or declared by the Company or companies comprising the Group during the years ended 31 December 2023 and 2022.

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Assets		
Non-current assets		
Property, plant and equipment	**812,768**	743,280
Right-of-use assets	**99,816**	105,565
Intangible assets	**22,431**	22,610
Investments in subsidiaries	**2,021,062**	2,017,249
Investments accounted for using the equity method	**126,385**	122,392
Other receivables, prepayments and deposits	**28,765**	66,814
Total non-current assets	**3,111,227**	3,077,910
Current assets		
Inventories	**2,835**	1,706
Trade receivables	**36,650**	9,600
Notes receivables	**–**	3,040
Other receivables, prepayments and deposits	**1,817,940**	1,520,795
Financial assets at fair value through profit or loss	**63,628**	–
Cash and cash equivalents	**292,576**	612,070
Total current assets	**2,213,629**	2,147,211
Total assets	**5,324,856**	5,225,121
Equity		
Share capital	**1,659,445**	1,659,445
Reserves	**2,604,163**	2,585,593
Accumulated losses	**(183,748)**	(483,184)
Total equity	**4,079,860**	3,761,854

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (continued)

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Liabilities		
Non-current liabilities		
Borrowings	**260,000**	290,057
Lease liabilities	**217**	–
Deferred government grants	**12,000**	12,000
Financial liabilities at fair value through profit or loss	**262,174**	441,787
Total non-current liabilities	**534,391**	743,844
Current liabilities		
Borrowings	**434,299**	359,988
Trade payables	**29,429**	25,513
Other payables and accruals	**246,241**	333,767
Lease liabilities	**636**	155
Total current liabilities	**710,605**	719,423
Total liabilities	**1,244,996**	1,463,267
Total equity and liabilities	**5,324,856**	5,225,121

The balance sheet of the Company was approved by the Board of Directors on 27 March 2024 and was signed on its behalf:

Executives Director: **Dr. Pu Zhongjie**

Executives Director: **Dr. Sui Ziye**

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company

	Share premium RMB'000	Capital reserves RMB'000	Share-based payment reserves RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 1 January 2022	1,841,680	–	118,697	–	1,960,377
Issuance of ordinary shares upon global offering (Note 26(a) and Note 26(b))	578,165	–	–	–	578,165
Share-based payments (Note 28)	–	–	30,399	–	30,399
Others	–	–	–	16,652	16,652
Balance at 31 December 2022	2,419,845	–	149,096	16,652	2,585,593
Balance at 1 January 2023	**2,419,845**	**–**	**149,096**	**16,652**	**2,585,593**
Share-based payments (Note 28)	**–**	**–**	**18,570**	**–**	**18,570**
Balance at 31 December 2023	**2,419,845**	**–**	**167,666**	**16,652**	**2,604,163**

43 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There is no significant event occurred after the balance sheet date which has material impact to the consolidated financial statements of the Group.

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

This note provides a list of other potentially material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group.

44.1 Principles of consolidation and equity accounting

(a) Subsidiaries

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

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

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

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

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 44.1(c)), after initially being recognised at cost.

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.1 Principles of consolidation and equity accounting (continued)

(c) Equity method

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 44.8.

(d) Changes in ownership interests

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

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.2 Business combinations

Non-common control business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.2 Business combinations (continued)

Non-common control business combinations (continued)

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

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

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

44.3 Separate financial statements

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

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

44.4 Segment reporting

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.5 Foreign currency translation (continued)

(c) Group companies

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

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

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.6 Property, plant and equipment

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

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

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

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

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.7 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 44.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment at balance sheet date, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(b) Intellectual properties

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

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

(c) Research and development

Research expenditure and development expenditure that do not meet the criteria for capitalisation as set out in Note 17(b) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.8 Impairment of non-financial assets

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

44.9 Investments and other financial assets

(a) Classification

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

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

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

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

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

(b) Recognition and derecognition

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.9 Investments and other financial assets (continued)

(c) Measurement

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

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

(i) Debt instruments

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

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

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

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

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.9 Investments and other financial assets (continued)

(c) Measurement (continued)

(ii) Equity instruments

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

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

(d) Impairment

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

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

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.10 Offsetting financial instruments

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

44.11 Financial guarantee contracts

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

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

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

44.12 Inventories

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

44.13 Trade and other receivables

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

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.14 Prepayments

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

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

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

44.15 Cash and cash equivalents

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

44.16 Share Capital

Ordinary shares are classified as equity.

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

44.17 Trade and other payables

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.18 Borrowings

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

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

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

44.19 Borrowing costs

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

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.20 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

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

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.21 Employee benefits

(a) Short-term obligations

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

(b) Post-employment obligations

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

(c) Termination benefits

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

(d) Housing funds

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.22 Share-based payments

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

44.23 Government grants

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

Note 7 provides further information on how the Group accounts for government grants.

44.24 Interest income

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

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.25 Earnings per share

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

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(b) Diluted earnings per share

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

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

44.26 Dividend income

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.27 Leases

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

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

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

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

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

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

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

44.27 Leases (continued)

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

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

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

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

44.28 Financial liabilities at fair value through profit or loss

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

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

The financial liability is derecognised when the obligation under the liability is discharged or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability.

During the year end 31 December 2023, no amount is recognised in respect of financial liabilities at fair value through other comprehensive income (2022: nil).

FINANCIAL SUMMARY

	December 31, 2023 RMB'000	December 31, 2022 RMB'000	December 31, 2021 RMB'000	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Total assets	**2,384,306**	2,529,172	2,082,061	2,423,611	1,525,281
Total liabilities	**1,495,606**	1,628,410	1,234,978	921,889	1,710,921
Total equity	**888,700**	900,762	847,083	1,501,722	(185,640)
Revenue	**225,352**	15,572	–	–	–
Cost of sales	**(28,277)**	(2,005)	–	–	–
Gross profit	**197,075**	13,567	–	–	–
Other income	**7,251**	11,284	10,572	7,964	5,553
Other expenses	**(3)**	(729)	(1,074)	(1,915)	(892)
Selling and marketing expenses	**(43,296)**	(1,749)	–	–	–
Administrative expenses	**(86,657)**	(138,830)	(156,237)	(93,757)	(191,551)
Research and development expenses	**(458,073)**	(524,285)	(791,210)	(354,427)	(229,197)
Fair value changes on financial assets and liabilities at fair value through profit or loss	**174,976**	(62,816)	(76,285)	(77,991)	(38,312)
Other gains/(losses), net	**213,523**	(924)	4,598	(225)	(256)
Operating profit/(loss)	**4,796**	(704,482)	(1,009,636)	(520,351)	(454,655)
Finance (costs)/income, net	**(7,756)**	37,272	(1,538)	(81,013)	(52,162)
Share of loss of investments accounted for using the equity method	**(27,341)**	(32,231)	(17,695)	(12,084)	(8,675)
Loss before income tax	**(30,301)**	(699,441)	(1,028,869)	(613,448)	(515,492)

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"actual controller"	the individual or entity that can control a company by way of investment
"ADC"	antibody drug conjugate, a class of biopharmaceutical drugs that combine monoclonal antibodies specific to surface antigens present on particular tumor cells with highly potent antitumor small molecule agents linked via a chemical linker
"AGM"	the annual general meeting of the Company for the year ended December 31, 2023 to be convened and held on June 19, 2024
"Articles"	the articles of association of the Company, as amended, modified or supplemented from time to time
"ASCO"	American Society of Clinical Oncology
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"AstraZeneca"	AstraZeneca AB, a global pharmaceutical company which, to the best knowledge and belief of the Company, is independent of and not connected with the Company and its connected persons (as defined under the Listing Rules)
"Audit Committee"	the audit committee of the Board
"Authorized Representative(s)"	the authorized representative(s) of the Company
"BC"	breast cancer
"B cell"	a type of white blood cell that differs from other types of lymphocytes by expressing B cell receptors on its surface, and responsible for producing antibodies
"Bacillus Calmette-Guerin" or "BCG"	a type of bacteria that causes a reaction in a patient's immune system that can destroy cancer cells located in the lining of the bladder. It is also widely used as a vaccine against tuberculosis
"BD"	business development
"Beijing Houde Yimin"	Beijing Houde Yimin Investment Management Co., Ltd. (北京厚德義民投資管理有限公司), a limited liability company incorporated in the PRC on August 17, 2009

"Board Committee(s)"	the board committees of our Company, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee
"Board of Directors" or "Board"	the board of Directors of the Company
"BTD"	Breakthrough Therapy Designation
"CAR-T"	chimeric antigen receptor T-cell
"CC"	cervical cancer
"CD20"	a B-lymphocyte antigen that is expressed on the surface of B cells, starting at the pre-B cell stage and also on mature B cells in the bone marrow and in the periphery
"CDE"	藥品審評中心(the Center for Drug Evaluation* of the NMPA)
"CDMO"	contract development and manufacturing organization, a pharmaceutical company that develops and manufactures drugs for other pharmaceutical companies on a contractual basis
"CG Code"	the Corporate Governance Code contained in Appendix C1 to the Listing Rules
"CG Oncology"	CG Oncology, Inc. (previously known as Cold Genesys, Inc.), a clinical-stage immuno-oncology company headquartered in the U.S., of which Lepu Medical holds approximately 7.73% equity interest through Lepu Holdings Limited, a company wholly owned by Lepu Medical, and Ms. Pu Jue (蒲珏) serves as a director
"chemotherapy"	a category of cancer treatment that uses one or more anti-cancer small molecule chemical agents as part of its standardized regimen
"China", "Mainland China" or "PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau Special Administrative Region and Taiwan
"CLDN18.2"	Claudin 18.2, a highly specific tissue junction protein for gastric tissue
"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"combination therapy"	a treatment modality that combines two or more therapeutic agents

"Company" or "our Company"	Lepu Biopharma Co., Ltd. (樂普生物科技股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange (Stock code: 2157)
"Company Law" or "PRC Company Law"	the Company Law of the PRC《中華人民共和國公司法》, enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Compliance Advisor"	has the meaning ascribed to it under the Listing Rules
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder"	has the meaning ascribed under the Listing Rules and unless the context otherwise requires, refers to Dr. Pu Zhongjie
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this annual report, our core products include MRG003, MRG002 and HX008
"CR"	complete response, the disappearance of all signs of cancer in response to treatment
"CSCO"	Chinese Society of Clinical Oncology
"CSGO"	Chinese Society of Gynecological Oncology
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"CtM Bio"	CtM Bio Co., Ltd. (樂普創一生物科技(上海)有限公司), a limited liability company incorporated in the PRC on March 26, 2020, and our non-wholly owned subsidiary
"Director(s)"	the director(s) of the Company
"DLBCL"	diffuse large B cell lymphoma
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded on any stock exchange, and the term "**Domestic Shareholder(s)**" shall be construed accordingly

"EGFR"	epidermal growth factor receptor
"EGM"	extraordinary general meeting of the Company
"ESMO"	European Society for Medical Oncology
"FDA"	Food and Drug Administration of the United States
"first-line" or "1L"	with respect to any disease, the first line therapy, which is the treatment regimen or regimens that are generally accepted by the medical establishment for initial treatment. It is also called primary treatment or therapy
"FISH"	fluorescence in situ hybridization, a test that maps the genetic material in human cells, including specific genes or portions of genes
"FPI"	first-patient-in
"FTD"	Fast Track Designation
"GC"	gastric cancer
"GEJ"	gastroesophageal junction
"Global Offering"	the offer of the H Shares for subscription as described in the Prospectus
"GLP-1"	glucagon-like peptide-1
"GMP"	a system for ensuring that products are consistently produced and controlled according to quality standards, which is designed to minimize the risks involved in any pharmaceutical production that cannot be eliminated through testing the final product. It is also the practice required in order to conform to the guidelines recommended by agencies that control the authorization and licensing of the manufacture and sale of pharmaceutical products
"Group", "we", "us" or "our"	the Company and its subsidiaries
"G/GEJ carcinoma"	gastric and gastroesophageal junction carcinoma
"Hainan Shiyu"	Hainan Shiyu Private Fund Management Co., Ltd.* (海南拾玉私募基金管理有限公司), previously known as Shenzhen Shiyu
"HanX"	Hangzhou HanX Biomedical Co., Ltd. (杭州翰思生物醫藥有限公司), a limited liability company incorporated in the PRC on August 3, 2016, which is a biopharmaceutical company principally engaged in biological products, biotechnology, medical technology development and consulting, and held by Mr. Zhang Faming, the former director of Miracogen Shanghai as to 53.75% and four Independent Third Parties as to 46.25% in aggregate with each Independent Third Party holding no more than 20% of the equity interest of HanX

"HealSun Biopharma"	Hangzhou HealSun Biopharma Co., Ltd. (杭州皓陽生物技術有限公司), a limited liability company incorporated in the PRC
"HER2"	human epidermal growth factor receptor 2
"HER2-expressing"	HER2 status of tumor cells identified with a test score of IHC 1+ or above
"HER2 low-expressing"	HER2 status of tumor cells identified with a test score of IHC 1+ or IHC 2+ plus FISH (or ISH)-
"HER2 over-expressing" or "HER2-positive"	HER2 status of tumor cells identified with a test score of either IHC 3+ or (IHC 2+ plus FISH (or ISH)+)
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HNSCC"	head and neck squamous cell carcinoma
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"H Share(s)"	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Stock Exchange, and the term "**H Shareholder(s)**" shall be construed accordingly
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations issued by the International Accounting Standards Board
"IgG"	human immunoglobulin G, the most common antibody type found in blood circulation that plays an important role in antibody-based immunity against invading pathogens
"IHC"	immunohistochemistry, the most common application of immunostaining. It involves the process of selectively identifying antigens in cells of a tissue section by exploiting the principle of antibodies binding specifically to antigens in biological tissues
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or the U.S.
"Independent Shareholder(s)"	the Shareholders other than Lepu Medical and Ningbo Houde Yimin

"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
"I-Mab Shanghai"	I-Mab Biopharma Co., Ltd. (天境生物科技(上海)有限公司), a limited liability company incorporated in the PRC on August 24, 2016, as the case may be, its affiliated entities
"Kangzhe Venture Capital"	海南省康哲創業投資有限公司(Hainan Kangzhe Venture Capital Co. Ltd*), a limited liability company incorporated in the PRC
"Keymed"	Keymed Bioscience (Chengdu) Co., Ltd. (康諾亞生物醫藥科技(成都)有限公司), a limited liability company incorporated in the PRC on September 1, 2016, which is a third-party biotechnology company focusing on the inhouse discovery and development of innovative biological therapies in the autoimmune and oncology therapeutic areas
"KOL"	key opinion leader, who are professionals that influence their peers' medical practice, including but not limited to prescribing behavior
"KYM"	KYM Biosciences Inc., a Delaware corporation and a joint venture formed in the U.S. by Keymed and our Group
"Latest Practicable Date"	April 16, 2024, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained in this annual report
"Lepu Beijing"	Lepu (Beijing) Biopharma Co., Ltd. (樂普(北京)生物科技有限公司), a limited liability company incorporated in the PRC on July 30, 2018, and a wholly owned subsidiary of the Company
"Lepu Medical"	Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司), a joint stock company incorporated in the PRC on June 11, 1999 and listed on the Shenzhen Stock Exchange (stock code: 300003), and the promoter of the Company
"License Agreement"	a global exclusive out-license agreement entered into by KYM and AstraZeneca on February 23, 2023
"Listing"	the listing of the H Shares of the Company on the Main Board of the Stock Exchange
"Listing Date"	February 23, 2022

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"mAb"	monoclonal antibody, an antibody generated by identical cells that are all clones of the same parent cell
"Main Board"	the Main Board of the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"metastatic"	in reference to any disease, including cancer, disease producing organisms or of malignant or cancerous cells transferred to other parts of the body by way of the blood or lymphatic vessels or membranous surfaces
"Miracogen HK"	Miracogen Limited, a limited liability company established under the laws of Hong Kong and a special purpose investment vehicle wholly-owned by Miracogen Inc., which in turn is a company wholly-owned by Dr. Hu Chaohong, our executive Director and co-chief executive officer of our Company during the Reporting Period
"Miracogen Shanghai"	Shanghai Miracogen Inc. (上海美雅珂生物技術有限責任公司), a limited liability company incorporated in the PRC on January 27, 2014, and a wholly owned subsidiary of the Company
"MMAE"	monomethyl auristatin E, a potent tubulin binder with a half maximal inhibitory concentration (IC50) in the subnanomolar range
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"mOS"	median overall survival
"mPFS"	median progression free survival
"MRCT"	multi-regional clinical trial
"MSI-H/dMMR"	high levels of microsatellite instability/deficient mismatch repair
"Nasdaq"	Nasdaq Global Select Market
"NDA"	new drug application
"NHL"	non-Hodgkin's lymphoma

"Ningbo Houde Yimin"	Ningbo Houde Yimin Information Technology Co., Ltd. (寧波厚德義民信息科技有限公司), a limited liability company incorporated in the PRC on March 29, 2017, and the promoter of the Company
"NK Cell"	natural killer cell, a kind of cells that play important roles in immunity against viruses and in the immune surveillance of tumors
"NMIBC"	non-muscle invasive bladder cancer
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局)
"Nomination Committee"	the nomination committee of the Board
"NPC"	nasopharyngeal cancer
"ODD"	Orphan-drug Designation
"ORR"	overall response rate
"PC"	pancreatic cancer
"PD-1"	programmed cell death protein 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages
"PD-1 (L1)"	PD-1 or PD-L1
"PD-L1"	PD-1 ligand 1, which is a protein on the surface of a normal cell or a cancer cell that binds to its receptor, PD-1, on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
"PD-L2"	PD-1 ligand 2, which is a protein on the surface of a normal cell or a cancer cell that attaches to certain proteins on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
"PDX"	patient derived xenografts, models of cancer where the tissue or cells from a patient's tumor are implanted into an immunodeficient mouse
"PFS"	progression-free-survival
"Pgp"	a drug transporter which plays important roles in multidrug resistance and drug pharmacokinetics

"Phase I clinical trial(s)" or "Phase I clinical study(ies)"	study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its effectiveness
"Phase II clinical trial(s)" or "Phase II clinical study(ies)"	study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases, and to determine dosage tolerance and optimal dosage
"Phase III clinical trial(s)" or "Phase III clinical study(ies)"	study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labelling of the product
"placebo"	any dummy medical treatment administered to the control group in a controlled clinical trial in order that the specific and non-specific effects of the experimental treatment can be distinguished
"PRC Legal Adviser"	Zhong Lun Law Firm, our legal adviser as to the laws of the PRC
"pre-clinical studies"	studies or programs testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials
"Prospectus"	the prospectus issued by the Company dated February 10, 2022
"registrational trial"	a clinical trial or study intended to provide evidence for a drug marketing approval
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"Reporting Period"	the year ended December 31, 2023
"RMB"	Renminbi, the lawful currency of the PRC
"R/M"	recurrent/metastatic
"second-line" or "2L"	with respect to any disease, the therapy or therapies that are tried when the first-line treatments do not work adequately

"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai Lvyuan"	Lvyuan (Shanghai) Technology Co., Ltd. (律元(上海)科技有限公司), a limited liability company incorporated in the PRC on April 11, 2019, and the promoter of our Company
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shareholder(s)"	holder(s) of the Shares
"Share(s)"	shares in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares, and H Shares
"Shenzhen Shiyu"	Shenzhen Shiyu Capital Management Co., Ltd. (深圳市拾玉投資管理有限公司)
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"solid tumors"	an abnormal mass of tissue that usually does not contain cysts or liquid areas. Solid tumors may be benign (not cancer), or malignant (cancer). Different types of solid tumors are named for the type of cells that form them
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Company
"subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Taizhou Aoke"	Taizhou Houde Aoke Technology Co., Ltd. (泰州厚德奧科科技有限公司), a limited liability company incorporated in the PRC on March 23, 2018, and a non – wholly owned subsidiary of the Company
"T cell"	a lymphocyte of a type produced or processed by the thymus gland and actively participating in the immune response, which plays a central role in cell-mediated immunity. T cells can be distinguished from other lymphocytes, such as B cells and NK cells, by the presence of a T cell receptor on the cell surface

"TCR"	a protein complex found on the surface of T cells that is responsible for recognizing fragments of antigen as peptides bound to major histocompatibility complex molecules
"TEAEs"	treatment-emergent adverse events
"tissue factor" or "TF"	a protein encoded by the F3 gene, present in subendothelial tissue and leukocytes. Many cancer cells express high level of TF
"TNBC"	triple-negative breast cancer
"UC"	urothelial cancer
"United States" or "the U.S."	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"US$"	United States dollars, the lawful currency of the United States
"vc linker"	valine-citrulline linker, which is adequately stable in blood circulation and cleaved effectively by the lysosomal cathepsin enzyme after the ADC is internalized and enters lysosome
"Wuhan Binhui"	Wuhan Binhui Biological Technology Co., Ltd. (武漢濱會生物科技股份有限公司), a limited liability company incorporated in the PRC
"Yipu LP"	Suzhou Yipu No. 2 Venture Investment Limited Partnership* (蘇州翼樸二號創業投資合夥企業(有限合夥)), a shareholder of HealSun Biopharma
"%"	per cent

** For identification purposes only*