加科思

Jacobio

加科思藥業集團有限公司

JACOBIO PHARMACEUTICALS GROUP CO., LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1167

# 2022

# ANNUAL REPORT

# Contents

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Dr. Yinxiang WANG (王印祥) *(Chairman)*
Ms. Xiaojie WANG (王曉潔)
Ms. Yunyan HU (胡雲雁)

### Non-executive Directors

Ms. Yanmin TANG (唐豔旻)
Dr. Dong LYU (呂東)
Dr. Te-li CHEN (陳德禮)

### Independent Non-executive Directors

Dr. Ruilin SONG (宋瑞霖)
Dr. Ge WU (吳革)
Dr. Daqing CAI (蔡大慶)
(resigned with effect from March 23, 2023)
Dr. Bai LU (魯白)
(appointed with effect from March 23, 2023)

## AUDIT COMMITTEE

Dr. Bai LU (魯白) *(Chairman)*
(appointed with effect from March 23, 2023)
Dr. Daqing CAI (蔡大慶)
(resigned with effect from March 23, 2023)
Dr. Te-li CHEN (陳德禮)
Dr. Ge WU (吳革)

## REMUNERATION COMMITTEE

Dr. Ruilin SONG (宋瑞霖) *(Chairman)*
Ms. Xiaojie WANG (王曉潔)
Ms. Yanmin TANG (唐豔旻)
Dr. Ge WU (吳革)
Dr. Daqing CAI (蔡大慶)
(resigned with effect from March 23, 2023)
Dr. Bai LU (魯白)
(appointed with effect from March 23, 2023)

## NOMINATION COMMITTEE

Dr. Yinxiang WANG (王印祥) *(Chairman)*
Dr. Dong LYU (呂東)
Dr. Ruilin SONG (宋瑞霖)
Dr. Ge WU (吳革)
Dr. Daqing CAI (蔡大慶)
(resigned with effect from March 23, 2023)
Dr. Bai LU (魯白)
(appointed with effect from March 23, 2023)

## JOINT COMPANY SECRETARIES

Ms. Qing XUE (薛青)
Mr. Ming Fai CHUNG (鍾明輝)

## AUTHORISED REPRESENTATIVES

Ms. Xiaojie WANG (王曉潔)
Mr. Ming Fai CHUNG (鍾明輝)

## AUDITOR

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

## COMPLIANCE ADVISOR

**Somerley Capital Limited**
20th Floor, China Building
29 Queen's Road Central
Central, Hong Kong

## REGISTERED OFFICE

**Walkers Corporate Limited**
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

## CORPORATE HEADQUARTERS

Building F2, No. 88, Kechuang 6th Street
Beijing Economic-Technological Development Area
Beijing
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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248 Queen's Road East
Wanchai
Hong Kong

# Corporate Information

## PRINCIPAL SHARE REGISTRAR

**Walkers Corporate Limited**
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

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

## LEGAL ADVISERS

*As to Hong Kong and United States laws*
**Cooley HK**
35/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

## PRINCIPAL BANKS

*In Hong Kong*
**Bank of China (Hong Kong) Limited**
24/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

*In the United States*
**Bank of America**
41 Beacon street
Framingham
MA 01701
USA

*In the PRC*
**Agricultural Bank of China Beijing Branch**
No. 88 Kechuang Street 6th
Beijing Economic-Technological Development Area
Beijing
PRC

## WEBSITE

http://www.jacobiopharma.com

## STOCK CODE

1167

# Chairman's Statement

Dear Shareholders,

Jacobio's business made satisfying progress in 2022, although all biotechnology companies had to deal with challenges created by a bleak macroeconomic environment. You can learn more about our business in the section headed "Management Discussion and Analysis" of this annual report, but here I want to share my thoughts on the industry beyond business.

It is now more difficult to develop new drugs as all the low-hanging fruit has been picked. The current challenges in drug development are evident. A frequent comment from investors that ask me about the risks of R&D into new targets is that, "although Jacobio's pipeline is innovative, developing new drugs is still too risky."

My answer to this is simple, developing a first-in-class drug does indeed carry higher risks, but if we stick only to incremental innovations, even the smallest chances of new breakthroughs would disappear.

We have confidence in the outlook for first-in-class drugs globally and aim to be among the first three companies in the world to enter clinical trials for our core projects. These aspirations are not based just on our analysis of the market landscape, but also on our deep cultivation and accumulation of knowledge in the field of small molecule drugs. This has enabled us to lead the world in the development of targeted small molecule therapies and has given us the opportunity to explore the field of immunostimulatory antibody-drug conjugates (iADCs).

At the beginning of the establishment of Jacobio, we had a clear R&D direction: to conquer difficult drug targets and obtaining global market share through out-licensing. With the development of the industry and changes in the market environment, our R&D strategy has been further refined into two main directions as follows:

**1. Developing targeted anticancer drugs for undruggable targets**

We make use of our induced allosteric drug discovery platform (IADDP) to identify undruggable targets in classical cancer signaling pathways and develop anticancer targeted drugs.

We have had many breakthroughs in this field. We have deployed multiple projects around the RAS pathway, including Src homology region 2 domain-containing phosphatase-2 (SHP2), KRAS G12C, and $KRAS^{multi}$. Our pipeline also includes a P53 activator which has the potential to kill cancer cells by restoring P53's function. We plan to submit an IND application for P53 activator JAB-30300 this year.

**2. Deploying iADC projects in the immune oncology pathway**

The R&D of anti-tumor drugs has gone through four phases: chemotherapy, targeted therapy, immunotherapy, and cell therapy. Since the first PD-1 monoclonal antibody was launched, the main direction of new drug development over the past decade has been to continue exploring the tumor immune pathway. However, only a few targets have achieved limited breakthroughs, and most attempts have failed. iADCs are expected to combine antibodies with tumor immunity (such as STING immune agonists) through engineering, allowing patients who are PD-1 no response or are resistant to access new treatment options.

# Chairman's Statement

With an accumulation of R&D in the small molecule field, Jacobio has developed payloads and linkers that meet the requirements of iADCs. We are pleased to see good efficacy and therapeutic windows in animal models for our independently developed CD73 STING iADC project. This type of project is expected to address unmet clinical needs.

To better seize future market opportunities, in 2023, we will undergo two transformations:

**The first transformation is from a biotechnology company to a biopharmaceutical company.**

With our drug candidate Glecirasib (KRAS G12C inhibitor) approaching the filing of a New Drug Application (NDA), we will apply for MAH (Marketing Authorization Holder) and establish a commercialization team. The market will not always be patient, so research and development companies must achieve self-sufficiency through commercialization, a process that is bound to be arduous and cruel. We will prepare for this change by maintaining a nimble approach to business, adopting organizational restructuring and other strategies when needed.

**The second transformation is on the technological level.**

There are more and more diseases that cannot be solved by single treatment methods, which is one of the reasons why we are entering the iADC field from small molecule targeted therapy. We are continuously paying attention to new modalities such as gene therapy, cell therapy, and siRNA, laying the foundation for the company's future over the next five years and even longer.

**Dr. Wang Yinxiang**
*Chairman and Chief Executive Officer*

# Financial Highlights

## REVENUE

Our revenue was RMB95.7 million for the year ended December 31, 2022, which was attributable to the R&D costs reimbursement generated from the license and collaboration agreement with AbbVie regarding the R&D, manufacture and commercialization of our SHP2 inhibitors.

## RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses increased by RMB164.8 million from RMB280.8 million for the year ended December 31, 2021 to RMB445.6 million for the year ended December 31, 2022, primarily due to (i) the advancement to our clinical candidates, (ii) expansion of pre-clinical research portfolio associated R&D activities, and (iii) the increased staff costs accompanied with expanding of relative R&D departments.

## ADMINISTRATIVE EXPENSES

Our administrative expenses decreased by RMB2.0 million from RMB44.6 million for the year ended December 31, 2021 to RMB42.6 million for the year ended December 31, 2022. This was mainly caused by the decrease of professional services expenses.

## LOSS FOR THE YEAR

The loss for the year increased from RMB301.2 million for the year ended December 31, 2021 to RMB371.9 million for year ended December 31, 2022.

# Business Highlights

During the Reporting Period, our Group continued advancing our drug pipeline and business operations, including the following milestones and achievements:

## PROGRESS OF CORE PIPELINE PRODUCTS

- **JAB-21822 (Glecirasib, KRAS G12C inhibitor)**

  In China, the pivotal trial in patients with NSCLC harboring KRAS G12C mutation was approved by the CDE in September 2022. In December 2022, Glecirasib has been granted BTD for the second line and above treatment of advanced or metastatic NSCLC patients with KRAS G12C mutation by the CDE.

  The preliminary clinical data of the Phase I study of Glecirasib in advanced solid tumors in China were reported at the 2022 annual meeting of the American Society of Clinical Oncology ("**2022 ASCO Annual Meeting**") in June 2022.

  In patients with CRC, PDAC and other solid tumors treated with Glecirasib monotherapy, promising efficacy signals were observed. The potential global development plan in PDAC and other solid tumors will be discussed with China and U.S. regulatory authorities.

  In China, the enrollment of the Phase I/IIa trial of Glecirasib in combination with an anti-EGFR antibody cetuximab was completed in February 2023. The preliminary results of this trial have been summarized and submitted to the 2023 annual meeting of the American Society of Clinical Oncology ("**2023 ASCO Annual Meeting**"). Pivotal trial is expected to be initiated in the fourth quarter of 2023 in China.

  In the U.S. and Europe, the Phase II dose expansion for Glecirasib monotherapy global study in patients with tumors harboring KRAS G12C mutation was initiated in September 2022.

  We have received the IND approval of Glecirasib monotherapy for a Phase I/IIa trial in NSCLC patients with STK 11 co-mutation and the first patient was dosed in August 2022.

- **JAB-3312 (SHP2 inhibitor)**

  We completed the global Phase I dose escalation portion for the combination of JAB-3312 and a KRAS G12C inhibitor Sotorasib in July 2022. The study is ongoing with more sites being activated.

  In China, the Phase I/IIa clinical trial of JAB-3312 in combination with our KRAS G12C inhibitor Glecirasib is actively recruiting.

  We expect to read out preliminary data for this study in the second half of 2023 or early 2024.

# Business Highlights

## PROGRESS OF OTHER KEY SELECTED PROGRAMS

### Clinical Stage Products

- **JAB-8263 (BET inhibitor)**

  The Phase I dose escalation portion in solid tumors and hematological malignancies is ongoing in the U.S. and China simultaneously. The RP2D will be determined in the second half of 2023.

- **JAB-2485 (Aurora A kinase inhibitor)**

  We launched a Phase I/IIa global trial of JAB-2485 in the U.S. and China. The first patient was dosed in January 2023 in the U.S. In China, the IND for a Phase I/IIa trial was approved by the NMPA in October 2022. This is the first global trial fully managed by our internal clinical team, which demonstrates our global clinical development capabilities.

- **JAB-BX102 (anti-CD73 humanized monoclonal antibody)**

  We initiated the Phase I/IIa dose escalation and expansion trial for JAB-BX102 in patients with advanced solid tumors in September 2022.

  We entered into a clinical collaboration agreement with Merck & Co., Inc., Rahway, NJ, USA (Merck & Co), to evaluate the combination of our CD73 monoclonal antibody JAB-BX102 and KEYTRUDA® (pembrolizumab, anti-PD-1 antibody) (the "**Collaboration Agreement**") in March 2023.

- **JAB-24114 (Glutamine-utilizing Enzyme inhibitor)**

  JAB-24114 is a prodrug of 6-Diazo-5-oxo-l-norleucine (DON), an inhibitor of glutamine-utilizing enzymes (GUE), which can block multiple glutamine-utilizing metabolic pathways. Synergistic action with anti-PD-(L)1 antibody can boost the anti-tumor effect. JAB-24114 can also be used in combination with SHP2 inhibitors or KRAS inhibitors. We submitted the IND application of JAB-24114 to the NMPA in December 2022 and obtained the IND approval in March 2023.

- **JAB-BX300 (Anti-LIF humanized monoclonal antibody)**

  JAB-BX300 is a monoclonal antibody that binds to leukemia inhibitory factor (LIF) and prevents signaling through LIF receptor. LIF expression is induced specifically by oncogenic KRAS and studies show that LIF is an attractive target for the treatment of KRAS-driven tumors. We submitted the IND application of JAB-BX300 to the NMPA in January 2023.

# Business Highlights

### IND-Enabling Stage Products

- **JAB-23400 (KRAS$^{multi}$ inhibitor)**

  JAB-23400 is a first-in-class, orally bioavailable, KRAS$^{multi}$ inhibitor. It can potently inhibit the activity of multiple KRAS mutants in both RAS (ON) and RAS (OFF) states at single digit nano molar and sub nano molar level, with good selectivity over HRAS and NRAS which are tumor suppression genes of KRAS-driven lung cancer growth. To date, there is no small-molecule KRAS$^{multi}$ inhibitor that targets both RAS (ON) and RAS (OFF) states in the clinical stage globally. We plan to submit the IND application for JAB-23400 in the second half of 2023.

- **JAB-30300 (P53 Y220C corrector)**

  JAB-30300 is an orally bioavailable small molecule corrector for the treatment of patients with locally advanced or metastatic solid tumors harboring P53 Y220C mutation. We plan to submit the IND application for JAB-30300 in the second half of 2023.

- **JAB-26766 (PARP7 inhibitor)**

  JAB-26766 is an orally bioavailable small-molecule PARP7 inhibitor, targeting an immuno-oncology pathway for the treatment of a variety of solid tumors. We submitted the IND application of JAB-26766 to the NMPA in March 2023.

### OUR IADC PROGRAMS

- We have leveraged our strength in small-molecule drug discovery and development in designing innovative payloads and built our immunostimulatory antibody-drug conjugate (iADC) platform. We have successfully conjugated our potent STING agonist (payload) with anti-CD73 (JAB-X1800) and anti-HER2 antibodies (JAB-BX400). For iADC, good plasma stability is very important to reduce the releasing of drug before it reaches the target site (on target, off-tumor toxicity). Our iADC molecules have shown greatly improved plasma stability comparing with the competitor which would broaden the therapeutic window and improve safety in future use. Tumor regression was achieved by single dose injection of selected iADC molecules. At the same time, immunologic memory was induced in syngeneic models.

For details of any of the foregoing, please refer to the rest of this annual report and, where applicable, the Company's prior announcements published on the websites of the Stock Exchange and the Company.

# Management Discussion and Analysis

## OVERVIEW

Tremendous progress in cancer biology in the past several decades has elucidated several critical cellular pathways involved in cancer, including Kirsten rat sarcoma 2 viral oncogene homolog (KRAS), MYC proto-oncogene (MYC), P53 and Retinoblastoma (RB), as well as certain immune checkpoints such as programmed cell death protein-1 or its ligand (PD-(L)1) checkpoint and tumor metabolic pathway, that are implicated in more than 70% of total cancer incidence. However, many known targets in these pathways including protein tyrosine phosphatases (PTPs) like SHP2 and GTPases like KRAS, among others, that play crucial roles in tumorigenesis, have until recently been deemed "druggable", owing to a variety of drug discovery challenges.

We are a clinical-stage pharmaceutical company focusing on the in-house discovery and development of innovative oncology therapies. Established in July 2015, we are an explorer in developing clinical-stage small-molecule drug candidates to modulate enzymes by binding to their allosteric sites, i.e., sites other than the active site that catalyzes the chemical reaction, in order to address targets which lack easy-to-drug pockets where drugs can bind. Besides, we are also developing novel candidates with new modalities, spanning from small molecule and monoclonal antibody to iADC and cell therapy.

We intend to proactively explore and enter into strategic and synergistic partnerships with leading multinational corporations (MNCs), as exemplified by the collaboration with AbbVie Ireland Unlimited Company ("**AbbVie**"), a wholly-owned subsidiary of AbbVie Inc. (NYSE: ABBV), for our innovative, allosteric SHP2 inhibitors. Such partnerships pool complementary expertise and resources to increase the chances of success for our drug candidates and ensure maximization of their clinical and commercial value on a global scale.

For details of any of the foregoing, please refer to the rest of this annual report, and, where applicable, the Prospectus and prior announcements published by our Company on the websites of the Stock Exchange and our Company.

## OUR PRODUCTS AND PRODUCT PIPELINE

In the past seven years, by leveraging our proprietary technologies and know-how in drug discovery and development, we have discovered and developed an innovative pipeline of drug candidates, including eight assets in clinical stage and several others at the IND-enabling stage. These drug candidates may have broad applicability across various tumor types and demonstrate combinatorial potential among themselves.

The following chart summarizes our pipeline, the development status of each clinical stage candidate and selected IND-enabling stage candidates as of March 22, 2023.

# Management Discussion and Analysis

## Clinical stage candidates:

Clinical

| Asset | Regimen | Indications | IND | Phase I | Phase II | Pivot trial | Recent development |
|---|---|---|---|---|---|---|---|
| **JAB-21822** **Glecirasib** KRAS G12C (RAS pathway) | Mono | NSCLC | China trial | | | | • Pivotal trial initiated in Sep 2022<br>• BTD granted in Dec 2022 |
| | Mono | CRC, PDAC and other solid tumors | China trial | | | | Phase IIa initiated with FPI in Mar 2022 |
| | Mono | NSCLC, CRC | Global trial | | | | Phase II does expansion initiated in Sep 2022 |
| | Mono | NSCLC with STK 11 co-mutation | China trial | | | | FPI in Aug 2022 |
| | Combo w/SHP2i JAB-3312 | NSCLC, CRC and other solid tumors | China trial + | | | | FPI in May 2022 |
| | Combo w/EGFR mAb | CRC | China trial + | | | | Patient enrollment of Phase I/IIa completed in Feb 2023 |
| | Combo w/PD-1 mAb | NSCLC | China trial + | | | | |
| **JAB-3312** SHP2 abbvie | Combo w/KRAS G12Ci Sotorasib | KRAS G12C mut NSCLC | Global trial + | | | | Phase IIa initiated in Jul 2022 |
| | Combo w/EGFRi | Osimertinib progressed NSCLC | Global trial + | | | | FPI in Jan 2022 |
| | Combo w/PD-1 mAb | NSCLC, HNSCC, ESCC | Global trial + | | | | |
| | Mono | BRAF class 3/ NF1 LOF mutant solid tumors | US and China trial * | | | | Closed to enrollment |
| **JAB-3068** SHP2 abbvie | Mono | ESCC, HNSCC, NSCLC, ACC | US and China trial | | | | Closed to enrollment |
| | Combo w/PD-1 mAb | ESCC, HNSCC, NSCLC | China trial | | | | |
| **JAB-8263** BET (MYC pathway) | Mono | Solid tumors | US trial | | | | |
| | Mono | Solid tumors | China trial | | | | FPI in Feb 2022 |
| | Mono Combo w/JAKi | MF and AML | China trial | | | | |
| **JAB-BX102** CD73 mAb (I/O) | Mono Combo w/PD-1 mAb | Solid tumors | Global trial | | | | FPI in Sep 2022 |
| **JAB-2485** Aurora A (RB pathway) | Mono | Solid tumors | Global trial | | | | FPI in Jan 2023 |
| **JAB-24114** Glutamine-utilizing enzyme (Tumor metabolic) | Mono | Solid tumors, Hematological malignancies | Global trial | | | | IND approval (NMPA) obtained in Mar 2023 |
| **JAB-BX300 LIF** (RAS pathway) | Mono | Solid tumors | Global trial | | | | IND (NMPA) submitted in Jan 2023 |

* : *We have initiated or will initiate Phase IIa study directly after RP2D is determined.*
\+ : *We have initiated or will initiate Phase Ib/IIa studies directly once we receive IND approval.*

# Management Discussion and Analysis

### Pre-clinical stage candidates:

| | Asset | Target | Modality | Lead optimization | Candidate IND-enabling | IND Schedule | Indications | Recent development |
|---|---|---|---|---|---|---|---|---|
| IND-Enabling | JAB-23400 | KRAS$^{multi}$ (RAS pathway) | Small molecule | | | 2023 | PDAC, CRC, NSCLC | Candidate nominated, entering into IND-enabling studies in 2022 |
| | JAB-30300 | P53 (P53 pathway) | Small molecule | | | 2023 | Solid tumor | Candidate nominated, entering into IND-enabling studies in 2022 |
| | JAB-26766 | PARP7 (I/O pathway) | Small molecule | | | 2023 | Solid tumor | Candidate nominated, entering into IND-enabling studies in 2022 |
| | JAB-X1800 (iADC) | CD73-STING (I/O) | iADC | | | 2024 | Solid tumor | Candidate nominated in 2023 Q1 |
| | JAB-BX400 (iADC) | HER-STING (I/O) | iADC | | | - | Solid tumor | - |
| Lead Optimization | JAB-22000 | KRAS G12D (RAS pathway) | Small molecule | | | 2024 | PDAC, CRC, NSCLC | - |

We believe there is tremendous potential for combinatorial strategy among our in-house pipeline assets. For instance, KRAS inhibitors inevitably result in treatment resistance. Based on our pre-clinical studies and other publications, SHP2 inhibitors (upstream of the RAS pathway) may potentially be the ideal combinational partners for KRAS inhibitors to circumvent the adaptive drug resistance. Based on the strong rationale of the double blockade of SHP2 and KRAS G12C, we have prioritized the clinical development of SHP2 inhibitor plus KRAS G12C combination. In fact, the Phase I dose escalation of JAB-3312 and Sotorasib (KRAS G12C inhibitor, Amgen, U.S.) trial has been completed. We are actively enrolling patients for the Phase IIa dose expansion and have expanded the trial to Europe. In addition, the clinical trial for the combination of JAB-3312 plus Glecirasib is also actively enrolling patients in China. The preliminary safety and efficacy readout is expected to be obtained in the second half of 2023.

## BUSINESS REVIEW

### Our Clinical Stage Drug Candidates

We made tremendous progress in clinical development of our assets in 2022. A total of nine new studies were initiated and first patient enrollments (FPIs) into those trials were achieved in 2022. Moreover, the Phase I/IIa dose escalation and expansion trial of the KRAS G12C inhibitor Glecirasib monotherapy trial in China were completed. The preliminary data reported at the 2022 ASCO Annual Meeting showed that Glecirasib has promising efficacy and a well-tolerated safety profile. The pivotal trial for Glecirasib monotherapy in China has been approved by the CDE in September 2022 and we are actively enrolling patients for this trial.

- **JAB-21822 (Glecirasib, KRAS G12C inhibitor)**

  Our lead KRAS inhibitor candidate, Glecirasib, is a potent, selective and orally small molecule targeting mutant KRAS G12C protein, and it has demonstrated promising pre-clinical antitumor activity either as a single agent or in combination with other anti-cancer drugs, such as SHP2 inhibitor, anti-EGFR antibody and anti-PD-1 antibody. In our internal head-to-head pre-clinical animal studies, Glecirasib has shown a favorable pharmacokinetics (PK) profile and tolerability as well as the potential for a superior dosing profile in comparison with Amgen's and Mirati's KRAS G12C inhibitors (which we internally synthesized based on published molecular structures).

# Management Discussion and Analysis

During the Reporting Period, we have achieved the following progress and milestones:

## *Glecirasib Monotherapy*

### *China Study*

In China, the Phase I dose escalation of Glecirasib in patients with tumors harboring a KRAS G12C mutation was completed. 56 patients with advanced solid tumors harboring KRAS G12C mutation were enrolled in five dose level (QD, BID and TID regimen) within seven months, illuminating our robust clinical research and drug development capability.

*NSCLC*

In September 2022, with the favorable efficacy and safety profile, the pivotal trial in patients with NSCLC harboring KRAS G12C mutation was approved by the CDE. The pivotal study is actively enrolling patients from around 60 sites in China.

In December 2022, Glecirasib has been granted BTD for the second line and above treatment of advanced or metastatic NSCLC patients with KRAS G12C mutation by the CDE providing opportunities for more intensive CDE guidance and discussion with respect to clinical trials and development strategy and for priority review.

We expect to submit the NDA application of Glecirasib monotherapy in NSCLC by the end of 2023 and expect to receive the accelerated approval.

Phase I preliminary clinical data of Glecirasib monotherapy trial in China, particularly the NSCLC cohort, was reported at the 2022 ASCO Annual Meeting in June 2022, the details of which are set out as below:

As of April 1, 2022, the Phase I clinical data of NSCLC patients with KRAS G12C mutation shows that the overall response rate (ORR) was 56.3% (18/32) and the disease control rate (DCR) was 90.6% (29/32). In 400mg QD and 800mg QD cohorts, the ORR was 66.7% (8/12) and the DCR was 100% (12/12). Glecirasib was well tolerated with no DLTs in the dose escalation phase. The clinical trial is still ongoing and remains open to enrollment.

*NSCLC Patients with STK 11 Co-mutation*

A Phase I/IIa, open-label, multi-center, dose-escalation and expansion clinical trial in China was initiated aiming to explore the safety, tolerability and preliminary efficacy. The clinical trial focuses on the first line NSCLC patient who have KRAS G12C and STK 11 co-mutation. The first patient for Phase I dose escalation was dosed in August 2022.

*CRC, PDAC and other solid tumor*

In patients with CRC, PDAC and other solid tumors treated with Glecirasib monotherapy, promising efficacy signals were observed.

The potential global development plan in PDAC and other solid tumors will be discussed with China and U.S. regulatory authorities in the first half of 2023. We expect to read out preliminary data for this study in the second half of 2023 or early 2024.

# Management Discussion and Analysis

***Global Study***

The first patient of monotherapy has been successfully dosed in September 2021 in the U.S. and in May 2022 in Europe, respectively. The Phase I dose escalation for Glecirasib global study was completed in August 2022 and the Phase II dose expansion portion was initiated in September 2022.

### *Glecirasib in Combination with anti-EGFR Antibody Cetuximab in China*

A Phase I/IIa, open-label, multi-center, dose-escalation and expansion clinical trial in China was initiated to explore the safety, tolerability and preliminary efficacy of the combination therapy of Glecirasib and cetuximab in advanced colorectal cancer with KRAS G12C mutation.

The patient enrollment of the Phase I/IIa trial was completed in February 2023. More than 40 CRC patients were enrolled at the RP2D by the end of February 2023. The preliminary results of this trial have been summarized and submitted to 2023 ASCO Annual Meeting. Pivotal trial is expected to be initiated in the fourth quarter of 2023 in China.

### *Combination Therapy with anti-PD-1 Antibody in China*

The IND application for the Phase I/IIa trial of Glecirasib in combination with anti-PD-1 antibody was approved by the NMPA in October 2021. We are optimizing the clinical development strategy for Glecirasib in combination with anti-PD-1 antibody to better position this combination therapy considering the current NSCLC treatment landscape and other KRAS G12C inhibitors' global approval status.

### *Clinical Trial Collaboration with Merck*

In October 2022, we have entered the Collaboration Agreement with Merck on a clinical trial of combination therapy between our KRAS G12C inhibitor Glecirasib and Merck's epidermal growth factor receptor (anti-EGFR antibody) inhibitor ERBITUX® (cetuximab). Under the Collaboration Agreement, we are the sponsor of the combination trial and Merck will provide cetuximab for combination trials in China and Europe, aiming to evaluate the efficacy of Glecirasib in combination with cetuximab in patients with KRAS G12C-mutated colorectal cancer. For more details of the foregoing, please refer to the announcement of the Company dated October 13, 2022.

We will continue to proactively communicate with regulatory authorities in the respective major markets and pursue opportunities for expedited track of regulatory approval or designations with preferential treatment, such as breakthrough therapies. In addition, we have been exploring the potential synergistic combinations by working with potential, value-adding collaborators, and to maximize the clinical and commercial value of our drug candidates on a global scale.

**Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that Glecirasib JAB-21822 will ultimately be successfully developed and marketed by our Company. Shareholders of our Company and potential investors are advised to exercise caution when dealing in the shares of our Company.

# Management Discussion and Analysis

- **JAB-3312 & JAB-3068**

JAB-3312 and JAB-3068 are two clinical-stage, oral allosteric SHP2 inhibitors for the potential treatment of cancers driven by RAS signaling pathway and immune checkpoint pathway. We believe SHP2 inhibition is a promising novel therapeutic approach either as a monotherapy or in combination with other therapies for treatment of multiple cancer types. JAB-3068 is the second SHP2 inhibitor received the IND approval from the U.S. FDA to enter clinical development. In the U.S., JAB-3068 and JAB-3312 have received an orphan drug designation from the U.S. FDA for the treatment of esophageal cancer. The current issued patents and published patent applications have already provided a broad scope of protection for SHP2 inhibitors, as the established players in this field have built a wall of the patents that is hard for any newcomers to circumvent, and therefore enlarged our first-mover advantages in the market. Key highlights of the SHP2 program over the Reporting Period are listed below.

### *JAB-3312 in combination with KRAS G12C inhibitor*

#### *Global Study*

We have completed the global Phase I dose escalation for JAB-3312 combining with a KRAS G12C inhibitor Sotorasib in July 2022.

The Phase IIa dose expansion portion in KRAS G12C treatment naïve NSCLC patients is ongoing. We expect to read out preliminary data for this study in the second half of 2023 or early 2024.

#### *China Study*

The IND application for JAB-3312 in combination with Glecirasib was approved by the NMPA in January 2022. A Phase I/IIa, open-label, multi-center, dose-escalation and expansion clinical trial in China was subsequently initiated to explore the safety, tolerability and preliminary efficacy of the combination therapy of JAB-3312 and Glecirasib in advanced solid tumors with KRAS G12C mutation.

The first patient was successfully dosed in May 2022. In China, the Phase I/IIa clinical trial of JAB-3312 in combination with our KRAS G12C inhibitor Glecirasib is actively recruiting.

The results of JAB-3312 in combination with Glecirasib in pre-clinical cancer models was presented in a poster session during the 2022 European Society of Medical Oncology Asia Congress from December 2, 2022 to December 4, 2022.

### *JAB-3312 in combination with EGFR inhibitor*

The global Phase I dose escalation for JAB-3312 in combination with osimertinib is ongoing. The early clinical response with confirmed PR was observed in one EGFR inhibitor resistant NSCLC patient.

# Management Discussion and Analysis

### *JAB-3312 in combination with anti-PD-1 antibody*

We have initiated a global Phase Ib/IIa trial to evaluate JAB-3312 in combination with either pembrolizumab or binimetinib for patients with advanced solid tumors.

We had completed Phase I dose finding portion trial of JAB-3312 in combination with pembrolizumab in the U.S. The Phase IIa dose exploration is being carried out in China. Early clinical response was observed in patients with certain tumor types.

### *JAB-3312 and JAB-3068 Monotherapy*

Monotherapy studies for both JAB-3312 and JAB-3068 have identified the maximum tolerated dose (MTD) and RP2D. In both U.S. and China, Phase I or Phase I/IIa trials in ESCC, HNSCC and NSCLC have completed enrollment.

### *JAB-3068 in Combination with anti-PD-1 antibody in China*

The Phase I dose optimization for JAB-3068 in combination with anti-PD-1 antibody (JS-001) is in the final stage in China. We observed the clinical response in patients with certain tumor types. The Phase I study is expected to be completed by the second half of 2023.

### *Collaboration with AbbVie*

We have entered into a license and collaboration agreement with AbbVie to develop and commercialize our SHP2 inhibitors on a global basis in May 2020, including JAB-3068 and JAB-3312 (the "**SHP2 Products**"). Under the license and collaboration agreement, subject to our option (the "**PRC Option**") to exclusively develop and commercialize our SHP2 inhibitors in China, Hong Kong and Macau (the "**Territory**"), which we exercised in September 2020, we have granted AbbVie a worldwide, exclusive, sublicensable license to research, develop, manufacture, commercialize and otherwise exploit our SHP2 inhibitors. As we have exercised the PRC Option, we have the exclusive rights (even as to AbbVie and its affiliates) to develop, commercialize and, if we elect to, manufacture such SHP2 Products to seek regulatory approval of and to commercialize in the Territory and, subject to limited exceptions, we are entitled to retain the final decision-making power, over all development, commercialization, manufacturing and regulatory activities to support regulatory approval of our SHP2 Products in the Territory.

This collaboration provides strong validation of our internally discovered SHP2 programs and ensures maximization of their medical and commercial value on a global scale.

For more details of our collaboration with AbbVie, please refer to the paragraphs headed "Business – III. Collaboration with AbbVie" of the Prospectus.

**Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that the JAB-3312 and JAB-3068 will ultimately be successfully developed and marketed by our Company. Shareholders of our Company and potential investors are advised to exercise caution when dealing in the shares of our Company.

# Management Discussion and Analysis

- **JAB-8263**

  Our JAB-8263 is an innovative, selective and potent small molecule inhibitor of BET family proteins, which plays a key role in tumorigenesis by controlling the expression of oncogenes such as c-Myc. We are evaluating JAB-8263 for the treatment of various solid tumors such as NMC, NSCLC, SCLC, CRPC, ESCC and ovarian cancer, and hematological malignancies such as MF and AML.

  o Solid Tumors

    The Phase I dose escalation is ongoing in the U.S. and China. The first patient was enrolled in the U.S. and China in November 2020 and February 2022, respectively. By leveraging clinical data from both U.S. and China in real time, we expect to expedite the comprehensive assessment of drug safety, tolerability and preliminary efficacy on a global scale.

  o MF and AML

    The Phase I dose escalation of JAB-8263 in hematological malignancies is ongoing in the U.S. and China simultaneously. The enrollment of the first patient in China was completed in April 2021.

  To date, JAB-8263 has demonstrated favorable safety and tolerability comparing with other BET inhibitors in clinical development. RP2D is expected to be determined in the second half of 2023. Further expansion will be determined once RP2D is identified.

  **Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that the JAB-8263 will ultimately be successfully developed and marketed by our Company. Shareholders of our Company and potential investors are advised to exercise caution when dealing in the shares of our Company.

- **JAB-2485**

  JAB-2485 is an oral highly selective small molecule Aurora A kinase inhibitor. JAB-2485 can inhibit Aurora A activity, induce apoptosis and inhibit tumor growth. As of the date of this annual report, there is no commercialized Aurora A inhibitor globally. Pre-clinical data show that JAB-2485 is a highly selective inhibitor, and the inhibitory activity of Aurora A is one thousand times higher than that of Aurora B. JAB-2485 may potentially benefit patients with RB loss tumors, such as small cell lung cancer and triple negative breast cancer.

  We launched a Phase I/IIa global trial of JAB-2485 in the U.S. and China. The first patient was dosed in January 2023 in the U.S. Furthermore, this is the first global trial managed by our internal clinical team without oversea clinical CRO's support, which is also a milestone to demonstrate the global clinical development capacity and capability of our clinical team.

  In China, the IND application for a Phase I/IIa trial was approved by the NMPA in October 2022. The preclinical study of JAB-2485 in form of the abstract will be presented during the American Association for Cancer Research (AACR) Annual Meeting 2023 from April 14, 2023 to April 19, 2023.

  **Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that the JAB-2485 will ultimately be successfully developed and marketed by our Company. Shareholders of our Company and potential investors are advised to exercise caution when dealing in the shares of our Company.

# Management Discussion and Analysis

- **JAB-BX102**

  JAB-BX102 is a humanized monoclonal antibody against CD73, a key protein involved in the adenosine pathway. Combination of JAB-BX102 with immune checkpoint inhibitor such as anti-PD-(L)1 antibodies can result in synergistic anti-tumor effect. JAB-BX102 is our first large molecule program that entered into the clinical stage.

  We received the IND approval for a Phase I/IIa trial of JAB-BX102 in advanced solid tumors from the U.S. FDA in October 2021 and the NMPA in March 2022, respectively.

  We initiated the Phase I/IIa dose escalation and expansion trial for JAB-BX102 in patients with advanced solid tumors in September 2022. RP2D is expected to be determined in the second half of 2024.

  Once the Phase I dose escalation stage is completed, U.S. patients will participate in the Phase IIa dose expansion for which they will receive the combination treatment of JAB-BX102 and pembrolizumab.

  In March 2023, we entered into the Collaboration Agreement with Merck & Co to evaluate the combination of our CD73 monoclonal antibody JAB-BX102 and KEYTRUDA® (pembrolizumab, anti-PD-1 antibody). Under the Collaboration Agreement, we are the sponsor of the combination trial and Merck & Co will provide pembrolizumab for combination trials, aiming to evaluate the efficacy of JAB-BX102 in combination with pembrolizumab for the treatment of advanced solid tumors.

  **Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that the JAB-BX102 will ultimately be successfully developed and marketed by our Company. Shareholders of our Company and potential investors are advised to exercise caution when dealing in the shares of our Company.

- **JAB-24114**

  JAB-24114 is a prodrug of 6-Diazo-5-oxo-l-norleucine (DON), an inhibitor of glutamine-utilizing enzymes (GUE) including glutaminase (GLS), phosphoribosyl formylglycinamidine synthetase (PFAS), phosphoribosyl pyrophosphate aminotransferase (PPAT), nicotinamide adenine dinucleotide synthase (NADS), asparagine synthase (ASNS), and glutamine fructose-6-phosphate amidotransferase (GFAT), which collectively serve vital roles in the tricarboxylic acid (TCA) cycle, purine, lipid, hexosamine, and amino acid synthetic pathways. Different from GLS inhibitors, which are only blocking the conversion of glutamine to glutamate, JAB-24114 has substantial therapeutic potential.

  Glutamine is the most abundant amino acid circulating in the bloodstream. A metabolic characteristic of many cancer cells is exhibit "glutamine addiction." Cancer cells utilize glutamine as an energy-generating substrate. Glutamine replenishes $\alpha$-ketoglutarate ($\alpha$-KG) to the TCA cycle after being catabolized. Likewise, glutamine supplies carbon and nitrogen as precursors for amino acid, lipid, and nucleotide synthesis and for the maintenance of redox balance. Metabolic reprogramming that promotes enhanced glutamine consumption in cancer cells is closely connected with dysregulation of oncogenes, including gene mutation or amplification in RAS, MYC, TP53, Nrf2/keap1, LKB1-AMPK and PI3K pathways. Thus, globally blocking glutamine utilization in cancer cells is considered to be a promising therapeutic strategy.

## Management Discussion and Analysis

Clinical studies of DON using low daily doses suggested antitumor activity, but later Phase I and II trials of DON given intermittently at high doses were hampered by dose-limiting nausea and vomiting. As a prodrug of DON, JAB-24114 is stable in plasma and inactive in GI tissue. It is preferentially distributed in tumors where it is bio-transformed and activated to the active moiety DON. From our pre-clinical study, JAB-24114 can circumvent the GI toxicity of DON and therefore broaden the therapeutic window of DON. *In vivo* study exhibited that JAB-24114 can effectively inhibit tumor growth in multiple animal models.

JAB-24114 has the distinctive combination effects of depleting tumors of nutrients while enhancing T cell function. Synergistic action with anti-PD-(L)1 antibody can boost the anti-tumor effect. JAB-24114 can also be used in combination with SHP2 inhibitors or KRAS inhibitors. Currently, there is only one program in the Phase I clinical stage in respective drug class globally. Therefore, JAB-24114 has the potential to be among the first few market entrants. We submitted the IND application to the NMPA for a Phase I/IIa trial in December 2022 and obtained approval in March 2023.

**Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that the JAB-24114 will ultimately be successfully developed and marketed by our Company. Shareholders of our Company and potential investors are advised to exercise caution when dealing in the shares of our Company.

- **JAB-BX300**

JAB-BX300 is a monoclonal antibody that binds to LIF and prevents signaling through LIF receptor. LIF expression is induced specifically by oncogenic KRAS. LIF depletion by genetic means or by monoclonal antibodies directly preventing tumor growth in pancreatic xenograft models, suggesting a crucial role of LIF in KRAS-driven cancer models and the blockade of LIF by antibodies represents an attractive approach to improving therapeutic outcomes. Treatment of JAB-BX300 can also reverse tumor immunosuppression by decreasing M2 macrophages and activating natural killer cells and cytotoxic T lymphocytes (CTLs). Studies show that LIF is an attractive target for the treatment of KRAS-driven tumors such as PDAC or CRC when treated as monotherapy or combining with anti-PD-(L)1 antibody. High level of serum LIF may be a potential biomarker, especially for pancreatic cancer.

Currently, there is only one program in the Phase I/II clinical stage in respective drug classes globally. Therefore, JAB-BX300 has the potential to be among the first few market entrants. We submitted the IND application of JAB-BX300 to the NMPA in January 2023.

**Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that JAB-BX300 will ultimately be successfully developed and marketed by our Company. Shareholders of our Company and potential investors are advised to exercise caution when dealing in the shares of our Company.

# Management Discussion and Analysis

## Our Pre-clinical Drug Candidates (Small Molecule or Monoclonal Antibody)

We have also developed a diverse pipeline of assets targeting various other major and critical pathways involved in cancer (including RAS, MYC, P53, RB, immuno-oncology and tumor metabolic pathways) and have demonstrated potential to be among the first few market entrants in their respective drug classes globally. These include potentially first-in-class and/or best-in-class innovative drug candidates against novel or validated targets. We will continue to advance the drug discovery and development of these portfolio assets in both China and the U.S. in parallel, and actively explore possible combinations amongst our own pipeline drug candidates.

- **Leading Pre-clinical Stage Drug Candidates**

  - **JAB-23400** – JAB-23400 is a first-in-class, orally bioavailable, $KRAS^{multi}$ inhibitor. It can potently inhibit the activity of multiple KRAS mutants in both RAS (ON) and RAS (OFF) states at single digit nano molar and sub nano molar level, including KRAS G12X (G12D, G12V, G12R, G12S and G12A), G13D and Q61H, with good selectivity over HRAS and NRAS which are tumor suppression genes of KRAS-driven lung cancer growth. JAB-23400 has significant antitumor effect on cancer cell lines with multiple KRAS mutations or amplification of WT KRAS, and has no inhibitory effect on KRAS-independent cells, which indicating favorable therapeutic window.

    In pre-clinical studies, JAB-23400 exhibited good oral bioavailability both in rodent and non-rodent species. JAB-23400 also showed an excellent anti-tumor effect in KRAS G12X and G13D mutant tumor xenografts. Tumor regression was achieved by oral administration in LS513 (Colon, KRAS G12D), HPAC (Pancreas, KRAS G12D), RKN (LMS, KRAS G12V), NCI H441 (Lung, KRAS G12V), Capan-2 (Pancreas, KRAS G12V) and LOVO (Colon, KRAS G13D) models. At the same time, JAB-23400 is well tolerated in animal models. According to the pre-clinical data, it is predicted that JAB-23400 will have a good exposure on human.

    The IND application is expected to be submitted in the second half of 2023. To date, there is no small-molecule $KRAS^{multi}$ inhibitor that targets both RAS (ON) and RAS (OFF) states in clinical stage globally. Therefore, JAB-23400 has the potential to be among the first few market entrants.

    The result of JAB-23400, a leading compound of our $KRAS^{multi}$ inhibitor series, in form of the abstract will be presented during the AACR Annual Meeting 2023 from April 14, 2023 to April 19, 2023.

# Management Discussion and Analysis

- **JAB-30300** – JAB-30300 is an orally bioavailable small molecule corrector for the treatment of patients with locally advanced or metastatic solid tumors harboring P53 Y220C mutation.

  JAB-30300 has shown very high binding affinity to P53 Y220C mutant proteins and can largely restore the proper folding and functionality of misfolded P53 Y220C upon binding, trigger apoptosis *in vitro*. *In vivo* when applied to cancer cells harboring TP53 hotspot Y220C mutation, tumor regression was achieved in multiple CDX and PDX models covering various tumor types, such as gastric cancer, HCC, SCLC and PDAC. The synergistic effect was found when combination with chemo or oncogenic protein inhibitors which indicates a widely combo potential of JAB-30300. Good crystalline solubility across physiologic conditions and across species favorable PK properties give good in vitro-in vivo correlation and low human clearance prediction.

  The IND application is expected to be submitted in the second half of 2023. Currently, there is only one program in the Phase I clinical stage in respective drug classes globally. Therefore, JAB-30300 has the potential to be among the first few market entrants.

- **JAB-26766**

  JAB-26766 is an orally bioavailable small-molecule PARP7 inhibitor, targeting immuno-oncology pathway for the treatment of a variety of solid tumors such as sqNSCLC, ovarian cancer and cervical cancer and etc. PARP7 acts as a brake in type I interferon (IFN) signaling in a TBK1-dependent manner in the downstream of STING. PARP7 facilitates cancer cell growth by MARylation of $\alpha$-tubulin or androgen receptor. JAB-26766 has displayed a double digit nano molar potency in cellular assay and good selectivity to PARP1/2. Higher exposure in mice and dog was observed for JAB-26766 per oral administration which led to substantial tumor inhibition activities in different tumor models.

  Currently, there is only one program in the Phase I clinical stage in respective drug classes globally. Therefore, JAB-26766 has the potential to be among the first few market entrants. IND application is expected to be submitted by the end of March 2023. The clinical trial will be initiated in China in the second half of 2023.

**Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that the JAB-23400, JAB-30300 and JAB-26766 will ultimately be successfully developed and marketed by our Company. Shareholders of our Company and potential investors are advised to exercise caution when dealing in the shares of our Company.

# Management Discussion and Analysis

- **Other Pre-clinical Stage Drug Candidates**

  - **JAB-22000** – JAB-22000 is a small-molecule KRAS G12D inhibitor. Lead series with high potency and selectivity have been identified. Multiple patent filings have been submitted with cover multiple optimization directions. It is currently in lead optimization stage, targeting to submit the IND application in 2024. Currently, there is only one small molecule KRAS G12D program in the Phase I clinical stage in respective drug classes globally. Therefore, JAB-22000 has the potential to be among the first few market entrants.

**Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that the JAB-22000 will ultimately be successfully developed and marketed by our Company. Shareholders of our Company and potential investors are advised to exercise caution when dealing in the shares of our Company.

## Our iADC Programs

A growing body of ADCs are currently in clinical development, some of which had been approved by the U.S. FDA, verifying the concept of "magic bullet". However, these conventional ADCs, which use toxins as payloads, have demonstrated obvious toxicity because the toxin molecules can be delivered to the normal tissues. These safety concerns limit the application of conventional ADCs. Meanwhile, checkpoint immunotherapies have revolutionized the field of cancer therapeutics, yet a substantial subset of patients fail to respond. A major factor involved in initial resistance to current immune-checkpoint inhibitors (ICIs) is the lack of T cell infiltration into tumor, characterizing the so-called "cold tumor". Immuno-stimulators can enhance the filtration of immune cells and turned the tumor from "cold" to "hot".

We have leveraged our strength in small-molecule drug discovery and development in designing innovative payloads and built our iADC platform. Our novel iADC program using unique payloads have the potential to address the challenges of both the toxicity caused by the conventional ADC and the low response rate in current ICI therapy.

For iADC, good plasma stability is very important to reduce the releasing of drug before it reaches the target site (on target, off-tumor toxicity).Our iADC molecules have shown greatly improved plasma stability comparing with the competitor which would broaden the therapeutic window and improve safety in future use.

- **STING-iADC Programs – Unique Payload to Support Multiple iADC Programs**

  Recent efforts have been focused on identifying targets that could elicit or augment anti-tumor immune responses. One of such novel targets is STING, an endoplasmic protein that stimulates innate immune and turn "cold" tumor to "hot" by inducing the production of pro-inflammatory cytokines such as IFNs.

  There are already multiple projects in clinical stage evaluating the efficacy and safety of either intratumoral injection or systemic administration of STING agonist. Although such approaches have shown many therapeutic benefits, including potent anti-tumor activity, the therapeutic window was limited by immune-related toxicity, such as cytokine release syndrome (CRS).

  By specifically delivering potent STING agonist into tumor associated antigen (TAA) expressing tumor cell, rationally designed iADC could locally activate anti-tumor activity to boost the tumor specific innate/adaptive immune response and avoid the risk of systemic immune-related adverse effect.

# Management Discussion and Analysis

JAB-27670 is a potent novel non-cyclic dinucleotide (non-CDN) small-molecule STING agonist designed with sub-nanomolar activity, which is suitable to be used as payload through our internal evaluation. It has exhibited a potent and durable tumor inhibition in CT26 and MC38 CDX models and was validated in HER2 and CD73 targets internally.

- **JAB-X1800 (a STING-iADC product candidate targeting CD73)**

  By using JAB-27670 as payload, we have developed our in-house CD73-STING iADC (JAB-X1800). CD73 has emerged as a negative regulator of cancer immunity, which is thought to involve its enzyme product adenosine, an immunosuppressive molecule that can act on numerous immune-effector cells and suppressor cells. Our anti-CD73 antibody (JAB-BX102) can strongly inhibit CD73 enzyme activity and improves tumor immune microenvironment.

  We are developing a novel iADC connecting JAB-BX102 and JAB-27670 with a cleavable linker, which could deliver the potent STING agonist into CD73-expressing tumor cell specifically and inhibit CD73 function as well. The strategy of double stimulation of immunity in tumor microenvironment (TME) could be a promising monotherapy or combination approach for cancer therapy.

  JAB-X1800 showed excellent anti-tumor activity in MDA-MB-231 xenograft models. At the same time, immunologic memory was induced in syngeneic model. In U87 MG Xenograft model, the CXCL10 releasing by iADC is more than 2 fold higher than that of the equivalent amount of free payload, while the inflammatory cytokine IL-6 is almost 10 folds lower, which indicates a broaden therapeutic window comparing the free SITING agonist. Combining with anti-PD-(L)1 antibody, JAB-X1800 showed synergetic effect in MC38 syngeneic model.

  Candidate was nominated in the first quarter of 2023 and the IND application is expected to be submitted in 2024.

  The result of JAB-X1800 in form of the abstract will be presented during the AACR Annual Meeting 2023 from April 14, 2023 to April 19, 2023.

- **JAB-BX400 (a STING-iADC product candidate targeting HER2)**

  By using JAB-27670 as payload, we have developed our in-house HER2-STING iADC (JAB-BX400). Our HER2-STING iADC showed excellent features in pre-clinical studies, including favorable physicochemical properties at even high drug to antibody ratio value, hundreds to thousands fold improvement in activity over the free STING payload, and complete and durable tumor regression with only single dose in SK-OV-3 CDX model.

**Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that our iADC Platform, JAB-X1800, JAB-BX400, JAB-BX102 and JAB-27670 will ultimately be successfully developed and marketed by our Company. Shareholders of our Company and potential investors are advised to exercise caution when dealing in the shares of our Company.

# Management Discussion and Analysis

## CORPORATE DEVELOPMENT

- In March 2023, our Company was selected as the first batch of transferred Hong Kong Listed company under the Shanghai-Hong Kong Stock Connect (滬港通). Our Shares can be traded through the Shanghai-Hong Kong Stock Connect from March 13, 2023.

- We have a solid patent portfolio to protect our drug candidates and technologies. As of December 31, 2022, we owned 280 patents or patent applications that are filed globally, of which 53 patents have been issued or allowed in major markets globally.

## IMPACT OF THE COVID-19 OUTBREAK

An outbreak of a novel strain of coronavirus causing coronavirus disease 2019 ("**COVID-19**") emerged in late 2019, which has materially and adversely affected the global economy.

Since the outbreak, we have deployed various measures to mitigate any impact the COVID-19 pandemic may have on our business, especially our ongoing clinical trials. We have endeavored to provide a safe work environment and adopted a thorough disease prevention scheme to protect our employees. Our Company had strived to minimize delays and disruptions and we believe that the COVID-19 pandemic did not significantly and materially affect our operation during the Reporting Period.

## FUTURE AND OUTLOOK

We are a front runner in selecting, discovering and developing potential first-in-class therapies with innovative mechanisms for global oncology treatment. By continuing to strengthen our drug discovery platform and to advance our pipeline, we expect to obtain global market leadership with a number of transforming therapies and expect to benefit cancer patients significantly. In addition, we also plan to add world-class manufacturing and commercialization capabilities to our integrated discovery and development platform as we achieve clinical progress and anticipate regulatory approvals.

In the near term, we plan to focus on pursuing the following significant opportunities:

- **Develop, commercialize and expand our pipeline targeting multiple promising pathways in the field of target therapy and immuno-oncology**

  ***In the field of target therapy:***

  We have an established track record of successfully designing innovative therapies targeting allosteric binding sites of traditionally "undruggable" targets.

  o RAS pathway

    KRAS is one of the most well-known proto-oncogenes and is crucially involved in human cancer. Based on our cutting-edge allosteric inhibitor platform, we have developed a diversified portfolio in RAS pathway, including Glecirasib (KRAS G12C inhibitor), JAB-23400 ($KRAS^{multi}$ inhibitor), JAB-3312 and JAB-3068 (SHP2 inhibitors), JAB-22000 (KRAS G12D inhibitor) and JAB-BX300 (anti-LIF humanized monoclonal antibody), that target different forms of KRAS which harbor either G12C, G12D, G12V or other mutations.

    We intend to pursue the development of our frontier KRAS portfolio designed to address tumors where few treatment options exist with significant unmet medical needs in global market, including pancreatic, CRC and other solid tumors with KRAS mutations, in both single agent and rational combination therapies.

## Management Discussion and Analysis

- P53 pathway

  P53 is the single most frequently altered gene in human cancers, with mutations being present in approximately 50% of all invasive tumors. We are leveraging our allosteric inhibitor platform to design and develop a pipeline of selective, small molecule, tumor-agnostic therapies that structurally correct specific mutant P53 proteins to restore their wild-type function. Currently, we are developing JAB-30300 for specific P53 Y220C mutations. At the same time, projects targeting P53 mutations other than Y220C are also under development to provide more effective treatment options.

- MYC pathway

  The MYC transcription factor is a master regulator of diverse cellular functions and has been long considered a compelling therapeutic target because of its role in a wide range of human malignancies. MYC amplification is commonly found in numerous solid tumors, including pancreatic cancer, SCLC, HCC, HNSCC and TNBC. Currently, we are developing JAB-8263 a clinical-stage BET inhibitor and multiple other frontier projects in MYC pathway were also under development.

- RB pathway

  Loss-of-function mutations in the retinoblastoma gene RB1 are common in several treatmentrefractory cancers such as SCLC and TNBC. While loss-of-function mutations (such as in RB1) have historically been untargetable, RB1 loss of function leads to dependency on Aurora kinases for their survival, which can be targeted and inhibited therapeutically to achieve synthetic lethality. Currently, we are developing JAB-2485, an Aurora A kinase inhibitor, for the treatment of various RB1-deficient tumors such as SCLC.

- Tumor metabolism pathway

  Tumor metabolism has emerged as a promising new field for cancer drug discovery. Through genetic mutations that alter fundamental metabolic pathways, tumor cells can acquire the ability to grow in an uncontrolled manner, but they also acquire dependencies that can differentiate them from normal cells. Targeting these dependencies by inhibiting specific metabolic pathways in tumor cells is a novel therapeutic approach.

  We are developing JAB-24114, a small molecule inhibitor of glutamine-utilizing enzymes. Synergistic action with anti-PD-(L)1 antibody can boost the anti-tumor effect. JAB-24114 can also be used in combination with SHP2 inhibitors or KRAS inhibitors.

# Management Discussion and Analysis

***In the field of immuno-oncology:***

Immuno-oncology (I/O) is a validated and promising field of cancer drug discovery, and we are developing a number of iADC programs, small molecules and monoclonal antibodies against novel I/O targets such as CD73 (JAB-X1800 CD73 STING-iADC), an enzyme in the ATP-adenosine pathway that plays a critical role in immunosuppression in the tumor microenvironment and PARP7 in STING pathway (JAB-26766).

Our novel iADC program using unique payloads have the potential to address the challenges of both the toxicity caused by the conventional ADC and the low response rate in current ICIs therapy. Our iADC molecules have shown greatly improved plasma stability comparing with the competitor which would broaden the therapeutic window and improve safety in future use. Such programs against novel I/O targets can also be used in combination with PD-(L)1 antibodies.

- **Advance our allosteric inhibitor technology platform and iADC platform in parallel**

  We believe that R&D is key to driving our therapeutic strategy and maintaining our competitiveness in the biopharmaceutical industry. With this belief, we are committed to further strengthening and advancing our R&D platforms to continuously fuel innovation.

  Our years' extensive research efforts focused on allosteric inhibitors and extensive know-how and experience accumulated in this process enable us to build a proprietary technology platform for the discovery and optimization of allosteric modulators.

  Meanwhile, by leveraging our expertise in developing small molecule drugs, we have identified unique molecules that are suitable to be used as a payload and developed our iADC candidates.

- **Capture global market opportunities and expand to compelling area of research through collaborations**

  On the coattails of our landmark collaboration with AbbVie for our SHP2 portfolio inhibitors, we plan to continue exploring partnerships around the world to fulfill people's shared dream of curing cancer and living a better life. We intend to find the most suitable and resourceful partners for collaboration to expand our footprint of global development and the commercialization of our drug candidates. We will continue exploring partnerships around the world to look for compelling areas of research that have been primarily out of reach for many of the world's patients.

- **Expand our manufacturing capabilities in China**

  We are building our in-house GMP-compliant manufacturing facilities to expand our manufacturing capabilities. We cooperate with a third party to construct new facilities for R&D, manufacturing and general administration with a total gross floor area of around 22,000 sq.m. in Beijing, China. The commercial-scale manufacturing facilities are in planning. We will optimize the utilization of our resources by implementing a combination methods of self-built manufacturing capacities and leveraging the resources of CDMO under the MAH system.

**Cautionary Statement under Rule 18A.08(3) of the Listing Rules:** Our Company cannot guarantee that it will be able to successfully develop or ultimately market our Core Products. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

| | Year ended December 31, | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| Revenue from the license and collaboration agreement | **95,746** | **100** | 152,809 | 100 |

For the years ended December 31, 2022 and 2021, our Group recorded revenue of RMB95.7 million and RMB152.8 million, respectively, which are in connection with the R&D costs reimbursement generated from the license and collaboration agreement with AbbVie regarding the R&D, manufacture and commercialization of our SHP2 inhibitors.

### Cost of Revenue

| | Year ended December 31, | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| Clinical trial expenses of our SHP2 inhibitors | **83,112** | **100** | 139,979 | 100 |

Our cost of revenue consists of research and development expenses related to our SHP2 inhibitors. For the year ended December 31, 2022, we recorded cost of revenue of RMB83.1 million, mainly attributable to the clinical trial expenses of our SHP2 inhibitors, as compared with RMB140.0 million for year ended December 31, 2021.

### Gross Profit

| | Year ended December 31, | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| Gross profit from the license and collaboration agreement | **12,634** | **100** | 12,830 | 100 |

As a result of the foregoing, our gross profit decreased slightly from RMB12.8 million for the year ended December 31, 2021 to RMB12.6 million for the year ended December 31, 2022.

# Management Discussion and Analysis

## Other Income

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Other income from a related party | **1,024** | 735 |
| Government grants | **830** | 10,262 |
| **Total** | **1,854** | 10,997 |

Our other income decreased from RMB11.0 million for the year ended December 31, 2021 to RMB1.9 million during the year ended December 31, 2022, primarily attributable to the decrease in government grants of RMB9.4 million.

## Other Gains/(Losses) – Net

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Net foreign exchange gains/(losses) | **82,531** | (27,263) |
| Net fair value changes on derivative financial instruments | **(7,215)** | 9,275 |
| Fair value changes on long-term investments measured at fair value through profit or loss | **4,193** | 193 |
| **Total** | **79,509** | (17,795) |

The increase in our net other gains was primarily attributable to the appreciation of USD and HKD for the year ended December 31, 2022 which has resulted in net foreign exchange gains of RMB82.5 million for the year ended December 31, 2022.

Our net other gains primarily consisted of gains due to fluctuations in the exchange rates between the RMB and the USD and between the RMB and the HKD. Our net foreign exchange gains increased by RMB109.8 million from net foreign exchange losses of RMB27.3 million for the year ended December 31, 2021 to net foreign exchange gains of RMB82.5 million for the year ended December 31, 2022, which was mainly attributable to foreign exchange gains in connection with bank balances dominated in USD and HKD and the appreciation of the USD and the HKD against the RMB for the year ended December 31, 2022 compared to that for the year ended December 31, 2021.

Our business mainly operates in the PRC, and most of our Group's transactions are settled in RMB. Since our inception, we have financed our business solely through equity financings, with related proceeds denominated in USD, HKD and RMB. We converted a portion of those proceeds in USD and HKD to RMB with the remaining amounts reserved for additional conversions to RMB as needed. Translation for financial statement presentation purposes of our assets and liabilities exposes us to currency-related gains or losses and the actual conversion of our USD and HKD denominated cash balances will also expose us to currency exchange risk.

We have managed our foreign exchange risk by closely reviewing the movement of the foreign currency rates and would consider hedging against foreign exchange exposure should the need arise.

# Management Discussion and Analysis

### Research and Development Expenses

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Raw material and consumables used | **145,356** | 63,866 |
| Testing fees | **138,951** | 110,550 |
| Employee benefits expenses | **124,134** | 82,950 |
| Depreciation and amortization | **11,236** | 8,044 |
| Others | **25,970** | 15,428 |
| **Total** | **445,647** | 280,838 |

Our research and development expenses increased by RMB164.8 million from RMB280.8 million for the year ended December 31, 2021 to RMB445.6 million for the year ended December 31, 2022, primarily due to (i) the advancement to our clinical candidates, (ii) expansion of pre-clinical research portfolio associated R&D activities, and (iii) the increased staff costs accompanied with expanding of relative R&D departments. Such increase in research and development expenses was resulted from the following factors:

- RMB81.5 million increase in raw material and consumables used, including the manufacture of clinical candidates, due to the development of our drug candidates;
- RMB41.2 million increase in employee benefits expenses primarily due to an increase in the number of research and development employees and their salary level; and
- RMB28.4 million increase in testing fees mainly due to the rapid progress of the clinical trials and advancement of our pre-clinical drug candidates.

### Administrative Expenses

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Employee benefits expenses | **26,447** | 27,048 |
| Professional services expenses | **5,855** | 7,392 |
| Depreciation and amortization | **1,344** | 650 |
| Others | **8,905** | 9,488 |
| **Total** | **42,551** | 44,578 |

Our administrative expenses decreased by RMB2.0 million from RMB44.6 million for the year ended December 31, 2021 to RMB42.6 million for the year ended December 31, 2022, which was mainly caused by the decrease of professional services expenses.

# Management Discussion and Analysis

## Finance Income

Our finance income increased by RMB5.8 million from RMB18.8 million for the year ended December 31, 2021 to RMB24.6 million for the year ended December 31, 2022, which was mainly attributable to the combined impact of (i) increased average interest rate of time deposit during the year ended December 31, 2022 compared to that for the year ended December 31, 2021; and (ii) decreased interest income due to the decreased bank balances in line with our business progress.

## Income Tax Expense

We recognized no income tax expenses for the years ended December 31, 2022 and 2021.

## Non-IFRS Measure

To supplement the consolidated financial statements, which are presented in accordance with the International Financial Reporting Standards (IFRS), our Company also uses adjusted loss for the Reporting Period and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the IFRS. Our Company believes that these adjusted measures provide useful information to shareholders and potential investors in understanding and evaluating our Group's consolidated results of operations in the same manner as they help our Company's management.

Adjusted loss for the Reporting Period represents the loss for the Reporting Period excluding the effect of certain non-cash items and one-time events, namely share-based payment expenses, fair value changes in derivative financial instruments arising from the commitment of investments and fair value changes in long-term investments measured at fair value through profit or loss. The term adjusted loss for the Reporting Period is not defined under the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and should not consider it in isolation from, or as substitute for analysis of, our Group's results of operations or financial condition as reported under IFRS. Our Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. However, our Company believes that this and other non-IFRS measures are reflections of our Group's normal operating results by eliminating potential impacts of items that the management do not consider to be indicative of our Group's operating performance, and thus, facilitate comparisons of operating performance from period to period and company to company to the extent applicable.

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

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Loss for the year | **(371,861)** | (301,187) |
| Added: | | |
| Share-based payment expenses | **16,993** | 19,449 |
| Fair value losses in derivative financial instruments arising from the commitment of investments | **2,856** | – |
| Subtracted: | | |
| Fair value gains in long-term investments measured at fair value through profit or loss | **(4,193)** | (193) |
| Fair value gains in derivative financial instruments arising from the commitment of investments | **–** | (2,747) |
| Adjusted loss for the year | **(356,205)** | (284,678) |

# Management Discussion and Analysis

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

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Research and development expenses for the year | **(445,647)** | (280,838) |
| Research and development expenses in relation to our SHP2 inhibitors which was recorded in Cost of Revenue for the year | **(83,112)** | (139,979) |
| Added: | | |
| Share-based payment expenses | **13,734** | 13,644 |
| Adjusted research and development expenses for the year | **(515,025)** | (407,173) |

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

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Administrative expenses for the year | **(42,551)** | (44,578) |
| Added: | | |
| Share-based payment expenses | **3,259** | 5,805 |
| Adjusted administrative expenses for the year | **(39,292)** | (38,773) |

## Cash Flows

During the year ended December 31, 2022, net cash used in operating activities of our Group amounted to RMB292.4 million, representing an increase of RMB144.9 million compared to the net cash used in operating activities of RMB147.5 million during the year ended December 31, 2021. The increase was mainly due to the increase of research and development expenditures.

During the year ended December 31, 2022, net cash flows used in investing activities of our Group amounted to RMB686.3 million, representing an increase of RMB848.0 million over the net cash flows generated from investing activities of RMB161.7 million during the year ended December 31, 2021. The increase was mainly due to the combined impact of (i) purchase of deposits with original maturities over 3 months of RMB662.5 million during the year ended December 31, 2022 and (ii) the placement of deposits with original maturities over 3 months of RMB194.9 million during the year ended December 31, 2021.

During the year ended December 31, 2022, net cash flows used in financing activities of our Group amounted to RMB9.9 million, representing an increase of RMB119.0 million over the net cash flows generated from financing activities of RMB109.1 million during the year ended December 31, 2021. The increase was mainly due to the impact of fund raised from the exercise of over-allotments option of RMB132.8 million during the year ended December 31, 2021.

# Management Discussion and Analysis

## Significant Investments, Material Acquisitions and Disposals

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

## Liquidity, Capital Resources and Gearing Ratio

We expect our liquidity requirements will be satisfied by a combination of cash generated from operating activities, bank borrowings, other funds raised from the capital markets from time to time and the net proceeds from the initial public offering.

We are currently available to access to bank loan facilities of RMB230.0 million and do not have any plan for material additional equity financing. We will continue to evaluate potential financing opportunities based on our need for capital resources and market conditions.

As of December 31, 2022, our cash and bank balances were RMB1,298.7 million, as compared to RMB1,537.6 million as of December 31, 2021.

The decrease was mainly due to net cash used in our operating activities. Our primary uses of cash are to fund research and development efforts of new drug candidates, working capital and other general corporate purposes. Our cash and cash equivalents are held in USD, RMB and HKD.

Currently, our Group follows a set of funding and treasury policies to manage its capital resources and mitigate potential risks involved.

As of December 31, 2022, our Group did not have any interest-bearing bank and other borrowings. Thus, neither the gearing ratio nor the debt-to-equity ratio was applicable to our Group.

## Lease Liabilities

IFRS 16 has been consistently applied to our Group's consolidated financial statements for the year ended December 31, 2021 and 2022. As at December 31, 2022, our lease liabilities amounted to RMB147.8 million, among which RMB145.8 million was due to the rent of our in-house GMP compliant manufacturing facilities in Beijing, China.

## Capital Commitments

As at December 31 2022, our Group had capital commitments contracted for but not yet provided of RMB51.4 million, which was in relation to the capital expenditure of the construction of our new facilities for R&D, manufacturing and general administration with a total gross floor area of around 20,000 sq.m. in Beijing, China.

As at December 31, 2021, our Group had capital commitments contracted for but not yet provided of RMB152.2 million, among which RMB3.8 million was in relation to contracts for purchase of property, plant and equipment and RMB148.4 million was primarily in relation to the capital commitments for the share purchase agreement entered into with Hebecell in August 2021. For details, please refer to the announcement published on the websites of the Stock Exchange and our Company dated August 31, 2021.

# Management Discussion and Analysis

### Contingent Liabilities

As at December 31, 2022, our Group did not have any contingent liabilities. (2021: Nil).

### Pledge of Assets

There was no pledge of our Group's assets as of December 31, 2022. (2021: Nil).

### Foreign Exchange Exposure

Our financial statements are expressed in RMB, but certain of our long-term investments measured at fair value through profit or loss, cash and cash equivalents, time deposits, restricted bank deposits, contract assets, other receivables, derivative financial instruments and trade payables are denominated in foreign currencies, and are exposed to foreign currency risk (primarily with respect to USD). The management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### Liquidity Risk

As of December 31, 2022 and 2021, we recorded net current assets of RMB1,182.9 million and RMB1,558.9 million, respectively. In the management of the liquidity risk, our Company monitors and maintains a level of cash and cash equivalents deemed adequate by its management to finance the operations and mitigate the effects of fluctuations in cash flows.

### Employees and Remuneration Policies

As at December 31, 2022, our Group had 303 employees in total. The total remuneration costs amounted to RMB163.0 million for the year ended December 31, 2022, as compared to RMB128.7 million for the year ended December 31, 2021. The increase reflected the increased number of employees and their salary level which is in line with our business expansion.

In order to maintain the quality, knowledge and skill levels of our workforce, our Group provides continuing education and training programs, including internal and external training, for our employees to improve their technical, professional or management skills. Our Group also provides trainings programs to our employees from time to time to ensure their awareness and compliance with our policies and procedures in various aspects.

# Management Discussion and Analysis

We provide various incentives and benefits for our employees. We offer competitive salaries, bonuses and share-based compensation to our employees, especially key employees. We have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees in accordance with applicable laws. We have also adopted the 2021 Stock Incentive Plan (the "**Plan**") on August 31, 2021, which intends to attract and retain the best available personnel, to provide additional incentives to Employees and to promote the success of our Company's business. For more details of the Plan, please refer to the announcements published on the websites of the Stock Exchange and the Company dated August 31, 2021 and October 8, 2021.

## AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee had reviewed together with the Company's management the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended December 31, 2022.

# Directors and Senior Management

## DIRECTORS

### Executive Directors

**Dr. Yinxiang WANG (王印祥)**, the founder of our Group, aged 58, has been a Director since June 1, 2018 and was re-designated as an executive Director and the Chairman of our Board on August 20, 2020. Dr. Wang has been serving as the chief executive officer of our Company since August 2019. Dr. Wang is primarily responsible for the overall strategic planning, business direction and operational management of our Group. Dr. Wang also currently holds or previously held the following positions in the subsidiaries of our Group:

| Name of subsidiary | Position(s) | Period |
|---|---|---|
| Beijing Jacobio | Legal Representative, Chairman of the Board | July 2015 to present |
| Jacobio US | Chief Executive Officer<br>Director, Treasure | June 2019 to present<br>December 2018 to present |
| Jacobio HK | Director | July 2018 to present |
| Jacomab | Legal Representative, Chairman of the Board<br>Legal Representative, Executive Director | December 2016 to June 2019<br>June 2019 to present |

Dr. Wang has more than 20 years of experience in the pharmaceutical industry. Dr. Wang currently serves as the chairman of the board of directors of Hebecell Holding Limited since September 2021, the chairman of the board of directors of Hebecell Holding (HK) Limited since October 2021, the chairman of the board of directors of Beijing Jiake Cell Biotech Co., Ltd. (北京加科細胞生物科技有限公司) and Beijing Hebecell Technology Co., Ltd. (北京赫柏賽爾科技有限公司) since December 2021. Prior to founding our Group, from August 1983 to August 1985 and from August 1988 to August 1989, Dr. Wang served as a physician at Hebei Handan Area Sanitation and Epidemic Prevention Station (河北邯鄲地區衛生防疫站). From August 1992 to June 1993, Dr. Wang worked at the teaching and research section of immunology of the School of Basic Medical Sciences of Beijing Medical University (北京醫科大學) (currently known as the Peking University Health Science Center (北京大學醫學部)). Subsequently, in January 2003, Dr. Wang co-founded Zhejiang Betta Pharmaceuticals Co., Ltd. (浙江貝達藥業有限公司), where he served as a director and the general manager (總經理) from its inception in January 2003 to August 2013. From August 2013 to August 2017, he served as a director and the president (總裁) of Betta Pharmaceuticals Co., Ltd. (貝達藥業股份有限公司) (Shenzhen Stock Exchange stock code: 300558) ("**Betta Pharma**"), the successor of Zhejiang Betta Pharmaceuticals Co., Ltd. since August 2013. In addition, Dr. Wang used to serve as a post-doctoral fellow at Koleske Lab of Yale University which focuses on research in the fields of molecular biology and biochemistry.

Dr. Wang completed a secondary technical program in public health offered by Hebei Cangzhou Medical College (河北省滄州衛生學校) in September 1983, and a three-year college program for public health physicians offered by Hebei Employees' Medical College (河北省職工醫學院) (currently known as Hebei University Medical College (河北大學醫學院)) in July 1988, respectively. Dr. Wang obtained his master's degree in environmental hygiene in December 1992 from Chinese Academy of Preventive Medicine (中國預防醫學科學院) and his doctoral degree in biochemistry and molecular biology from University of Arkansas for Medical Sciences in December 1999.

# Directors and Senior Management

**Ms. Xiaojie WANG (王曉潔)**, aged 59, has been a Director since July 31, 2018, and was re-designated as an executive Director on August 20, 2020. Ms. Wang has been serving as the President of Administration of our Group since September 2015. Since joining our Group, Ms. Wang has participated in the daily operations of our Group and is primarily responsible for the overall administration, operational and financial management of our Group. Ms. Wang also currently holds or previously held the following positions in the subsidiaries of our Group:

| Name of subsidiary | Position(s) | Period |
|---|---|---|
| Beijing Jacobio | Director, President of Administration | September 2015 to present |
| Jacobio US | President, Secretary | December 2018 to present |
| Jacobio HK | Director | August 2018 to present |
| Jacomab | Director<br>Manager | December 2016 to November 2017<br>December 2016 to November 2017 and June 2019 to present |

Ms. Wang has more than 20 years of experience in the pharmaceutical industry. Prior to joining our Group, from March 2003 to March 2015, Ms. Wang worked at Betta Pharma, where she served as a vice president prior to her resignation.

Ms. Wang obtained her bachelor's degree in sugar engineering from Dalian Institute of Light Industries (大連輕工業學院) (currently known as Dalian Polytechnic University (大連工業大學)) in July 1986. Ms. Wang completed a postgraduate program in business administration offered by Peking University (北京大學) in May 2007 and a program for executive masters of business administration with a focus on the nationwide medical industry offered by Peking University in October 2008.

**Ms. Yunyan HU (胡雲雁)**, aged 60, has been a Director since July 31, 2018 and was re-designated as an executive Director on June 8, 2022. Ms. Hu has been serving as the Executive Vice President of our Group since March 2019. Ms. Hu is primarily responsible for directing and overseeing the research and development of our Group. Ms. Hu also holds the following positions in the subsidiaries of our Group:

| Name of subsidiary | Position(s) | Period |
|---|---|---|
| Beijing Jacobio | Director<br>Vice President of Research and Development<br>Executive Vice President | September 2017 to present<br>April 2017 to March 2019<br>March 2019 to present |
| Jacobio HK | Director | August 2018 to present |

Ms. Hu has more than 19 years of experience in the pharmaceutical industry. Prior to joining our Group, between 2004 to August 2013, Ms. Hu served as the director of the drug analysis office, director of the quality control department and deputy director of research and development at the Beijing research and development center of new drugs of Zhejiang Betta Pharmaceuticals Co., Ltd. Ms. Hu served as the deputy director of research and development center from August 2013 to March 2016 and a supervisor from August 2013 to February 2017, respectively, at Betta Pharma.

Ms. Hu graduated from an undergraduate program in analytical chemistry offered by Lanzhou University in July 1982 and obtained her master's degree in analytical chemistry from the Lanzhou Institute of Chemical Physics, Chinese Academy of Sciences (中國科學院蘭州化學物理研究所) in August 1987.

# Directors and Senior Management

## Non-Executive Directors

**Ms. Yanmin TANG (唐豔妥)**, aged 50, has been a Director since August 22, 2018 and was re-designated as a non-executive Director on August 20, 2020. Ms. Tang is primarily responsible for participating in decision-making in respect of major matters such as corporate and business strategies. Ms. Tang also currently holds the following positions in the subsidiaries of our Group:

| Name of subsidiary | Position(s) | Period |
|---|---|---|
| Beijing Jacobio | Director | August 2018 to present |
| Jacobio HK | Director | August 2018 to present |

From December 2002 to August 2015, Ms. Tang served as the general manager of Asia Baokang Pharmaceutical Consulting (Beijing) Co., Ltd. (亞洲保康藥業諮詢(北京)有限公司). Since December 2015, Ms. Tang has served as an investment partner of Suzhou Qiyuan Equity Investment Management Partnership Enterprise (Limited Partnership) (蘇州啟元股權投資管理合夥企業(有限合夥)) which is an investment arm of and is operated under Qiming Venture Partners. Ms. Tang has served as a director of Sinocelltech Group Ltd (北京神州細胞生物技術集團股份公司) (Shanghai Stock Exchange stock code: 688520) since July 2017, a director of Beijing Yiqiao Shenzhou Technology Co., Ltd. (北京義翹神舟科技股份有限公司) (Shenzhen Stock Exchange stock code: 301047), and a non-executive director of Abbisko Cayman Limited (Stock Exchange stock code: 2256) since June 2021, and a supervisor of Beijing Shengnuoji Pharmaceutical Technology Co., Ltd. (北京盛諾基醫藥科技股份有限公司) since October 2019. Ms. Tang also currently serves or previously served as a director in the following companies:

| Name of company | Period |
|---|---|
| Beijing Sinotau International Pharmaceutical Technology Co., Ltd. (北京先通國際生物醫藥科技股份技術有限公司) | May 2016 to present |
| Beijing Sinotau Pharmaceutical Technology Co., Ltd. (北京先通生物醫藥技術有限公司) | May 2016 to present |
| Cure Genetics Co., Ltd (蘇州克睿基因生物科技有限公司) | July 2018 to present |
| Suzhou Keyue Biotech Co., Ltd (蘇州克愈生物科技有限公司) | October 2018 to present |
| Beijing Shengnuoji Pharmaceutical Technology Co., Ltd. (北京盛諾基醫藥科技股份有限公司) | March 2019 to October 2019 |

Ms. Tang obtained her bachelor's degree in pharmacy in English from Shenyang Pharmaceutical University (瀋陽藥科大學) in July 1996 and her master's degree in business administration for senior management from Cheung Kong Graduate School of Business (長江商學院) in September 2008. Ms. Tang was certified as a pharmacist by Tianjin Municipal Human Resources and Social Security Bureau (天津市人力資源和社會保障局) in October 1997.

**Dr. Dong LYU (呂東)**, aged 48, has been a non-executive Director since November 30, 2020. Dr. Lyu is primarily responsible for participating in decision-making in respect of major matters such as corporate and business strategies.

From July 2011 to July 2016, Dr. Lyu served as a vice president of the pharmaceutical and medical device investment department at Shanghai Panxin Equity Investment Management Co., Ltd. (上海磐信股權投資管理有限公司). From September 2016 to September 2020, Dr. Lyu worked in PAG Growth (Zhuhai) Holding Investment Management Co., Ltd (太盟成長(珠海)股權投資管理有限公司), where he served as the managing director prior to his resignation. Subsequently, in September 2020, Dr. Lyu joined Zhuhai Gaoling Equity Investment Management Ltd. (珠海高瓴股權投資管理有限公司), where he currently serves as the managing director.

# Directors and Senior Management

Dr. Lyu obtained his bachelor's degree in pharmacy from the Beijing Medical University (北京醫科大學) (currently known as the Peking University Health Science Center (北京大學醫學部)) in July 1996, his master's degree in pharmaceutics from the Peking University (北京大學) in June 2003 and his doctoral degree in social and administrative pharmacy from the China Pharmaceutical University (中國藥科大學) in June 2010.

**Dr. Te-li CHEN (陳德禮)**, aged 54, has been a non-executive Director since August 20, 2020 and was re-designated as a non-executive Director on June 8, 2022. Dr. Chen is primarily responsible for participating in decision-making in respect of major matters such as corporate and business strategies.

Dr. Chen has over 25 years of experience in the medical industry. From May 1997 to August 2012, Dr. Chen served as a physician in Taipei Veterans General Hospital (台北榮民總醫院). From August 2012 to January 2016, Dr. Chen served as an associate professor in internal medicine in the National Yang-Ming University (國立陽明大學). Since July 2016, Dr. Chen has been serving as the chairman of the board and the general manager of BioGend Therapeutics Co., Ltd. (博晟生醫股份有限公司) (Taipei Exchange stock code: 6733) which principally engages in the research and development, production and sales of medical equipment.

Dr. Chen obtained his bachelor's degree in medicine from the National Defense Medical Center (國防醫學院) in Taiwan in July 1995. Dr. Chen obtained his doctoral degree from the Institute of Tropical Medicine of the National Yang-Ming University (國立陽明大學) in Taiwan in June 2008. Dr. Chen was certified as a physician by the Ministry of Health and Welfare in Taiwan (台灣衛生福利部) in December 1995.

### Independent non-executive Directors

**Dr. Ruilin SONG (宋瑞霖)**, aged 60, as an independent non-executive Director, is responsible for supervising and providing independent judgment to our Board.

Dr. Song has been dedicated to the research of China's pharmaceutical policies, especially the policies for pharmaceutical innovation. Dr. Song has served as a member of the council of the Chinese Pharmaceutical Association (中國藥學會) (the "Association") since November 2009 and a member of the Pharmaceuticals Management Expert Committee (藥事管理專業委員會) of the Association since July 2016. Dr. Song is currently serving as the Executive president of PhIRDA (中國醫藥創新促進會).

Dr. Song was an independent director of Shanxi Zhendong Pharmaceutical Co., Ltd. (山西振東製藥股份有限公司) (Shenzhen Stock Exchange stock code: 300158) from June 2015 to July 2021, Boya Bio – pharmaceutical Group Co., Ltd. (博雅生物製藥集團股份有限公司) (Shenzhen Stock Exchange stock code: 300294) from March 2017 to February 2021, and an independent director of Tibet Aim Pharm. Inc. (西藏易明西雅醫藥科技股份有限公司) (Shenzhen Stock Exchange stock code: 002826) from July 2015 to August 2021. Dr. Song has been served as an independent non-executive director of Shenzhen Chipscreen Biosciences Co., Ltd. (深圳微芯生物科技股份有限公司) (Shanghai Stock Exchange stock code: 688321) since June 2018, a non-executive director of Luye Pharma Group Limited (綠葉製藥集團有限公司) (Stock Exchange stock code: 02186) since March 2017, an independent non-executive director of Shanghai Henlius Biotech, Inc. (上海復宏漢霖生物技術股份有限公司) (Stock Exchange stock code: 02696) since September 2019, an independent non-executive director of Simcere Pharmaceutical Group Limited (先聲藥業集團有限公司) (Stock Exchange stock code: 02096) since November 2019, and an independent non-executive director of Mediwelcome Healthcare Management & Technology Inc. (麥迪衛康健康醫療管理科技股份有限公司) (Stock Exchange stock code: 02159) since December 2020.

# Directors and Senior Management

Dr. Song obtained his bachelor's degree in law from China University of Political Science and Law (中國政法大學) in July 1985, his master's degree in business administration from China Europe International Business School (中歐國際工商學院) in November 2004 and his doctoral degree in social and administrative pharmacy from China Pharmaceutical University (中國藥科大學) in December 2018.

**Dr. Ge WU (吳革)**, aged 56, as an independent non-executive Director and was re-designated as a non-executive Director on June 8, 2022, is responsible for supervising and providing independent judgment to our Board.

Dr. Wu has extensive experience in financial management and accounting. Dr. Wu has been successively serving as a lecturer from September 1994 to July 2001, an associate professor from July 2001 to December 2005 and a professor since December 2005 at the Accounting Department of the International Business School of University of International Business and Economics (對外經濟貿易大學).

Dr. Wu was an independent director of Yunnan Bowin Technology Industry Co., Ltd (雲南博聞科技實業股份有限公司) (Shanghai Stock Exchange stock code: 600883) from May 2015 to April 2021, an independent non-executive director of Beijing North Star Company Limited (北京北辰實業股份有限公司) (Shanghai Stock Exchange stock code: 601588; Stock Exchange stock code: 0588) from May 2015 to April 2021and an independent director of Beijing Vastdata Technology Co., Ltd. (北京海量數據技術股份有限公司) (Shanghai Stock Exchange stock code: 603138) from June 2014 to June 2020. Dr. Wu has served as an independent director of Minsheng Investment Management Co., Ltd. (民生控股股份有限公司) (Shenzhen Stock Exchange stock code: 000416) since April 2019, an independent director of Beijing Huada Jiutian Technology Co., Ltd. (北京華大九天科技股份有限公司) (Shenzhen Stock Exchange stock code: 301269) since December 2020, an independent director of Guodian Dianli Development Co., Ltd. (國電電力發展股份有限公司) (Shanghai Stock Exchange stock code: 600795) since June 2021, and an independent director of Huazhi Jiuxing Retail Management Co., Ltd. (華致酒行連鎖管理股份有限公司) (Shenzhen Stock Exchange stock code: 300755) since April 2022.

Dr. Wu obtained his bachelor's degree in mathematics from Nanjing Normal University (南京師範大學) in July 1989, his master's degree in accounting from Nankai University (南開大學) in June 1994 and his doctoral degree in finance from University of International Business and Economics (對外經濟貿易大學) in June 2008.

**Dr. Daqing CAI (蔡大慶)**, aged 57, as an independent non-executive Director, is responsible for supervising and providing independent judgment to our Board.

From June 2016 to March 2019, Dr. Cai served as a director of Shenogen Pharma Group Ltd. (北京盛諾基醫藥科技股份有限公司). In April 2018, Dr. Cai then founded Zhuhai Sherpa Equity Investment Management Co., Ltd. (珠海夏爾巴股權投資管理有限公司), a company engaging in venture capital investments and has been serving as a partner ever since. Since January 2019, Dr. Cai has been serving as a director at Sherpa Venture Capital (Cayman), Ltd. and Sherpa Healthcare Fund I GP, Ltd.

Dr. Cai was a director of Berry Genomics Co., Ltd. (成都市貝瑞和康基因技術股份有限公司) (Shenzhen Stock Exchange stock code: 000710) from July 2017 to April 2018 and a non-employee director of Bionano Genomics, Inc. (NASDAQ stock code: BNGO) from August 2018 to August 2019.

Dr. Cai obtained his bachelor's degree in biophysics from University of Science and Technology of China (中國科學技術大學) in July 1989, his master's degree in business administration from Yale University in August 1998 and his doctoral degree in vision science from University of California, Berkeley in May 1996.

Dr. Cai ceased to be an independent non-executive Director of the Company with effect from March 23, 2023. For further details, please refer to the announcement published on the websites of the Stock Exchange and the Company dated March 22, 2023.

# Directors and Senior Management

**Dr. Bai LU (魯白)**, aged 65, has long been committed to the research of neurotrophic factors and synaptic plasticity, as well as neurodegenerative and psychiatric diseases, and is an world-renowned neurobiologist. Dr. Lu is the founder of 4B Technologies (Beijing) Co., Limited (福貝生物醫藥科技(北京)有限公司), a biotech company specializing in the development of transformative medicines for nervous system diseases and the co-founder of BioFront Therapeutics (Beijing) Co., Ltd. (百放英庫醫藥科技(北京)有限公司), a company aiming to identify disease drivers and develop first-in-class therapeutics through profit-sharing partnerships with academic investigators. Dr. Lu also serves as the scientific advisory and a director of Gnosis Healthineer (Beijing) Co., Ltd (靈犀醫學科技(北京)有限公司) since February 2022, providing scientific advice.

Dr. Lu served as a researcher in Roche Institute of Molecular Biology and an associate professor in the Department of Biological Sciences of Columbia University from June 1993 to December 1995. Dr. Lu joined National Institutes of Health (NIH) in 1996 and served as the chief of the Neural Development and Plasticity Section of NIH and the associate director of the Division of Cognitive and Mental Health of a trans-NIH translational research program (GCAP) from January 1996 to June 2009. From July 2009 to October 2013, Dr. Lu served as the vice president of the R&D center of GlaxoSmithKline China. From December 2009 to September 2013, Du. Lu was a guest professor in Tsinghua University and served as the professor of Department of Pharmacology and Pharmaceutical Science and executive vice dean of the Medical School of Tsinghua University (清華大學) from October 2013 to January 2016. Dr. Lu has been serving as the professor at the School of Pharmaceutical Sciences of Tsinghua University since January 2016.

Dr. Lu received a bachelor's degree in Biology at East China Normal University (華東師範大學) in the PRC in June 1982, a doctoral degree in neurobiology from Cornell University in the United States in June 1990 and then worked in postdoctoral research at Rockefeller University in the United States from July 1990 to June 1993.

Dr. Lu was appointed as the independent non-executive Director of the Company with effect from March 23, 2023. For further details, please refer to the announcement published on the websites of the Stock Exchange and the Company dated March 22, 2023.

# Directors and Senior Management

## SENIOR MANAGEMENT

The following table provides certain information about our senior management:

| Name | Age | Position | Roles and Responsibilities | Date of joining our Group | Date of appointment as senior management of our Company |
|---|---|---|---|---|---|
| Yinxiang WANG (王印祥) | 58 | Chief Executive Officer, Chairman of our Board | Overall strategic planning, business direction and operational management | July 2015 | July 17, 2015(1) |
| Xiaojie WANG (王曉潔) | 59 | President of Administration | Overall administration, operational and financial management | September 2015 | September 1, 2015 |
| Yunyan HU (胡雲雁) | 60 | Executive Vice President | Directing and overseeing research and development | April 2017 | March 20, 2019 |
| Andrea Wang-Gillam (王宜) | 53 | Chief Medical Officer, Executive Vice President | Directing clinical development of our Group's products | July 2020 | July 16, 2020 |

*Note:*

(1) The date of appointment indicates the date of first appointment as senior management at Beijing Jacobio.

**Yinxiang WANG (王印祥)**, see "—Directors – Executive Directors" for details.

**Xiaojie WANG (王曉潔)**, see "—Directors – Executive Directors" for details.

**Yunyan HU (胡雲雁)**, see "—Directors – Executive Directors" for details.

**Andrea Wang-Gillam (王宜)**, aged 53, has been the Chief Medical Officer and the Executive Vice President of our Group since July 2020 and responsible for directing the clinical development of our Group's products.

Dr. Wang-Gillam has more than 12 years of experience in clinical research and development in the field of oncology. Prior to joining our Group, between June 2007 and July 2020, Dr. Wang-Gillam first served as an assistant professor, and starting from 2015, both an associate professor in oncology and the clinical director of the gastrointestinal oncology program at Washington University in St. Louis. From 2017 to July 2020, Dr. Wang-Gillam served as the director of the developmental therapeutics program of the division of oncology at the same university.

Dr. Wang-Gillam obtained her bachelor's degree in biology from Ouachita Baptist University in May 1993 and her doctorate of medicine and of philosophy (MD-PhD) from University of Arkansas for Medical Sciences in May 2001. Dr. Wang-Gillam has been a medical oncology specialist certified by the American Board of Internal Medicine (ABIM) since 2007.

# Directors and Senior Management

## JOINT COMPANY SECRETARIES

**Ms. Qing Xue (薛青)**, aged 35, was appointed as our joint company secretary on August 20, 2020. Since August 2019, Ms. Xue has been serving as the finance director of Beijing Jacobio, where she is responsible for the day-to-day financial management. Prior to joining our Group, from January 2010 to July 2019, Ms. Xue worked at an international accounting firm where she served as a senior audit manager prior to her resignation. Ms. Xue obtained her bachelor's degree in international accounting in July 2010 from Capital University of Economics and Business (首都經濟貿易大學). Ms. Xue is currently a member of the American Institute of Certified Public Accountants, a certified public accountant of the State Board of Accountancy of the Commonwealth of Virginia, a member and a fellow of the Association of Chartered Certified Accountants, a member of the Chartered Professional Accountants of British Columbia and a non-practising member of The Chinese Institute of Certified Public Accountants.

**Mr. Ming Fai CHUNG (鍾明輝),** aged 44**,** was appointed as one of our joint company secretaries on August 24, 2022. Mr. Chung is a vice president of SWCS Corporate Services Group (Hong Kong) Limited and has over 17 years of experience in corporate secretary, mergers and acquisitions, financial reporting and auditing. Mr. Chung is currently a fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He obtained his bachelor's degree in commerce from the Australian National University.

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

# Corporate Governance Report

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to implementing high standards of corporate governance to safeguard the interests of the Shareholders and enhance the corporate value as well as the responsibility commitments. The Company has adopted the CG Code set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code for the year ended December 31, 2022 and up to the date of this annual report, except for a deviation from the code provision C.2.1 of the CG Code as described below.

Under code provision C.2.1 of the CG Code, the responsibility between the chairman and chief executive should be separate and should not be performed by the same individual. However, Dr. Yinxiang Wang ("**Dr. Wang**") is our chairman of our Board and the chief executive officer of the Company. With extensive experience in the pharmaceutical industry and having served in the Company since its establishment, Dr. Wang is in charge of overall strategic planning, business direction and operational management of the Group. The Board considers that the vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of our Board and our senior management, which comprises experienced and diverse individuals. The Board currently comprised three executive Directors, three non-executive Directors and three independent non-executive Directors, and therefore has a strong independence element in its composition.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

## CORPORATE CULTURE AND STRATEGY

Our Company maintains an open and inclusive culture of scientific research. At the frontier of life science, we focus on innovation and growth while pushing the boundaries of knowledge. Our people have never regretted their choice to work with the Group. Our Company is able to transform research into clinically meaningful results. We appreciate every original data and offer everyone a chance to have their say, so we can transform science-based ideas into real clinical value.

Our employees are our most valuable assets to our Company. We are committed to providing a competitive welfare package to help our employees balance work and life and feel a sense of security.

## THE BOARD OF DIRECTORS

### Board composition

As at December 31, 2022, the Board consists of three executive Directors, namely Dr. Yinxiang WANG, Ms. Xiaojie WANG and Ms. Yunyan HU, three non-executive Directors, namely Ms. Yanmin TANG, Dr. Dong LYU and Dr. Te-li CHEN, and three independent non-executive Directors, namely Dr. Ruilin SONG, Dr. Ge WU and Dr. Daqing CAI. The overall management and supervision of the Company's operation and the function of formulating overall business strategies were vested in the Board. There are no financial, business, family or other material relationships among members of the Board.

# Corporate Governance Report

During the year ended December 31, 2022, the Board had at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The three independent non-executive Directors represent one-third of the Board, complying with the requirement under Rule 3.10A of the Listing Rules whereby independent non-executive directors of a listed issuer must represent at least one-third of the board. The Board believes there is sufficient independence element in the Board to safeguard the interest of Shareholders.

Dr. Daqing CAI has resigned from his position as an independent non-executive Director to pursuit of his other personal affairs, with effect from March 23, 2023. Dr. Bai LU has been appointed as an independent non-executive Director, with effect from March 23, 2023. An updated list of the Directors and their roles and functions was published on the websites of the Stock Exchange and of the Company, respectively. Please refer to the relevant announcement of the Company dated March 22, 2023 for further details.

## Directors' responsibilities

The Board takes the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. As at December 31, 2022, the Board comprised nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Their names and biographical details are set out in the "Directors and senior management" section of this annual report.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expense for discharging their duties to the Company. The Company has also established effective mechanisms to ensure independent views and input are available to the Board. These mechanisms in place are subject to annual review of the implementation and effectiveness by the Board that underpins a strong independent board of directors.

The Board would regularly review the contribution required from each Director to perform his or her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

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, coordinate 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.

# Corporate Governance Report

## 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

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 decisions. The functions of independent non-executive Directors include bringing an impartial view and judgment on issues of the Company's strategies, performance and control, and scrutinizing the Company's performance and monitoring performance reporting.

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

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

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

## Board diversity policy

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

Our Directors have a balanced mix of knowledge, skills, perspectives and experience, including overall management and strategic development, business, science, investment, accounting and consulting. They obtained professional and academic qualifications, including business administration, applied physics, biological sciences, chemistry, engineering and law. Furthermore, our Board possesses members spanning a wide range of ages, from 48 to 65 years old. Taking into account our existing business model and specific needs as well as the different backgrounds of our Directors, our Board reviewed and confirmed the implementation and effectiveness of the board diversity policy and is satisfied with the board composition. Our Board and the Nomination Committee of our Company will assess the Board composition regularly.

# Corporate Governance Report

The Nomination Committee is responsible for reviewing the diversity of our Board from time to time to ensure its continued effectiveness. The Board recognizes the importance and benefits of gender diversity at the Board level. As of December 31, 2022, one-third of our Board members are female Directors. The Board has reviewed the implementation and effectiveness of the Board Diversity Policy for the year ended December 31, 2022 and is satisfied with the current gender diversity of our Board. The Nomination Committee and the Board will continue to review the implementation and effectiveness of the board diversity policy on an annual basis. In relation to reviewing and assessing the Board composition and the suitability and the potential contribution to the Board of a proposed candidate, the board diversity policy sets a number of non-exhaustive factors, including skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. We will also continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels.

As of December 31, 2022, the ratio of male and female employees (including senior management) of the Company was 38.4% and 61.6%, respectively. The Board considers that the Group's workforce (including senior management) is sufficiently diverse in terms of gender. The Company is committed to creating a fair, unbiased, equal and diversified recruitment and working environment.

### Appointment, re-election and removal of Directors

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

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

### Compensation of Directors and Senior Management

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

Details of Directors and the top five highest paid individuals are set out in note 32 to the consolidated financial statements. During the Reporting Period, no emoluments were paid by the Group to any Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. For the year ended December 31, 2022, none of the Directors has waived or agreed to waive any emoluments.

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

# Corporate Governance Report

### Directors' training and continuing professional development

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

During the year ended December 31, 2022, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expense.

During the year ended December 31, 2022, each of the Directors has attended the training courses conducted by the legal adviser of the Company. The content of such training related to the duties of directors and ongoing obligations of listed companies.

According to the training records maintained by the Company, the continuing professional development programs and anti-commercial bribery had been received by each of the Directors during the year ended December 31, 2022, namely Dr. Yinxiang WANG, Ms. Xiaojie WANG, Ms. Yunyan HU, Ms. Yanmin TANG, Dr. Dong LYU, Dr. Te-li CHEN, Dr. Ruilin SONG, Dr. Ge WU, and Dr. Daqing CAI. The professional development and anti-commercial bribery programs include attending trainings, seminars or conferences arranged by the Company or other external parties, and reading related materials.

### Board meetings

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

The Company adopts the practice of holding regular Board meetings at least four times a year and approximately once every quarter, involving active participation, either in person or through electronic means of communication, of a majority of Directors. The Company gives not less than 14 days' notice of all regularly scheduled Board meetings to give all Directors an opportunity to attend the regular meetings and to put relevant matters on the agenda. For other Board and committee meetings, reasonable notice will generally be given. The agenda and accompanying Board papers are sent to the Directors or committee members at least three days prior to the meeting to ensure that they have sufficient time to review the documents and prepare adequately for the meeting. When a Director or committee member is unable to attend a meeting, he or she will be informed of the matters to be discussed and will have an opportunity to express his or her views to the Chairman prior to the meeting. Minutes of the meetings are kept by the company secretary of the Company and copies will be sent to all Directors for reference and records.

# Corporate Governance Report

The attendance record of each Director at the Board and Board committee meetings of the Company held during the year ended December 31, 2022 is set out in the table below:

| Name of Directors | Attendance/ Number of Board Meeting(s) | Attendance/ Number of General Meeting(s) |
|---|---|---|
| *Executive Directors* | | |
| Dr. Yinxiang WANG | 4/4 | 1/1 |
| Ms. Xiaojie WANG | 4/4 | 1/1 |
| Ms. Yunyan HU | 4/4 | 1/1 |
| Dr. Shaojing HU (resigned with effect from March 22, 2022) | 1/1 | 0/0 |
| *Non-executive Directors* | | |
| Dr. Ting FENG (resigned with effect from March 22, 2022) | 1/1 | 0/0 |
| Ms. Yanmin TANG | 4/4 | 1/1 |
| Dr. Dong LYU | 4/4 | 1/1 |
| Dr. Te-li CHEN | 4/4 | 1/1 |
| *Independent Non-executive Directors* | | |
| Dr. Ruilin SONG | 4/4 | 1/1 |
| Dr. Ge WU | 4/4 | 1/1 |
| Dr. Daqing CAI (resigned with effect from March 23, 2023) | 4/4 | 1/1 |
| Dr. Xiaoming WU (resigned with effect from March 22, 2022) | 1/1 | 0/0 |

## BOARD COMMITTEES

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

### Audit Committee

The Company established the Audit Committee in compliance with Rules 3.21 to 3.23 of the Listing Rules with written terms of reference in compliance with the CG Code set forth in Appendix 14 to the Listing Rules. The primary functions of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process, and performing other duties and responsibilities as assigned by the Board.

As at December 31, 2022, the Audit Committee consists of one non-executive Director, Dr. Te-li CHEN, and two independent non-executive Directors, Dr. Ge WU and Dr. Daqing CAI, with Dr. Daqing CAI as the chairman. Dr. Ge WU is appropriately qualified under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee held two meetings during the Reporting Period to review and consider the interim financial results and reports for the six months ended June 30, 2022, the annual financial results and reports for the year ended December 31, 2022 and review the appropriateness and effectiveness of the risk management and internal control systems.

The Audit Committee also met the external auditors two times during the Reporting Period without the presence of the executive Directors and the management.

# Corporate Governance Report

The attendance records of the members of the Audit Committee are as follows:

| Name of Directors | Attendance/ Number of Audit Committee Meeting(s) |
|---|---|
| Dr. Daqing CAI | 2/2 |
| Dr. Ge WU | 2/2 |
| Dr. Te-li CHEN | 2/2 |

### Remuneration Committee

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

As at December 31, 2022, the Remuneration Committee consists of one executive Director, Ms. Wang, one non-executive Director, Ms. Yanmin TANG, and three independent non-executive Directors, Dr. Ruilin SONG, Dr. Ge WU and Dr. Daqing CAI, with Dr. Ruilin SONG as the chairman.

The Remuneration Committee held two meetings during the Reporting Period to review and make a recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and senior management, and other related matters. The executive Directors and non-executive Directors do not receive remuneration from the Company. The remuneration packages of the executive Directors shall be determined according to their roles as senior management of the Company. The remuneration packages of senior management are determined by the Remuneration Committee, with the delegated responsibility by the Board, with reference to the duties, responsibilities and performance of such members of senior management and the results of the Group. No executive Director can be involved in deciding his or her own remuneration.

The attendance records of the members of the Remuneration Committee are as follows:

| Name of Directors | Attendance/ Number of Remuneration Committee Meeting(s) |
|---|---|
| Dr. Ruilin SONG | 2/2 |
| Ms. Xiaojie WANG | 2/2 |
| Ms. Yanmin TANG | 2/2 |
| Dr. Ge WU | 2/2 |
| Dr. Daqing CAI | 2/2 |

# Corporate Governance Report

## Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with Appendix 14 to the Listing Rules. The primary functions of the Nomination Committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's gender, skills, age, professional experience, knowledge, culture, educational background and other qualities. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. The Company has adopted a nomination policy, which is incorporated in the terms of reference of the Nomination Committee and sets out the selection criteria and nomination procedures for identifying and recommending candidates for appointment or reappointment of Director.

As at December 31, 2022, the Nomination Committee consists of one executive Director, Dr. Wang, one non-executive Director, Dr. Dong LYU, and three independent non-executive Directors, Dr. Ruilin SONG, Dr. Daqing CAI and Dr. Ge WU, with Dr. Wang as the chairman.

The Nomination Committee held one meeting during the Reporting Period to review, among others, the structure, size, composition and diversity (including the skills, knowledge, experience, gender, age, cultural and educational background, ethnicity, professional experience and length of service) of the Board to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of our Company, to assess the independence of the independent non-executive Directors, and to discuss the Directors who retired by rotation in accordance with the Articles of Association, being eligible, had offered themselves for re-election at the 2023 AGM of the Company.

The attendance records of the members of the Nomination Committee are as follows:

| Name of Directors | Attendance/ Number of Nomination Committee Meeting(s) |
|---|---|
| Dr. Yinxiang WANG | 1/1 |
| Dr. Dong LYU | 1/1 |
| Dr. Ruilin SONG | 1/1 |
| Dr. Daqing CAI | 1/1 |
| Dr. Ge WU | 0/0 |
| Dr. Xiaoming WU (resigned with effect from March 22, 2022) | 1/1 |

Since Dr. Xiaoming WU resigned as an independent non-executive Director on March 22, 2022, Dr. Xiaoming WU was no longer a member of the Nomination Committee since March 22, 2022. The Board resolved that Dr. Ge WU, an independent non-executive Director was appointed as a member of the Nomination Committee in place of Dr. Xiaoming WU with effect from March 22, 2022. As at December 31, 2022, the Nomination Committee consists of one executive Director, Dr. Yinxiang WANG, one non-executive Director, Dr. Dong LYU, and three independent non-executive Directors, Dr. Ruilin SONG, Dr. Daqing CAI and Dr. Ge WU, with Dr. WANG as the chairman.

# Corporate Governance Report

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code for the Directors' dealings in the securities of the Company since the Listing and, upon specific enquiries of all the Directors, each of them has confirmed that he or she complied with the required standard set out in the Model Code for the year ended December 31, 2022. No incident of non-compliance by the Directors was noted by our Company during 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 from dealing in securities of the Company at any time when he or she possesses insider information in relation to those securities. No incident of non-compliance with the Model Code by the relevant officers and employees was noted by the Company.

## REMUNERATION PAYABLE TO MEMBERS OF SENIOR MANAGEMENT

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of members of the senior management (other than Directors) by the band for the year ended December 31, 2022, is set out below:

| Remuneration band | Number of members of senior management |
|---|---|
| RMB10,000,001 to RMB11,000,000 | 1 |

## CORPORATE GOVERNANCE FUNCTIONS

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

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

The Board had performed the above duties during the year ended December 31, 2022.

# Corporate Governance Report

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives and establishing and maintaining appropriate and effective risk management and internal control systems. Such risks include, amongst others, material risks relating to environmental, social and governance. The Company has an internal audit function responsible for independently reviewing the adequacy and effectiveness of the risk management and internal control systems of the Company.

The Audit Committee assists the Board at least annually, in reviewing the design, implementation and monitoring of the risk management and internal control systems of the Company.

### Risk management

The Company has adopted a series of risk management policies that set out a risk management framework to identify, assess, evaluate and monitor key risks associated with the Company's strategic objectives on an on-going basis.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects, including key operational and financial processes, regulatory compliance, information security, and environmental, social and governance. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department. The management, in coordination with department heads, assessed the likelihood of risk occurrence, provided treatment plans, monitored the risk management progress, and reported to the Audit Committee and the Board on the effectiveness of the systems.

### Internal control

The Company ensures internal control measures are designed and implemented in all major aspects of the Company's operations and details of internal control activities are included in the operating policies and procedures. Every month, the management revisits the policies and procedures and furnishes updates as necessary.

The Company has an internal audit team in place, which is responsible for independently reviewing the adequacy and effectiveness of the risk management and internal control system of the Company, and reporting the results to the Board. The internal control supervisor of the Company is responsible for coordinating the internal control, sorting out and improving the business process and management mechanism, and carrying out the effectiveness evaluation of internal control. In addition to the internal audit team, all departments are liable for risk management and internal control within their working scope. Each department should cooperate with the internal audit team closely to conduct the internal control and risk management review, report to the management on the important milestone of the business and the strategies established by the Company, and identify, evaluate and manage high risks on time.

# Corporate Governance Report

The Company has established a general risk management and internal control environment. The Company has built an internal control process framework covering capital, revenue and receivables, cost and accounts payable, R&D expenses, long-term assets management, tax, contract management and financial management system and financial report and carries out risk assessment regularly to ensure risk management and internal control being in operation effectively. The internal audit team will issue an annual internal audit management self-evaluation report (the "**Internal Audit Report**") showing the risks detected in the above coverage and submit to the Board for review. The 2022 Internal Audit Report was submitted to the Board on March 22, 2023.

During the year ended December 31, 2022, the Board reviewed the risk management and internal control systems of the Group and considered that such systems are effective and adequate. The Audit Committee has reviewed and considered that internal audit team of the Group had adequate resources to carry out the assessment and the effectiveness of the risk management and internal control systems for the Reporting Period.

## INSIDE INFORMATION

The Company has adopted an inside information policy in accordance with the SFO and the Listing Rules relating to the handling and dissemination of inside information. Under this policy, the Company disseminates information to the person on a need-to-know basis. Unless the inside information falls within any of the safe harbors as permitted under the SFO, the Company is required to disseminate such information through the electronic publication system operated by the Stock Exchange to the public in a timely manner.

The Board is responsible for monitoring and implementing the procedural requirements in the inside information policy. All Directors, officers and relevant employees are required to take reasonable precautions for preserving the confidentiality of inside information and the relevant announcement (if applicable) before publication. If the Group believes that the necessary degree of confidentiality cannot be maintained, the Group will immediately disclose the information to the public as soon as reasonably practicable.

## WHISTLEBLOWING AND ANTI-CORRUPTION

The Company has adopted an anti-corruption policy to create a clean and efficient working atmosphere, strengthen the awareness of self-discipline, improve the concept of legal system and regulate the behaviors of all employees. All the business activities including official activities, procurement, financial and accounting and daily office work are governed by the policy. The Audit Committee and each of the department head are responsible for monitoring and implementing the policy. Every year, the Audit Committee assesses the effectiveness and suitability of the anti-corruption policy and reports to the Board. The results of the implementation of the policy will be regarded as part of the annual evaluation of all the employees.

The Company has also set up a reporting hotline for the employees to report any suspicious activities with their real names or anonymously. The chief executive officer of the Company shall conduct a special investigation within one week to verify the information provided by the informant. Upon verification, the corresponding reward and punishment measures shall be imposed on the informant and the person being reported in accordance with the whistleblowing policy. The person being reported shall not strike the informant and, upon discovery, shall be dismissed.

Please refer to the Environmental, Social and Governance Report of this annual report for further details on the Company's whistleblowing and anti-corruption policies and updates.

# Corporate Governance Report

## FINANCIAL REPORTING

### Directors' responsibility for the financial statements

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

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

### Auditor's remuneration

For the year ended December 31, 2022, the remunerations paid or payable to PricewaterhouseCoopers, the external auditor of the Company, in respect of its audit services and non-audit services are approximately RMB2.48 million and RMB0.18 million, respectively. A statement by PricewaterhouseCoopers about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 112 to 115.

Details of the fees paid/payable in respect of the audit and non-audit services provided by PricewaterhouseCoopers for the year ended December 31, 2022, are set out in the table below:

| **Services rendered for the Company** | **Fees paid and payable** ***RMB' 000*** |
|---|---|
| Audit service | 2,480 |
| Non-audit service | 180 |
| **Total** | 2,660 |

*Note:*

Non-audit services mainly include the consultancy services for ESG reporting.

## JOINT COMPANY SECRETARIES

Directors have access to the services of the joint company secretary to ensure that the board procedures are followed. The current joint company secretaries of the Company are Ms. Qing XUE ("**Ms. Xue**") and Mr. Ming Fai CHUNG ("**Mr. Chung**"). Starting from August 24, 2022, Mr. Lok Kwan YIM ("**Mr. Yim**") ceased to be one of our joint company secretaries, and Mr. Chung replaced Mr. Yim as the joint company secretary of the Company with effect from August 24, 2022.

After the aforesaid service termination, Ms. Xue and Mr. Chung have been acting as the joint company secretaries of the Company. Mr. Chung has the necessary qualifications and experience as required under Rules 3.28 and 8.17 of the Listing Rules. Mr. Chung is the vice president of SWCS Corporate Services Group (Hong Kong) Limited.

In compliance with Rule 3.29 of the Listing Rules, Ms. Xue and Mr. Chung have undertaken no less than 15 hours of relevant professional training during the year of 2022. The main contact person of Mr. Chung in the Company is Ms. Xue.

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

### Convening an extraordinary general meeting

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two calendar months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Putting forward proposals at general meetings

There are no provisions under the Articles of Association regarding procedures for shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

As regards the procedures for shareholders to propose a person for election as a Director, they are available on the Company's website at www.jacobiopharma.com.

### Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the joint company secretary of the Company at the Company's principal place of business in Hong Kong at 40/F., Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. The Company will not normally deal with verbal or anonymous enquiries.

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

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

To promote effective communication, the Company maintains a website at www.jacobiopharma.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access. During the Reporting Period, the Board has reviewed the shareholders communication policy and confirmed its effectiveness.

## CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there is no change in the Company's constitutional documents.

# Environmental, Social and Governance Report

## I. ABOUT THE REPORT

### 1. Overview

This environmental, social and governance report (hereinafter "this Report") is aimed at disclosing the performance and results in respect of environmental, social and governance (hereinafter "ESG") of Jacobio Pharmaceuticals Group Co., Ltd. (hereinafter "Jacobio", "the Company", or "we") in 2022. The contents relating to governance are advised to be read in conjunction with the *Corporate Governance Report* in the annual report.

### 2. Basis of Preparation

This Report is prepared in accordance with *Environmental, Social and Governance Reporting Guide* (hereinafter "*ESG Reporting Guide*") set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and is reported in accordance with the reporting principles of the *ESG Reporting Guide*.

"Materiality": Key stakeholders and key ESG issues of concern have been identified in the preparation of this Report, and targeted disclosures have been made according to the materiality degree of issues.

"Quantitative": This Report uses quantitative data to present KPIs at the environmental and social aspects. The measurement standards, methodologies, assumptions and/or calculation tools of the key performance indicators in this Report, as well as the source of the conversion factors used, have been explained in the corresponding context.

"Consistency": The statistical methods in this Report are consistent with those of previous years.

### 3. Reporting Scope

Our main business is in China, and our offices and laboratories are located in Beijing, Shanghai, China and Massachusetts, USA. Unless otherwise stated, the scope of this Report covers the offices and laboratories of Jacobio Pharmaceuticals Group Co., Ltd. in China and the United States. This Report covers the period from January 1, 2022 to December 31, 2022.

### 4. Data Source

The information and cases in this Report are mainly derived from the Company's public information, statistical reports, related documents and internal communication documents.

# Environmental, Social and Governance Report

## II. BOARD STATEMENT

The Board and all directors confirm that the information in this Report does not contain any false records, misleading statements or material omissions, and make the following statements regarding the ESG supervision and management of the Board:

**Governance Structure**

The Company highly values ESG-related issues, and has set up an ESG governance structure, with the Board for leadership and supervision, ESG task force for daily management and ESG relevant departments for implementation. As the top responsible and decision-making body of ESG issues, the Board is responsible for leading and supervising ESG-related work and assuming full responsibilities. For detailed information about the Company's governance structure, please refer to the *ESG Governance Structure* section in this Report.

**Management Policy and Strategy**

The Company strictly abides by laws and regulations in respect of ESG in operation, regards ESG management as an important part of its strategy and communicates closely with stakeholders through various channels. In 2022, due to changes in the external business environment and policy trends, we have reassessed the importance of ESG issues of concern to key stakeholders in the context of our business characteristics and the industry development environment, aggregated key issues and continuously responded to key issues. For detailed information about the Company's management policy and strategy, please refer to the *ESG Concept and Strategy* and *Identification of Key Issues* sections in this Report.

**Performance Review**

The Company has developed environmental targets to better track the environmental management process quantitatively and to review and manage ESG impacts. In 2022, according to the progress of environmental management and in the light of our actual development needs, we reviewed ESG targets and their progresses and adjusted relevant targets to fully implement sustainable development. For detailed information about the Company's performance review, please refer to the *Environmental Target Setting* section in this Report.

In 2022, the Company continued to improve its ESG management. The Board reviewed and approved ESG governance structure, results of materiality assessment of key ESG issues, identification of ESG risks and the setting and progresses of ESG targets, and further clarified the focuses of ESG governance to ensure targeted management.

This Report is aimed at objectively disclosing the Company's progress and results of 2022 ESG work. It was reviewed and approved at the Board meeting on March 22, 2023.

# Environmental, Social and Governance Report

## III. ESG MANAGEMENT SYSTEM

### 1. ESG Concept and Strategy

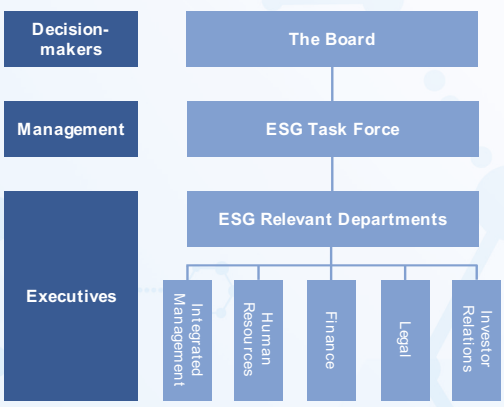
With the vision of "Becoming a global leader recognised for our impact in drug R&D together with our partners", we focus on the independent development of innovative medicines for the benefit of patients. Regarding the World Health Organisation's objective of "striving for the highest possible level of health for all people" as our mission, we are committed to providing breakthrough treatment solutions for our patients, strictly complying with ESG-related laws and regulations in our business operations, formulating ESG management strategies, focusing on and acting on stakeholders' expectations, periodically disclosing ESG information, and promoting proper integration of ESG management and our business development.

This year, we continued to integrate ESG-related factors in our daily operation and management, including improving our environmental performance, focusing on protecting the ecological environment, implementing measures related to energy conservation and emission reduction, and actively addressing climate change, so as to minimise the potential negative impact of business operations on the environment. We value corporate social responsibilities, implement a diversified talent development strategy, protect the legitimate rights and interests of employees, and develop together with them. In addition, we establish a sustainable value chain, adhere to the bottom line of product quality, and strengthen anti-corruption management, striving to realise harmonious development with the environment and society and give back to society through practical actions.

### 2. ESG Governance Structure

To continuously improve ESG governance structure and strengthen ESG management, the Company has established a three-tier ESG governance structure with the Board for decision-making, ESG task force for management and ESG relevant departments for implementation, and ensured effective ESG management through a clear division of responsibilities and coordination at all levels. As the top responsible body in the governance structure, the Board is responsible for setting the Company's overall ESG strategies and targets, reviewing and supervising the Company's ESG performance, and reviewing ESG reports; the ESG task force, as the core body in the governance structure, is responsible for assisting the Board in implementing ESG strategies and targets, and overseeing the implementation of ESG issues; each ESG relevant department, as the executive body in the governance structure, is responsible for carrying out specific tasks to promote the implementation of ESG management.

**ESG Governance Structure**



# Environmental, Social and Governance Report

## 3. Stakeholder Engagement

The Company values the opinions of its stakeholders. We maintain close communication with our stakeholders through a variety of channels, understand and respond to their expectations and demands, and plan our ESG management and work by especially referring to their opinions and suggestions. This year, based on the characteristics of our business, we continuously identified our key stakeholders and key ESG issues of their concerns:

| Key stakeholders | Key ESG issues of concern | Main communication channels |
|---|---|---|
| Governments and regulatory authorities | Emissions<br>Use of resources<br>Environmental and natural resources<br>Climate change<br><br>Employment<br>Supply chain management<br>Product responsibility<br>Anti-corruption<br>Community investment | Policy consultation<br>Incident reporting<br>Information disclosure<br>Official correspondence |
| Investors | Employment<br>Product responsibility<br>Anti-corruption | Shareholders' meetings<br>Results announcement<br>Semi-annual and annual reports<br>Announcements of significant events<br>Online and offline communications<br>Company website |

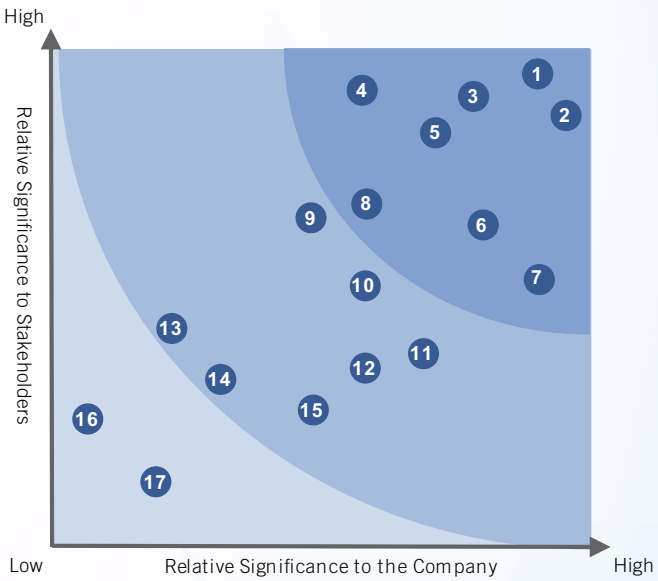
# Environmental, Social and Governance Report

| Key stakeholders | Key ESG issues of concern | Main communication channels |
|---|---|---|
| Employees | Employment<br>Health and safety<br>Development and training<br>Labour standards | Employee performance appraisal and feedback<br>Employee internal communication meetings<br>Corporate internal announcements and emails<br>Employee activities<br>Jacobio's WeChat Official Account |
| Customers | Product responsibility<br>Anti-corruption | Information disclosure<br>Daily business communication |
| Suppliers | Supply chain management<br>Anti-corruption | Supplier inspection<br>Regular communication meetings with suppliers |
| Media | Emissions<br>Use of resources<br>Environmental and natural resources<br>Employment<br>Supply chain management<br>Product responsibility | Press conferences<br>News interviews<br>Advertising<br>Social media<br>Industry seminar |
| Non-governmental organisations and communities | Community investment | Community engagement and communication<br>Identification of community demands |

# Environmental, Social and Governance Report

## 4. Identification of Key Issues

To clarify the key areas of the Company's ESG practice and information disclosure, based on 12 disclosure aspects identified in the *ESG Reporting Guide*, we assess the materiality of ESG issues key stakeholders concerned based on our business characteristics and industry development environment in the form of questionnaire survey, to gain a deeper understanding of stakeholders' expectations and demands. According to the questionnaire feedbacks, we identified the ESG issues highly concerned by stakeholders, including employee health and safety, product quality safety, employment and employee rights, employee career development, privacy and information security, clinical trial safety, trade secrets and intellectual property, and anti-corruption.




| High Importance | Moderate Importance | General Importance |
|---|---|---|
| 1 Employee Health and Safety | 9 Labour Standards | 16 Climate Change |
| 2 Product Quality Safety | 10 Supply Chain Management | 17 Community Investment |
| 3 Employment and Employee Rights | 11 Innovative R&D Platforms | |
| 4 Employee Career Development | 12 Branding and Advertising | |
| 5 Privacy and Information Security | 13 Energy Resource Use | |
| 6 Clinical Trail Safety | 14 The Environment and Natural Resources | |
| 7 Trade Secrets and Intellectual Property | 15 Emissions Management | |
| 8 Anti -corruption | | |

Matrix Diagram of Key ESG Issues

# Environmental, Social and Governance Report

## IV. ADHERENCE TO ENVIRONMENTAL PROTECTION AND GREEN OPERATION

Accelerating the transformation towards a low-carbon economy has become a common goal of the countries and enterprises. The Company focuses on the impact of its operation on the environment, and strictly complies with laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the *Energy Conservation Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Waste*, the *Water Pollution Prevention and Control Law of the People's Republic of China* and the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*. We continue to improve our environmental management system, optimise resource utilisation management, promote energy conservation and emission reduction projects, actively identify climate change-related risks and develop response plans, striving to build an environment-friendly low-carbon enterprise and fulfil the concept of green operation with practical actions.

### 1. Use of Resources

The main resource consumptions of the Company's daily operations include electricity, water, and office paper. We highly value resource conservation and advocate green office and low-carbon operations, to comprehensively promote the implementation of resource conservation. In 2022, we reinforced the monitoring, analysis and management of resource utilisation, and continued to take a series of measures to improve the efficiency of the comprehensive resources usage. Moreover, we consolidated employees' awareness of energy and water conservation through publicity and other forms, hoping to encourage employees to set an example in their work to create a green office environment.

For energy management, the Company always keeps in mind the "electricity saving" concept and improves its energy management system. With reference to national standards such as the *GB 50055-2011 Code for Design of Electric Distribution of General-purpose Utilisation Equipment* and the *GB/T 13869-2017 General Guide for Safety of Electric User*, we formulated the *Rules for Power Distribution Management*, which regulated the daily inspection, maintenance schedule, and emergency handling measures of the Company's power distribution system and clarified the requirements for power connection and safe use of electricity, so as to intensify the management of the Company's power distribution system and temporary power operations. We are constantly exploring solutions for low energy consumption and high efficiency. This year, we renovated and optimised the lighting equipment, unified the use of LED energy-saving lights to replace existing high energy-consuming lights with a lighting effect still guaranteed, and made full use of natural light to reduce the power consumption of lights during daytime. In addition, we periodically conduct routine inspections on the lighting system and advocate employees to turn off unnecessary electricity facilities such as computers and displays after work. The Company's air conditioning, new air, as well as the air exhaust systems all use variable frequency control functions to realise systemic energy saving.

For the use of water resources, we steadily conduct daily inspection and maintenance management of water facilities, install water-saving taps in the toilets to control water velocity, and regularly check whether the taps are closed and whether there is leakage, etc., to avoid water wastage due to malfunction of water pipes, reservoirs, and other water facilities. In addition, we pay attention to raising employees' awareness of water conservation and remind them to turn off the taps in time after using water by posting water-saving signs and other means, so as to help them foster a good habit of saving water and eliminate water wastage.

For the use of office supplies, we encourage employees to collect and use office supplies in a reasonable manner, advocate a paperless, online, and green office, and give priority to the purchase of paper with environmental certifications. We also ask employees to print on both sides whenever possible to reduce unnecessary printing and avoid paper waste.

# Environmental, Social and Governance Report

## 2. Reduction of Pollutant Emissions

We give high priority to the management of pollutant compliance emission and emission reduction and have formulated the *Regulations for Prevention and Control of Air Pollution,* the *Management Regulations on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Management Regulations on Hazardous Chemicals Safety* and other policies in accordance with relevant laws and regulations, which specify the management methods for various types of emissions and provide standardised guidance and requirements for emission management, striving to raise employees' awareness of environmental protection and minimise the impacts of business operation on the environment.

Our major pollutant emissions are greenhouse gases (GHG) and laboratory emissions, of which GHG mainly comes from the fuel consumed by vehicles and purchased electricity in the business operation of the Company, while the laboratory emissions come from the relevant processes and operations in experiments. We consistently take a variety of measures to manage carbon emissions, heighten the publicity of low-carbon concepts, encourage low-carbon travel among our employees, and effectively reduce indirect GHG emissions generated in electricity consumption by adopting energy-saving measures and strengthening electricity consumption management. For laboratory emissions, we continuously improve the process, place fume hoods at locations where exhaust gas may be generated, and install purification equipment such as activated carbon exhaust treatment devices. To further improve the cleanliness of emissions, we regularly inspect the exhaust treatment devices and emission outlets, replace activated carbon filter layers in a timely manner to ensure their adsorption capacity for hazardous substances in emissions, and treat laboratory emissions in strict compliance with regulations.

The Company's wastewater produced mainly includes experimental waste liquid, domestic sewage, and etc. The experimental waste liquid is relatively a small amount and non-toxic, and it is collected and processed by qualified third parties. Domestic sewage is discharged into the municipal network in accordance with the local requirements after unified treatment in septic tank. Furthermore, we regularly entrust a third-party organisation to detect the wastewater and ensure that the wastewater is in line with national standards. We track the discharge of wastewater, assess the potential environmental impact of R&D activities and take timely improvement measures to reduce the amount of wastewater generated as much as possible.

Non-hazardous wastes generated by the Company mainly consist of domestic waste, daily office waste, etc. We classify non-hazardous wastes in accordance with relevant requirements of operation locations before unified treatment carried out by the property management company. For electronic waste such as hard disks and computers, we prioritise the recycling of electronic waste, remove sensitive information before recycling and provide it to jobs in need to minimise electronic waste generation. We also actively cultivate employees' awareness of environmental protection by publicising waste sorting and recycling, to practice the concept of green office.

The hazardous wastes involved in the Company mainly include medical wastes and waste liquid generated in the process of experiments such as waste chemical reagents, needle tubes, waste medication, experimental animal carcasses and their gaskets, and hazardous waste consumables such as ink and toner cartridges and fluorescent tubes. According to the types of hazardous wastes, we collect, label and weigh those wastes using different containers, and pre-treat and temporarily store them in a hazardous waste warehouse that meets standard requirements. Medical waste and waste liquid are treated by a qualified third party or supplier, while waste ink and toner cartridges are uniformly treated by the property management company or outsourced rental agencies. We analyse hazardous waste and continuously improve treatment methods to ensure safe and compliant disposal.

# Environmental, Social and Governance Report

## 3. Environmental Target Setting

The Company has set environmental targets in respect of emission reduction, waste reduction, energy saving, water saving and other aspects, to quantitatively track the environmental management process. In 2022, based on our actual development needs, we reviewed the progress made, and adjusted relevant targets as appropriate to advance relevant work in an active manner. The setting and progress of the Company's environmental targets are as follows:

| | Target setting | Progress made |
|---|---|---|
| **Emission reduction** | All laboratory emissions of the Company will be maintained 10% above the national emission standard as bio-safety treatment. | • By the end of 2022, all laboratory wastes of the Company had been filtered by activated carbon at the end of fume hoods and were subject to bio-safety treatment according to the requirement of 10% above the national emission standard.<br>• Exhaust treatment and emission devices have been installed in the new base and are expected to come into operation in 2023. |
| | By the end of 2060, the Company will achieve carbon neutrality in all of its operations in China. | • In 2022, the Company continued to implement energy conservation and emission reduction measures, strengthen the monitoring, analysis and management of resource usage to promote the energy conservation and carbon reduction of operating sites. In the future, we will continuously promoting relevant work in accordance with the target of carbon neutrality. |
| **Waste reduction** | By the end of 2023, the Company's employees will use direct drinking water to replace bottled water. | • By the end of 2022, the new base had completed the price comparison and model selection of the direct drinking machines from manufacturers, which are expected to be installed in all of our offices and laboratories in 2023. |
| | By the end of 2025, the Company will fully promote a paperless office and reduce paper use per capita to 50% compared to 2020. | • By the end of 2022, paper use per capita was 12.72% lower than that in 2021 and 22.8% lower than that in 2020. |

# Environmental, Social and Governance Report

| | Target setting | Progress made |
|---|---|---|
| **Energy saving** | The installation rate of LED lights in all operating locations is maintained at 100%. | • In 2022, the Company had 100% of LED lights installed in its Beijing offices and Shanghai offices. |
| | More than 80% of the newly purchased instruments and equipment of the Company will meet the national first-level energy efficiency standard or above. | • In 2022, 83.7% of the newly purchased instruments and equipment of the Company met the national first-level energy efficiency standard or above. |
| **Water saving** | By the end of 2023, all laboratories of the Company will be 100% equipped with water-saving equipment. | • By the end of 2022, more than 80% of laboratories in Beijing were equipped with water-saving equipment.<br>• The new base is 100% equipped with water-saving equipment, which is expected to come into operation in 2023. |
| | By the end of 2023, 50% of the wastewater generated from the purified water production process in all laboratories of the Company will be recycled. | • By the end of 2022, the waste liquid generated by laboratories in Beijing had been treated by a qualified third party and the uncontaminated water would be discharged into the municipal sewer system. |
| **Others** | The Company maintains 100% procurement of office paper with China Environmental Labelling certified paper[1]. | • In 2022, 100% of the Company's office paper had been procured with China Environmental Labelling certified paper. |
| | By the end of 2024, all of the Company's offices will pass the ISO 14001 environmental management certification. | • We continue to follow up on the work related to ISO 14001 environmental management system certification, which is expected to be completed after the new base is put into use in 2023. |

[1] The target disclosed in the *2021 Environmental, Social and Governance Report* of the Company was that "By the end of 2023, 100% of the Company's office paper will be procured with Forest Stewardship Council (FSC) certified paper". This year, taking into account factors such as supply capacity, supply efficiency and logistics speed, the Company has reviewed this target, and completed the revision after review and approval by the Board.

# Environmental, Social and Governance Report

## 4. Environmental Key Performance Indicators

In 2022, the environmental KPIs of the Company are listed below. Unless otherwise stated, the scope of environmental statistics covers the Company's operation locations in Beijing and Shanghai, China and Massachusetts, the United States.

**Key Performance Indicators for Energy and Resource Consumption[1]**

| Indicator | 2022 |
|---|---|
| Total energy consumption[2] (MWh) | 1,296.97 |
| Direct energy consumption (MWh) | |
| Including: Petrol | 39.08 |
| Indirect energy consumption (MWh) | |
| Including: Electricity | 1,257.89 |
| Energy consumption per capita (MWh per employee) | 4.22 |
| Energy consumption per square meter (MWh/㎡) | 0.16 |
| Total water consumption (tonnes)[3] | 984.00 |
| Water consumption per capita (tonnes per employee) | 3.63 |
| Water consumption per square meter (tonnes/㎡) | 0.13 |

*Note:*

(1) During the reporting period, we have not yet commercialised our products, and hence no product packaging has been used.

(2) Total energy consumption is calculated based on direct and indirect energy consumption according to the conversion factors listed in the *National Standards of the People's Republic of China General Principles for Calculation of the Comprehensive Energy Consumption* (GB/T 2589-2020). During the reporting period, the main operation was daily office and laboratory operation, and the energy consumption mainly included vehicle fuel and electricity.

(3) Except for our operation locations in Beijing, water consumption in other operation locations is controlled by the property management company in the location, and water expenses are included in the property management fee. Water consumption cannot be calculated separately. Therefore, total water consumption and intensity of water consumption during this reporting period are only the data of the operation locations in Beijing. Water consumption per capita is the ratio of water consumption of Beijing operating sites to the number of employees at Beijing operating sites. Since the water resources used by the Company are from municipal water supply, we do not have any problem in obtaining suitable water resources.

# Environmental, Social and Governance Report

**Key Performance Indicators for Emissions[1]**

| Indicator | 2022 |
|---|---|
| Total GHG emissions[2] (Scope 1 and Scope 2)[3] (tonnes) | 894.98 |
| Direct GHG emissions (Scope 1) (tonnes) | |
| Including: Petrol | 10.00 |
| Indirect GHG emissions (Scope 2) (tonnes) | |
| Including: Electricity | 884.98 |
| GHG emissions per capita (tonnes per employee) | 2.92 |
| GHG emissions per square meter (tonnes/$m^2$) | 0.11 |
| Total hazardous waste discharges (tonnes) | 54.99 |
| Hazardous waste per capita (tonnes per employee) | 0.18 |
| Hazardous waste per square meter (tonnes/$m^2$) | 0.007 |
| Total non-hazardous waste discharges (tonnes)[4] | 28.48 |
| Non-hazardous waste per capita (tonnes per employee) | 0.10 |
| Non-hazardous waste per square meter (tonnes/$m^2$) | 0.004 |
| Non-methane hydrocarbon (tonnes) | 0.02 |
| Particulate matters (tonnes) | 0.006 |
| Total ammonia emissions (tonnes) | 0.004 |
| Wastewater (tonnes)[5] | 906.00 |
| Total chemical oxygen demand (tonnes) | 1.05 |
| Ammonia and nitrogen (tonnes) | 0.008 |

*Note:*

(1) The Company has a small number of its owned vehicles, thus the emissions of nitrogen oxides, sulfur oxides and other exhaust emissions generated are relatively small. Based on the Company's business characteristics and the results of third-party inspection reports, the types of main exhaust emissions involved in the Company are non-methane total hydrocarbon, particulate matter and ammonia.

(2) Jacobio's GHG inventory includes carbon dioxide, methane and nitrous oxide. GHG emissions are presented in carbon dioxide equivalents and calculated based on the electricity emission factor in the *2019 Baseline Emission Factors for Regional Power Grids in China* issued by the Ministry of Ecology and Environment of the People's Republic of China, the *Emissions and Generation Resource Integrated Database in 2021 (eGRID)* issued by the United States Environmental Protection Agency and the *2006 IPCC Guidelines for National Greenhouse Gas Inventories (2019 Revision)* issued by the Intergovernmental Panel on Climate Change (IPCC).

(3) Scope 1 GHG covers GHG emissions directly generated from the businesses owned or controlled by the Company; Scope 2 GHG covers "indirect energy" GHG emissions from the Company's internal consumption (purchased or obtained).

(4) Non-hazardous waste mainly comes from domestic waste and electronic waste. Domestic waste is treated by the property management company, which cannot be calculated separately. We have estimated the domestic waste data in accordance with the *First National Census on Pollution Sources – Manual for Waste Generation and Discharge Coefficients in Urban Households* issued by the State Council of the People's Republic of China. As the total amount of non-hazardous waste generated by Jacobio's operating sites outside China was relatively small, it was not included in this statistical scope. The total amount of non-hazardous waste emissions and the per capita amount of non-hazardous waste only included those in China.

(5) During the reporting period, the company's amount of wastewater was disclosed based on the test report results issued by qualified professional third-party testing organisations.

# Environmental, Social and Governance Report

## 5. The Environment and Natural Resources

We have been committed to conserving environment and natural resources of the place where we operate, although we are not involved in large-scale commercial production activities. In view of our business characteristics, there is no significant impact from our operation on the environment and natural resources. We strengthen internal control by formulating rules and regulations concerning emission control and resource utilisation, in an effort to actively fulfill the responsibility of environmental protection, and to protect natural and ecological environment. As we continue to expand our business scale, we will continue to pay close attention to and carefully consider the environmental and resource issues to avoid any negative impacts on the environment. In addition, we practice low-carbon operation to minimise negative impacts on environment and natural resources.

In 2022, there were no issues that significantly impact environment and natural resources or causing pollution.

## 6. Response to Climate Change

Climate change has become a major global challenge. The Company keeps sustained attention to the impact of climate change on business operation. In active response to the call of international community for climate actions, the Company identifies relevant opportunities and risks concerning climate change and takes solid measures for improved risk governance.

We have assessed and identified the possible impacts of extreme weather events such as typhoon, rainstorm and snowstorm on our business operations and have developed an *Environmental Emergency Plan* by reference to laws and regulations such as the *Emergency Response Law of the People's Republic of China*, the *Measures for the Administration of Emergency Response Plans* and the *Measures for the Administration of Emergency Plan Filing for Environmental Emergencies in Enterprises* and relevant requirements. We have also identified and sorted out the possible consequences of climate change-related risks such as risks of extreme weather, including the risk of damage to personnel and assets, the risk of business disruption, or the risk of substances such as chemical reagents entering the environment and causing environmental pollution incidents.

We have analysed related risks and formulated response measures. In response to the risk of damage to personnel and assets, we have improved the internal management system and plan, for instance, sending early warning to employees in advance when an extreme weather event is about to occur, allowing employees to work remotely and flexibly, providing guidance on employees' travel and work safety in extreme weather to avoid casualties; To manage the risk of business disruption, we have established a sound emergency relief mechanism to evaluate the impact of severe weather on our operation on a regular basis. We have set up an emergency headquarter to carry out relevant prevention drills together with relevant regional rescue task forces; For environmental risks, we have strengthened the daily inspection of relevant facilities. In the event of an emergency, we will respond immediately in line with the emergency plan and carry out emergency evacuation and first aid if necessary. We will also investigate, evaluate and summarise the emergency.

Looking forward, the Company will make a steady effort to enhance its ability to manage climate change risks and opportunities and adjust coping strategies in a timely manner, so as to make preparations for risks and opportunities brought by climate change.

# Environmental, Social and Governance Report

## V. TALENT CULTIVATION AND MUTUAL DEVELOPMENT

Jacobio regards employees as the most valuable asset and strives to establish and maintain a close and strong relationship with them. We adhere to legal employment, keep optimising the talent management system and improve the talent promotion as well as development mechanism. We respect and recognize the personal values of employees by providing them with diversified compensation and benefits and well-established care policies, striving to create a healthy, comfortable, and sustainable working environment for employees and enhance their well-being.

### 1. Employment and Labour Standards

The Company strictly abide by laws and regulations such as the *Labour Law of the people's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Women's Rights and Interests*, and the *Special Provisions on Labour Protection for Female Employees*. Besides, we have established internal rules and regulations such as the *Employee Handbook* for constant regulation on recruitment and termination, compensation and benefits, development, and promotion, working hours and leave entitlements, equal opportunities, diversity, anti-discrimination, and other benefits. These internal rules and regulations, serving as institutional guidance for employees, help employees better understand the corporate culture, expectations, and requirements as well as their rights and obligations. We establish a legal employment relationship with our employees by conducting open, equal, and merit-based recruitment. With the improved standard process, we can handle employee dismissal and termination in an effective manner and protect the legitimate rights and interests of employees.

We advocate diversity and tolerance and believe that diversity can bring positive effects to us. We treat all employees equally regardless of ethnicity, race, age, gender, marital status, and religious beliefs and avoid any forms of discrimination at work. We have formulated the *Board Diversity Policy* and made it available on the Company's website. The policy clarifies that candidate competencies should be considered when conducting Board appointments. The structure, size, and diversity of the Board should be reviewed on a regular basis to ensure a transparent nomination process.

We hold a "zero-tolerance" attitude toward the child and forced labour. To reduce the risk of child labour, we define the minimum employment age in the *Employee Handbook* and the recruiter requirement, and verify the age, identity, and other relevant information of new employees. Besides, we prohibit forced labour and provide employees with reasonable working hours by fully taking into account the ability and willingness of employees. We will immediately terminate labour contracts for further investigation in the event of child labour or forced labour. Personnel involved will be held accountable based on the results of the investigation. Based on our business characteristics, we have a low risk of employing child labor or forced labor and have not experienced any violations involving child labor or forced labor.

As of December 31, 2022, the Company had 307 employees in total.

# Environmental, Social and Governance Report

**Key Performance Indicators for Employment**

| Indicator | | As of December 31, 2022 |
|---|---|---|
| Total number of employees (person) | | 307 |
| By gender (person) | Male | 118 |
| | Female | 189 |
| By employment type (person) | Full time | 307 |
| | Part-time | 0 |
| By age (person) | Aged 30 and below | 87 |
| | Aged 31 to 50 | 207 |
| | Aged 50 and above | 13 |
| By region (person) | Mainland China | 293 |
| | Hong Kong, Macao and Taiwan of China | 0 |
| | Other countries and regions | 14 |

**Key Performance Indicators for Employee Turnover Rate**

| Indicator | | As of December 31, 2022 |
|---|---|---|
| Employee turnover rate (%) | | 12.7% |
| By gender (%) | Male | 14.4% |
| | Female | 11.6% |
| By age (%) | Aged 30 and below | 6.6% |
| | Aged 31 to 50 | 14.9% |
| | Aged 50 and above | 14.8% |
| By region (%) | Mainland China | 11.5% |
| | Hong Kong, Macao, and Taiwan of China | 0.0% |
| | Other countries and regions | 34.5% |

# Environmental, Social and Governance Report

## 1.1 Employee Salary and Benefits

To optimise talent management structure and achieve the strategic goal of human resources, we have established a salary system with internal fairness and external competitiveness. We stipulate that the composition of employee compensation includes basic compensation, performance-based compensation, year-end bonus and project bonus to keep abreast of employee dynamics and needs and strengthen performance orientation.

In 2022, we made a steady effort in improving the standard and composition of compensation for a well-designed compensation system. We optimised incentive policies and introduced an "R&D Milestone Bonus" to encourage R&D employees to actively participate in scientific research and clinical projects. In addition, for the purpose of retaining talents, we provide an "Employee Long Service Award" for employees who have served the Company for more than 5 years and provide long-term incentive plans such as equity for employees who meet the requirements to retain outstanding talents.

In terms of employee welfare, we provide diverse welfare benefits and protection for our employees, including social insurance and housing fund, commercial insurance, supplementary medical insurance, annual physical examinations, birthday benefits, holiday gifts and other benefits. Realising the importance of employees' mental health, we have established the Employee Assistance Program (EAP). We invite external professional psychological counsellors to provide cocounseling courses for employees on how to cope with anxiety and other negative emotions, and work and live with a healthy state of mind.

## 1.2 Working Hours and Holidays

All job positions are implemented with standard working hours at Jacobio. We keep conforming to the attendance system to supervise employee working hours. We give employees the right to work overtime and take leave, but we encourage employees to work efficiently during working hours and arrange the work reasonably so that they can balance work and life. Except for statutory leaves, we provide paid annual leave based on employees' work experience and the length of service with the Company additionally. Moreover, we cater paid maternity leave and other related leave benefits for female employees, while male employees are entitled to paid paternity leave as well.

# Environmental, Social and Governance Report

## *1.3 Internal Communication Mechanisms*

We engage in active listening and have established connections with employees through a variety of communication channels including the internal office system, the WeChat corporate official account, face-to-face conversations, and regular department meetings. Thereby, employees may keep track of the annual work and company trends. We have also established and maintained an employee mailbox called "Our Voice" to stay informed of employees' opinions and suggestions and ensure that their demands are properly addressed.

This year, we held the "Townhall Meeting – Employee Communication Meeting" themed on "Please answer, Boss", where management answered questions collected in advance from employees. With those efforts, the connection gap between employees and management was narrowed, mutual understanding was strengthened, and a positive working environment was created. Looking ahead, we will continue employee communication meetings with new themes to promote communication between employees and the management.

# Environmental, Social and Governance Report

"Townhall Meeting – Employee Communication Meeting" held by Jacobio

## *1.4 Employee Activities*

The Company organised and encouraged employees to participate in various employee activities to enhance team cohesion, hoping to enhance team cohesion through cultural and sports activity, create a happy, healthy and harmonious working life atmosphere for employees, enrich their spare time and improve their sense of belonging and well-being. This year, we continued labour union activities, team building, and festival celebrations, and held employee commendation conferences, on which we presented awards to eligible employees, reviewed the Company's annual operation, and charted the course for the prospect of our future development with employees.

Jacobio USA team on urban exploration

# Environmental, Social and Governance Report

## 2. Health and Safety

We strive to build a healthy and safe workplace. We strictly abide by relevant laws and regulations and industry standards, including the *Work Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, the *Law of the People's Republic of China on Prevention and Treatment of Infectious Diseases*, the *Technical Specifications for Occupational Health Surveillance* and the *Regulation on Work-Related Injury Insurance*. We have formulated a series of management systems, including the *Management Manual of Production Safety*, the *Occupational Health Management Rules,* the *Hazardous Chemicals Management System*, the *Laboratory Personal Safety Protection*, the *Use and Maintenance of Instrument Equipment in Synthetic Rooms*, etc. and special emergency plans, including the *Special Plan for Fire Accidents* and the *Special Plan for Hazardous Chemicals Accidents*, which cover management of personnel, facilities and labour protection equipment, potential safety hazard investigation and other related requirements.

To implement work safety management, we have established a sound environment, health, and safety (hereinafter "EHS") management framework, set up EHS management teams and health committees in China and the United States respectively, clearly defined responsibilities of relevant management personnel and department leaders and introduced an accountability system for safe operations. At operating sites in the United States, we have introduced management systems and regulations such as the *Chemical Hygiene Plan (CHP)*, the *Emergency Action Plan (EAP)*, the *Biosafety Manual and Exposure Control Plan (BSM-ECP)* to clarify safety objectives and strengthen policies development.

In compliance with the *EHS Management Regulations in the Workplace*, we continue to carry out a series of occupational health and safety management work, including providing occupational health and safety assessments, occupational health and safety training, and improving special equipment management. We have formulated the *Management Regulations for the Identification, Evaluation, and Updating of Environmental Factors and Hazards*. We also identified potential risk areas and risk factors in the workplace by taking the initiative of "Occupational Hazards Surveillance", to eliminate and investigate hidden dangers and take remedial measures regularly and protect the occupational health and safety of employees. This year, we clarified the distribution of labour protection equipment in the *Occupational Health Management Rules that* relevant employees should be provided with necessary personal protective equipment (PPE). Employees engaged in such fields as chemical synthesis, chemical technology, and pharmacology are exposed to high occupational health risks. We keep paying attention to their health and providing them with pre-employment, in-service, and pre-departure occupational health examinations. We also have remedial measures in place to provide timely job adjustments for employees once occupational health problems were noticed.

We keep strengthening safety culture campaigns to improve employees' awareness of occupational health and safety. We organise fire drills and special emergency drills on a regular basis, provide regular training to all employees on relevant laws and regulations, production safety, fire prevention, and occupational health, and organise examinations to ensure that all employees can obtain the necessary occupational health knowledge and skills for their positions. Furthermore, we provide educational training on environment, health, and safety at the level of the company, department, and team/group for new joiners to help them have a better understanding of our safety regulations. This year, we provided laboratory employees with training on electrical safety to regulate operations for electrical safety.

# Environmental, Social and Governance Report

In 2022, we continuously adopt a regular management policy in response to the COVID-19 epidemic. We regularly conducted thorough disinfection at offices. Besides, we provided employees with masks, antigen test kits, alcohol, and other anti-pandemic materials, and informed them of the latest pandemic management policy in time to protect their health. In addition, we paid close attention to changes in the mental health status of our employees and provided them with professional psychological counselling courses to help them cope with the negative emotions caused by the pandemic and protect their health and safety.

**Key Performance Indicators for Health and Safety**

| Indicator | 2020 | 2021 | 2022 |
|---|---|---|---|
| Total number of work-related fatalities (person) | 0 | 0 | 0 |
| Rate of work-related fatalities (%) | 0 | 0 | 0 |
| Lost days due to work injury (day) | 0 | 0 | 89 |

## 3. Training and Development

We make unceasing efforts to build a platform for employees' career development to help employees enhance their professional qualities and management capabilities. Our *Employee Handbook* specifies relevant policies for employees' training and promotion. Furthermore, we provided a diversified training program to support employees' learning and development. Employees can apply for training resources in a targeted manner through various training courses organised by the Company or each department with consideration to their own demands for work and personal development. As such, employees can improve their business capability for self-improvement while achieving mutual growth with the Company.

We provide our employees with a reasonable and reliable career path to ensure that they have at least one promotion opportunity each year. In 2022, we formulated the *Promotion Management System* and other relevant policies to provide clear requirements on promotion time, requirements, and level division, further perfecting the "dual-ladder" promotion model of technical and managerial ladders. We established a performance evaluation mechanism based on employees' personal business achievement and their competency. Specifically, we conducted periodic performance appraisals and evaluations through employees' self-assessment, direct superior rating, indirect superior approval, etc. We successively introduced the "Performance Appraisal System" in all departments for consistent performance evaluation standards. Supervisors can provide valuable feedback to employees based on personal career goals of team members and employees.

# Environmental, Social and Governance Report

In terms of employee training, we uphold the concept of "providing trend-oriented training anytime anywhere". We have established and improved the employee training and development system and provided various internal and external training and career development resources for employees to encourage them to obtain relevant qualifications. For internal training, we adjusted and updated forms and content for new employees' training. and increased training frequency, thus helping new employees better understand the corporate culture and get familiar with businesses. This year, all new employees received training. Additionally, we scheduled case studies and lectures for professional and technical training in each department regularly to enhance employees' skill levels and knowledge. Furthermore, we provided employees with professional qualification training, continuing education training, external course training, and industry exchanges based on business development needs and job requirements. In 2022, we launched academic exchanges such as the "Think-Pair-Share" and "Excellent Team" Workshops to promote business exchanges between employees. These efforts built up our core competencies while helping employees to improve their personal capabilities in all aspects, resulting in the coordinated development of employees and the enterprise.

**Case:**

Since April 2022, we have invited scientists from our professional sectors to share cutting-edge academic topics related to the industry at the monthly science lecture, "Think-Pair-Share". With such internal academic exchanges, we helped employees understand industry trends and continued to improve our system for learning and sharing.

The "Think-Pair-Share" Science Lecture

# Environmental, Social and Governance Report

**Case:**

This year, we held the "Excellent Team" Workshop for front-line managers of the clinical team to establish a platform for employees to discuss, exchange and learn. This helped team managers identify key elements for team success. By closely linking the business to management practice, team managers further clarified the direction of department management and development.

The "Excellent Team" Workshop

# Environmental, Social and Governance Report

**Key Performance Indicators for Employee Training[2]**

| Indicator | | 2022 |
|---|---|---|
| Average training hours per employee (hour) | | 8.5 |
| Average training hours per employee by gender (hour) | Male | 10.0 |
| | Female | 7.5 |
| Average training hours per employee by management level (hour) | Senior management | 8.5 |
| | Middle management | 8.6 |
| | Staff | 8.4 |
| Percentage of employees trained by gender (%) | Male | 91.5% |
| | Female | 95.2% |
| Percentage of employees trained by management level (%) | Senior management | 100.0% |
| | Middle management | 95.9% |
| | Staff | 93.1% |

## VI. QUALITY MANAGEMENT AND RESPONSIBLE OPERATION

As a new pharmaceutical research and development company, Jacobio believes that product responsibility is the cornerstone of stable and sustainable development. We keep optimising our internal system process, and implement responsible operation from various aspects including strengthening quality management, protecting intellectual properties, safeguarding information and privacy of patients and building a sustainable supply chain. We are dedicated to building a responsible corporate that operates legally. While safeguarding our own rights, interests and protecting trade secrets, we insist on timely and complete information disclosure to enhance corporate transparency.

### 1. Product Responsibility

Our mission statement is to "provide compelling innovations and create a pipeline of life-changing medicines for patients worldwide". We are devoted to developing more and better medicines for patients and serving the public while focusing on "product responsibility". We strictly practice product warranty. We promote innovative research and development and strategic cooperation and expand business layout by seizing the opportunity of new pharmaceutical research and development. We also improve customer service quality and protect customer rights and interests.

[2] The statistics of employee training cover the internal training organized by the Company and the external training that employees participate in.

# Environmental, Social and Governance Report

## 1.1 Enhancing Quality Management

We strictly comply with relevant laws and regulations such as the *Pharmaceutical Administration Law of the People's Republic of China*, the *Drug Registration Administration Measures*, the *Good Clinical Practice* (GCP), the *Good Laboratory Practice* (GLP), the *Good Manufacturing Practice* (GMP), the *Good Pharmacovigilance Practice* and the *International Multicentre Clinical Trial Guidelines* (Trail). Our laboratories in the United States also comply with the provision regarding clinical research of new pharmaceutical products and protection of clinical trial subjects in the *Code of Federal Regulations* (21 CFR) issued by the Food and Drug Administration (FDA), the *Good Laboratory Practice* (GLP), as well as requirements of the European Medicines Agency (EMA)'s EU GMP for the "manufacture of sterile medicinal products". On this basis, we have developed a sound quality management system.

The Company has a dedicated quality management department responsible for quality control related to new pharmaceutical research and development. We have formulated the *Management of Clinical Trial Projects*, the *Investigational Product Management*, the *Management Procedure for Material and Sample Destruction*, the *Comparison Product Management Procedures*, the *Change Management Procedures* and other relevant standard operating procedures (SOPs), and strengthened the control of quality and safety in preliminary R&D and planning, project optimisation and clinical trial safety from three aspects including comprehensive management, technical requirements for operation, and instruments and equipment.

In 2022, we further strengthened system development by establishing policies such as the *Regulations for the Administration of Clinical Trial Drugs* and the *Regulations on the Administration of Clinical Trial Drugs* according to the *Appendix of GMP – Clinical Trial Drug (Trial)* issued by the National Medical Products Administration. In doing so, we regulated the preparation and quality requirements and supervised its production and testing process, thus ensuring the safety of trial subjects. To achieve simultaneous management of domestic and overseas operation teams, we launched the Clinical Trial Management System (CTMS), the electronic Trail Master File (eTMF) for clinical research, the median system, and other project execution management tools in support of daily project filing and recording. We also developed management systems such as the *Experimental Record Management*, the *Documentation Management Procedures,* and the *Writing of Record Books for Synthetic Experiments*, the quality management department also conducts random inspections and audits on all experimental records. The inspections and feedback are implemented in force for effective SOPs, completion of records, and the improvement of the quality system of each department to ensure the validity and traceability of the Company's experimental records and relevant documents.

This year, we enhanced the quality supervision management and implemented high-standard quality control requirements. In cooperation with qualified third parties, we carried out quality inspections and audits on material suppliers, central laboratories, contract research organisations (CROs) and other partners (hereinafter "the partners") from time to time. We also reviewed production site management, design and operation of quality system modules at workshops of third-party testing laboratories and Contract Development and Manufacturing Organisations (CDMOs).

In addition, we focus on promoting quality awareness among all employees and strive to build a professional R&D team. We incorporate quality-related training in the training matrix and provide special training on laws and regulations, clinical use requirements, quality, and safety for employees engaged in R&D and clinical research. We also participate in the industry training held by the Beijing Pharmaceutical Industry Association every year, as well as the training and publicity activities carried out by the Centre for Drug Evaluation, National Medical Products Administration. Employees are encouraged to participate in industry exchanges and learn professional knowledge, so as to help improve the overall quality management.

# Environmental, Social and Governance Report

## 1.2 Complaints, Products Tracking and Recalls

As of the end of the reporting period, the Company's products had not yet entered the stage of commercialisation and were involved in no customer complaints, but we still highly valued the establishment of a customer complaint, pharmaceutical products tracking, and product recall management system.

We have formulated complaint, pharmaceutical products tracking and product recall procedures under the requirements of relevant laws and regulations such as the *Pharmaceutical Administration Law of the People's Republic of China* and the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* by reference to the *Measures for the Administration of Drug Recall* and other relevant regulations. Besides, we have made clear provisions on the recall, treatment, recovery, and destruction of substandard medical products in policies such as the *Investigational Product Management* and the *Regulations on the Administration of Clinical Trial Drugs*. We have also formulated an emergency plan for medicine adverse responses. We define the adverse effects of medicines in advance, including severe and unexpected conditions. In the event of any severe conditions, the clinical trial centre (hospital) will immediately report the case to the Company within 24 hours in accordance with relevant laws and regulations so that patients can be treated in time, and the Pharmacovigilance Department will conduct an evaluation and review regarding these cases to further safeguard patients' safety.

In the case that a certain batch or all of the experimental products need to be recalled for safety or stability reasons, we will immediately verify the delivery records, confirm the affected trail centres, stop using the products, and coordinate recalls in a timely manner. We will also fill in product recovery records and analyse related root causes. Clinical products that have potential safety hazards or do not meet the standards will be isolated before the next treatment measures such as discarded altogether.

During the reporting period, we did not receive any customer complaints, nor there were any products recalled.

## 1.3 Protection of Intellectual Properties

Jacobio has deeply realised the far-reaching impact of scientific and technological innovation achievements on our business development and the importance of intellectual properties. We strictly comply with laws and regulations such as the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China* and the *Anti-Unfair Competition Law of the People's Republic of China*, as well as international standards such as the *America Invents Act* (AIA), the *European Patent Convention* (EPC) and the *Patent Cooperation Treaty* (PCT). We have formulated institutional documents and management measures such as the *Management Measures for In-service Invention and Creation*, the *Agreement on the Confidentiality and Ownership of Intellectual Property*, the *Inventor Transfer Agreement* and the *Agreement* on *Service Invention and Creation Reward* within the Company to effectively manage and protect patents, trademark rights, copyrights, trade secrets and other intellectual properties, raise employees' awareness of intellectual property protection and maintain our brand reputation and competitive edges.

We have established standardised intellectual property management procedures and kept focusing on regulatory changes for timely procedure adjustment so that the risk awareness of intellectual properties is fully practiced throughout the entire process of product development. We continue intellectual property information retrieval at time nodes including programme initiation, preclinical research and development, clinical trials, and new medicine approvals to protect and defend our own intellectual property while respecting the intellectual property of others. For new R&D programmes, we will initiate anti-infringement retrieval and analysis in moment of programme establishment, identify risks from time to time and submit priority patent applications in a timely manner to comprehensively protect intellectual properties for the new R&D programmes.

# Environmental, Social and Governance Report

To clarify the ownership of intellectual properties, we actively conduct risk management of intellectual property in each business segment, identify major intellectual property risks and engage specialists from the Company's Intellectual Property Department to review and confirm agreements and arrangements involving intellectual properties and data rights. In 2022, we provided e-management for the patent application process and established an online patent application process. To prevent infringements, we introduced an online review mechanism for intellectual property provisions in the contract review and other workflows. We have also prepared the *Background Check on Intellectual Property Rights for New Employees* and the *Secret Information Form for Former Employees*. During the background check on new employees, we will learn about the ownership of intellectual property rights by candidates and proactively identify the non-competition agreements entered into by candidates with other companies to reduce the risk of intellectual property litigation.

Unremitting efforts have been made in publicising intellectual property rights protection. We include commercial confidentiality, in-service invention, and intellectual property rights protection in the onboard training and department regular meetings to help our employees better understand intellectual property rights protection. We provide regular training on "commercial confidentiality and in-service invention" to employees and organise various seminars to study relevant laws and regulations, as well as practices at home and abroad. We also conduct intellectual property compliance training for all R&D personnel to enhance their awareness of intellectual property risk controls.

As of 31 December 2022, the Company had submitted more than 280 patent applications worldwide, of which 53 had been authorized by major global pharmaceutical markets. In addition, we possess 55 trademark rights.

During the reporting period, we are not aware of any intellectual property infringement that has a significant impact on the Company.

### *1.4 Standardising Advertising and Publicity and Label Management*

During the reporting period, we have not commercialised the products yet, so we did not advertise our products to the public. However, we had identified relevant requirements for pharmaceutical product advertisement in the 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*, to avoid any false advertising, marketing, or misleading content. For medicines in clinical stage, we publish objective academic data and major milestone information through our own channels such as the official website and WeChat official account, with no content on direct promotion or seductive promotion of the product involved, to ensure compliance with relevant information disclosure requirements.

Given the demands of diverse stakeholders, in 2022, we updated our official website by adding a new sector "For Patients", which aims to help patients, their families, and medical professionals learn about our clinical projects and increase transparency to the outside. In addition, we engaged a third party and established an "external public opinion monitoring system" to keep track of negative information related to us in real-time. If any false or malicious information was detected, we would negotiate with the content producer in a friendly manner and request to modify or delete the information or take legal measures against defamatory content to protect our legitimate rights and interests.

In terms of trademark management, we have formulated the *Basic Code of Conduct for Jacobio Brand* aimed at all internal employees and external partners using our brand logo, which specifies the requirements for the use and display of the brand logo so as to protect our intangible assets.

# Environmental, Social and Governance Report

## 2. Information Security and Privacy Protection

During the R&D of new medicines, information security and privacy protection of patients are our top priorities. We strictly comply with the requirements of the *Good Clinical Practice* (GCP), the *Guidelines for Electronic Data Acquisition Technology in Clinical Trials,* and other regulations. Based on the *ICH Good Clinical Practice* (ICH GCP) and other international standards, we use the reliable Electronic Data Capture System (EDC) for clinical trials to manage data in a unified manner. We enter into a confidentiality agreement related to data processing with EDC vendors and update our information security system to further enhance trial subjects' privacy protection and complete clinical trials in line with laws and regulations.

To promote information security, we follow the requirements of ISO 27001 Certification for Information Security Management System and the level two security requirements of *GB/T 22239-2019 Information Security Technology Baseline for Classified Protection of Cybersecurity* to strengthen internal information security management and have formulated documents such as the *Jacobio Information Security Management Measures*, the *Regulations on Machine Room Security Management*, and the *Jacobio's Data Backup and Recover Management*. In 2022, we further improved internal management policies, which stipulated relevant requirements on personal information protection of employees and patients in clinical trials as well as requirements on outbound data transfer. We have also designated Data Protection Officers and Data Protection Representees in domestic and overseas locations where we operate to ensure compliance of data security.

We strictly prevent any information or data leakage. In this regard, we establish Intranet and adopt encryption and firewall technologies, to monitor the entire process of information and data transfer; We set up remote automatic backup system and organise regular disaster recovery testing for various business systems to verify the availability and integrity of the backup data, preventing business interruption resulting from data loss.

We have established the AD (Active Directory) authentication system, where anyone attempting to log in to our computers, e-mail, and other systems with passwords needs to pass the authentication complies with other requirements on account management and password setting. For internal access, we have added pre-control to the Company's computers, which sets restrictions on employees' access rights by means of permission control so that employees can only have time-sensitive access to specific materials or systems by applying to relevant departments and obtaining relevant approvals. We focus on cultivating employees' awareness of information security by introducing information security-related contents during onboard training and carrying out special training on data security management in accordance with actual business needs of each department. We also conduct special audits on information security on a regular basis to improve the reliability, stability and security of our systems, and identify and eliminate potential information security risks in a timely manner.

# Environmental, Social and Governance Report

We continued to take various measures to strengthen the management of patient privacy protection:

- We entered into confidentiality agreements with all employees, related suppliers and partners involved in confidential information, and urging relevant personnel to fulfil their confidentiality obligations.

- We reinforced the publicity of information security and privacy protection and organised online and offline training on the *Good Clinical Practice (GCP)* for relevant employees to help them learn updates on relevant laws and regulations, through which they could obtain a training certificate from state-level regulatory institutions or associations.

- We included a "Privacy Protection" section to the research plan, which stipulated that "it is researchers' responsibility to protect the privacy of trial subjects, and the initiators should only have access to trail documents with the subject number". Inspectors are accessible to patients' personal information in the data kept by the hospital in accordance with the GCP, but not to take any documents with such information out of the hospital. Inspectors are required to strictly abide by relevant laws and regulations, and ensure a proper recording, handling, and preservation of clinical trial data to avoid information leakage.

- Our clinical research is reviewed by the Medical Ethics Committee and completed by the cooperative clinical trial centre (hospital), sample testing units, CROs and other partners. Partners except for clinical trial centre (hospital) do not have access to any subject's private information other than data necessary for the study. To safeguard personal privacy, we only collect necessary data for clinical research, and will desensitise the medical data.

- We require our partners to conduct clinical trials following the GCP's requirements in clinical trial subjects' privacy protection, and sign confidentiality agreements with us. We closely monitor and manage the clinical trial process thereof to effectively protect patients' privacy.

During the reporting period, we did not have any significant information leakage, theft or loss of customer and trial subject information.

## 3. Supply Chain Management

The Company believes that a stable supply chain is one of the key elements driving sustainable business development. Under the procurement principle of "Fairness, justice, and openness", we strengthen management on the compliance of suppliers and have formulated a suite of policies such as the *Supplier Management System*, the *Goods Procurement Management System,* and the *Contractor Management System*, which strictly standardise our procurement procedures and supplier access, evaluation and daily management. We are committed to establishing a stable business relationship with our suppliers in a long term to achieve win-win results and demonstrating our commitment to responsible procurement.

# Environmental, Social and Governance Report

## 3.1 Supplier Access and Selection

The Company strictly manages the whole process from supplier sourcing, access, and assessment to elimination, and regularly evaluates supplier compliance. We have established an inquiry team comprising the request department, Supplier Management Department and Risk Control and Internal Audit Department. The inquiry team groups suppliers' goods into production and R&D, fixed assets, services, intangible assets and office supplies, and conducts on-site inspection, screening, and investigation to potential suppliers with reference to background investigation and qualification audits on suppliers in terms of suppliers' production capacity, quality, service quality, honesty, and compliance operation, sustainable development performance and other factors, while considering their ability and performance in environment and society to regulate supplier access management.

To identify potential environmental and social risks of suppliers in various stages, we strictly implement the qualification examination standards to check whether the supplier has established an EHS management system and require them to submit support documents and qualification certifications. Suppliers are required to meet both procurement quality and business requirements and have no major violations or dishonest behaviours before being included in Jacobio's supplier candidate list. We need to make the best selection among suppliers with excellent comprehensive abilities after comparing prices among three similar suppliers. In case of single-source procurement for special requirements of the department or any other situation that is unable to make comparative prices among three suppliers, a justification must be specified during the approval process, after which the single-source procurements can be implemented. Under the same conditions, priority will be given to suppliers that meet national regulations on environmental protection and use environmental protection products, so as to promote the adoption of eco-friendly products or services by suppliers, such as degradable office supplies, and periodically assess and adjust the demand for such eco-friendly products or services.

In 2022, there were 228 suppliers who had passed the Company's access review.

## 3.2 Daily Supplier Management

In terms of daily management, we have established a database of qualified suppliers, which maintains the records of supplier admission, approval and other processes through the Office Automation System (OA system). We have also formulated the *Supplier Registration Ledger*, where qualified suppliers' information is updated in a timely manner. If there are major changes in the supplier's production location, key production process, quality standards and other key factors that may affect product quality, relevant departments will investigate and evaluate such changes in advance to deal with them in real time.

Based on the *Supplier Evaluation Form*, we assess and evaluate the suppliers from diverse dimensions such as quality, cost, service delivery, and delivery quality on a regular basis and help suppliers identify ESG-related risks. Suppliers are managed on a hierarchical basis based on the evaluation results, with different policies of rewards and penalties applied. For suppliers whose assessment results are average or good, we will provide feedback to them according to specific conditions, help suppliers with problems or risk points identified to make rectifications, and tap high-quality suppliers. For suppliers running against the laws and regulations, presenting material quality problems or potential safety and environmental hazards, and non-compliance with commercial ethics, we will terminate the transaction immediately and eliminate unqualified suppliers in a timely manner.

# Environmental, Social and Governance Report

We regularly conduct audits on various suppliers. In 2022, we carried out reviews on 11 suppliers through on-site or remote inspections, personnel inquiries and document inspections to strengthen risk monitoring. We also regularly organise training on safety, quality and environment protection for suppliers to promote the overall sustainable development level of the industry chain.

**Key Performance Indicators for Supply Chain Management**

| Indicator | | As of December 31, 2022 |
|---|---|---|
| By geographical region (number) | Mainland China | 1,280 |
| | Hong Kong, Macao, and Taiwan of China | 7 |
| | Other countries and regions | 122 |

## VII. KEEPING TO COMMERCIAL ETHICS, HONESTY, AND COMPLIANCE IN OPERATIONS

Jacobio strictly abides by commercial ethics in its development and stringently complies with the *Company Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of Chin*a, the *Anti-Unfair Competition Law of the People's Republic of China,* and other relevant laws and regulations. Jacobio maintains zero-tolerance against corruption or bribery, extortion, fraud, and money laundering, resolutely resists commercial corruption, aiming to promote the corporate culture featuring honesty and integrity and create a non-corrupt atmosphere to ensure compliance.

The Company requires directors and all employees to strictly comply with compliance management regulations, the details of which are specified in the *Employee Handbook*. In 2022, we continued to promote anti-corruption education by holding regular compliance training for directors and all employees, with directors participating in anti-corruption training for an average of 3.5 hours. We also cover anti-corruption content in new employee training to enhance employees' ability of acting with integrity and rejecting corruption. The Company stands firmly against corruption in the supply chain. We enter into integrity agreements with suppliers before cooperation to standardise procurement-related processes and strictly prevent any kind of commercial bribery and corruption.

The Company has established unimpeded compliance monitoring channels, including a special whistle-blower hotline and the email account "Our Voice" to receive real-name or anonymous reports. We encourage all employees, suppliers, and partners to participate in the monitoring system to co-establish a clean and honest business environment. We have also drawn up whistle-blower protection regulations to strictly protect whistle-blowers' personal information and reporting content and prohibit any kind of retaliation against whistleblowers. We will launch an investigation immediately after receiving the report, properly handle the whistle-blower's information and make timely rectifications.

During the reporting period, the Company was not engaged in any major illegal events or litigation relating to corruption, bribery, extortion, fraud, and money laundering.

# Environmental, Social and Governance Report

**Key Performance Indicators for Anti-corruption**

| Indicator | 2022 |
|---|---|
| Number of concluded legal cases regarding corrupt practices (case) | 0 |
| Number of directors participating in anti-corruption training (person) | 9 |
| Number of employees participating in anti-corruption training (person) | 307 |

## VIII. UNDERTAKING SOCIAL RESPONSIBILITIES WITH PUBLIC WELFARE ENGAGEMENT

As a good corporate citizen, we actively undertake social responsibilities and engage in social welfare activities. Committed to maintaining communication and interaction with the community, we participate in community investment activities to deeply understand and identify community needs and contribute to society.

In 2022, our focuses and practices in community investment were reflected in supporting the development of education and leading industry advancement to help cultivate talents for society. Jacobio believes that education is vital to the development of society, and hopes to leverage our strengths to contribute to education and demonstrate our commitment to undertaking social responsibilities. We join hands with the College of Life Science and Technology of Beijing University of Chemical Technology to cultivate talents in translational medicine, clinical and pharmaceutical R&D and promote medical research. In terms of giving back to the community, we actively participate in industry conferences such as those organised by the American Society of Clinical Oncology and add a “Science Plus” section in our WeChat official account, which popularizes medical science knowledge to the public, provides effective disease oncology knowledge and medical advice so as to reduce the public fear of diseases.

With the expansion of our business scale and improvement of reputation, we will take advantages of our platform and social influence to give back to society in ways that promote community development, safeguard the well-being of people, and cater to community needs. Solid efforts will be made to forge harmonious ties between the Company and society through various meaningful volunteer and public welfare activities, further contributing to social welfare.

# Environmental, Social and Governance Report

## APPENDIX: ESG REPORTING GUIDE INDEX TABLE

| Key Performance Indicators | Correspondent Chapters |
|---|---|
| **Mandatory Disclosure Requirements** | |
| Governance Structure:<br>A statement from the board containing the following elements:<br>(i) a disclosure of the board's oversight of ESG issues;<br>(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<br>(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. | Board Statement |
| A description of, or an explanation on, the application of the Reporting Principles (Materiality, Quantitative and Consistency) in the preparation of the ESG report. | About the Report |
| A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change. | About the Report |
| **"Comply or Explain" Provisions** | |
| **A. Environmental** | |
| **A1 Emissions** | |
| General Disclosure<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Reduction of Pollutant Emissions |
| KPI A1.1 The types of emissions and respective emissions data. | Environmental Key Performance Indicators |
| KPI A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity. | Environmental Key Performance Indicators |
| KPI A1.3 Total hazardous waste produced and, where appropriate, intensity | Environmental Key Performance Indicators |

# Environmental, Social and Governance Report

| Key Performance Indicators | Correspondent Chapters |
|---|---|
| KPI A1.4 Total non-hazardous waste produced and, where appropriate, intensity. | Environmental Key Performance Indicators |
| KPI A1.5 Description of emission target(s) set and step taken to achieve them | Reduction of Pollutant Emissions, Environmental Target Setting |
| KPI 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. | Reduction of Pollutant Emissions, Environmental Target Setting |
| **A2 Use of Resources** | |
| General Disclosure<br>Policies on the efficient use of resources, including energy, water and other raw materials.<br>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc. | Use of Resources |
| KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | Environmental Key Performance Indicators |
| KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Environmental Key Performance Indicators |
| KPI A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them. | Use of Resources, Environmental Target Setting |
| KPI 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. | Use of Resources, Environmental Target Setting, Environmental Key Performance Indicators |
| KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | During the reporting period, we have not yet commercialised our products, and hence no product packaging has been used |

# Environmental, Social and Governance Report

| Key Performance Indicators | Correspondent Chapters |
|---|---|
| **A3 The Environment and Natural Resources** | |
| General Disclosure | The Environment and Natural Resources |
| Policies on minimising the issuer's significant impacts on the environment and natural resources. | |
| KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | The Environment and Natural Resources |
| **A4 Climate Change** | |
| General Disclosure | Response to Climate Change |
| Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | |
| KPI 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. | Response to Climate Change |
| **B. Social** | |
| **B1 Employment and Labour Practices** | |
| General Disclosure | Employment and Labour Standards |
| Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | |
| KPI B1.1 Total workforce by gender, employment type (for example, full – or parttime), age group and geographical region. | Employment and Labour Standards |

# Environmental, Social and Governance Report

| Key Performance Indicators | Correspondent Chapters |
|---|---|
| KPI B1.2 Employee turnover rate by gender, age group and geographical region. | Employment and Labour Standards |
| **B2 Health and Safety** | Health and Safety |
| General Disclosure<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to providing a safe working environment and protecting employees from occupational hazards. | |
| KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | Health and Safety |
| KPI B2.2 Lost days due to work injury. | Health and Safety |
| KPI B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored. | Health and Safety |
| **B3 Development and Training** | |
| General Disclosure<br>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.<br>Note: Training refers to vocational training. It may include internal and external courses paid by the employer. | Training and Development |
| KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Training and Development |
| KPI B3.2 The average training hours completed per employee by gender and employee category. | Training and Development |
| **B4 Labour Standards** | |
| General Disclosure<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to preventing child and forced labour. | Employment and Labour Standards |
| KPI B4.1 Description of measures to review employment practices to avoid child and forced labour. | Employment and Labour Standards |
| KPI B4.2 Description of steps taken to eliminate such practices when discovered. | Employment and Labour Standards |

# Environmental, Social and Governance Report

| Key Performance Indicators | Correspondent Chapters |
|---|---|
| **B5 Supply Chain Management** | |
| General Disclosure<br>Policies on managing environmental and social risks of the supply chain. | Supply Chain Management |
| KPI B5.1 Number of suppliers by geographical region. | Supply Chain Management |
| KPI 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. | Supply Chain Management |
| KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Supply Chain Management |
| KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Supply Chain Management |
| **B6 Product Responsibility** | |
| General Disclosure<br><br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Standardising Advertising and Publicity and Label Management |
| KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons. | During the reporting period, we have not yet commercialised our products, and hence no products sold or shipped subject to recalls for safety and health reasons |
| KPI B6.2 Number of products and service related complaints received and how they are dealt with. | Complaints, Product Tracking and Recalls |
| KPI B6.3 Description of practices relating to observing and protecting intellectual property rights. | Protection of Intellectual Properties |
| KPI B6.4 Description of quality assurance process and recall procedures. | Enhancing Quality Management |
| KPI B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored. | Information Security and Privacy Protection |

# Environmental, Social and Governance Report

| Key Performance Indicators | Correspondent Chapters |
|---|---|
| **B7 Anti-corruption** | |
| General Disclosure<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to bribery, extortion, fraud and money laundering. | Keeping to Commercial Ethics, Honesty, and Compliance in Operations |
| KPI 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. | Keeping to Commercial Ethics, Honesty, and Compliance in Operations |
| KPI B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored. | Keeping to Commercial Ethics, Honesty, and Compliance in Operations |
| KPI B7.3 Description of anti-corruption training provided to directors and staff. | Keeping to Commercial Ethics, Honesty, and Compliance in Operations |
| **B8 Community Investment** | |
| General Disclosure<br>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. | Undertaking Social Responsibilities with Public Welfare Engagement |
| KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Undertaking Social Responsibilities with Public Welfare Engagement |
| KPI B8.2 Resources contributed (e.g. money or time) to the focus area. | Undertaking Social Responsibilities with Public Welfare Engagement |

# Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2022.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged in the in-house discovery and development of innovative oncology therapies. An analysis of the Group's revenue and operating results for the year ended December 31, 2022, by its principal activities are set out in note 5 to the consolidated financial statements of the Group on pages 150 to 151 of this annual report.

## BUSINESS REVIEW

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

## PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

# Directors' Report

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community, and achieving sustainable growth. A discussion on the Group's environmental policies and performance is set out in the Environmental, Social and Governance Report of this annual report.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2022, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

## FINANCIAL RESULTS

The results of the Group for the year ended December 31, 2022, are set out in the section headed "Management Discussion and Analysis" of this annual report and the consolidated statement of profit or loss and consolidated statement of comprehensive loss on pages 116 to 117 of this annual report.

## FINANCIAL SUMMARY

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

## DIVIDEND POLICY AND FINAL DIVIDEND

Subject to the laws of the Cayman Islands and the Articles of Association, the Company may in a general meeting declare dividends in any currency but no dividends shall exceed the amount recommended by the Board, and no dividends will be declared or payable except out of the profits and reserves of the Company lawfully available for distribution including share premium. We do not currently have an expected dividend payout ratio. The determination to pay dividends will be made at the discretion of the Board and will be based upon our cash flow, financial condition, capital requirements, and any other conditions that our Directors deem relevant.

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

## ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting ("**AGM**") of the Company is scheduled to be held on Thursday, June 8, 2023. A notice convening the AGM will be published and dispatched to the Shareholders of the Company in the manner required by the Listing Rules in due course.

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, June 5, 2023 to Thursday, June 8, 2023, both days inclusive, during which period no transfer of shares will be registered. All transfer documents of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Friday, June 2, 2023.

# Directors' Report

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2022, the Group's five largest suppliers accounted for 44.2%, as compared to 51.1% of the Group's total purchases for the year ended December 31, 2021. The Group's single largest supplier accounted for 15.3% for the year ended December 31, 2022, as compared to 13.9% of the Group's total purchases for the year ended December 31, 2021.

During the year ended December 31, 2022, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of the total issued Shares of the Company) had any interest in the Group's five largest suppliers.

During the year ended December 31, 2022, none of the Directors, their respective close associates, or any Shareholders of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, has any interest in the Group's customer.

## PROPERTY, PLANT, AND EQUIPMENT

Details of movements in property, plant, and equipment of the Group during the year ended December 31, 2022, are set out in note 14 to the consolidated financial statements.

## SHARE CAPITAL

Details of the movements in the share capital of the Group during the year ended December 31, 2022, and details of the Shares issued during the year ended December 31, 2022, are set out in note 25 to the consolidated financial statements.

## RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended December 31, 2022, are set out on page 119 in the consolidated statement of changes in equity and notes 26 and 29 to the consolidated financial statements.

## DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December 31, 2022.

## FINANCIAL STATEMENTS

The results of the Group for the year ended December 31, 2022, and the state of the Group's financial position as at that date are set out in the consolidated financial statements on page 116 to 178 of this annual report.

# Directors' Report

## DIRECTORS

The Directors during the year ended December 31, 2022 and up to the date of this annual report were:

| Name of director | Position |
|---|---|
| Dr. Yinxiang WANG | Chairman and Executive Director |
| Ms. Xiaojie WANG | Executive Director |
| Ms. Yunyan HU | Executive Director |
| Dr. Shaojing HU (resigned with effect from March 22, 2022) | Executive Director |
| Dr. Ting FENG (resigned with effect from March 22, 2022) | Non-executive Director |
| Ms. Yanmin TANG | Non-executive Director |
| Dr. Dong LYU | Non-executive Director |
| Dr. Te-li CHEN | Non-executive Director |
| Dr. Ruilin SONG | Independent Non-executive Director |
| Dr. Ge WU | Independent Non-executive Director |
| Dr. Xiaoming WU (resigned with effect from March 22, 2022) | Independent non-executive Director |
| Dr. Daqing CAI (resigned with effect from March 23, 2023) | Independent Non-executive Director |
| Dr. Bai LU (appointed with effect from March 23, 2023) | Independent Non-executive Director |

Note: Each of Dr. Shaojing HU, Dr. Ting FENG and Dr. Xiaoming WU has resigned from their positions as an executive Director, a non-executive Director and an independent non-executive Director, respectively, with effect from March 22, 2022. Such resignations are due to their intentions to pursue other personal affairs. Please refer to the relevant announcement of the Company dated March 22, 2022 for further details. Dr. Daqing CAI has resigned from their positions as an independent non-executive Director with effect from March 23, 2023. Such resignation is due to pursuit of his other personal affairs. Dr. Bai LU has appointed as an independent director with effect from March 23, 2023. Please refer to the relevant announcement of the Company dated March 22, 2023 for further details.

In accordance with Article 108(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. Accordingly, Dr. Yinxiang WANG, Ms. Xiaojie WANG and Dr. Ruilin SONG shall retire from office by rotation at the 2023 AGM and, being eligible, offer themselves for re-election. In accordance with Article 112 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Accordingly, Dr. Bai LU shall retire from office and, being eligible, offer himself for re-election at the AGM.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

# Directors' Report

## DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date which may be terminated by not less than 30 days notice in writing served by either party on the other and is subject to termination provisions therein.

The non-executive Director has signed a letter of appointment with the Company for an initial term of three years with effect from the Listing Date or until the third annual general meeting after the Listing Date (whichever date is earlier). The term of office may be terminated 30 days in advance by either party in writing.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the Listing Date or until the third annual general meeting after the Listing Date (whichever date is earlier). The term of office may be terminated 30 days in advance by either party in writing. The above appointments are always subject to the provisions of retirement and rotation of directors under the Articles of Association.

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

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2022.

## CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance was entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries, whether for the provision of services or otherwise, during the year ended December 31, 2022.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES, AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at December 31, 2022, the interests and short positions of the Directors 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:

# Directors' Report

## Interests in Shares of the Company

| Name of director | Nature of Interest | Number of Shares[1] | Approximate percentage of shareholding[2] |
|---|---|---|---|
| Dr. Yinxiang WANG ("**Dr. Wang**") | Interest in controlled corporation; interest held jointly with another person | 220,483,650[3] | 28.58%[6] |
| Ms. Xiaojie WANG ("**Ms. Wang**") | Beneficial owner; founder of a discretionary trust; interest in controlled corporation; interest held jointly with another person | 220,483,650[4] | 28.58%[6] |
| Ms. Yunyan HU ("**Ms. Hu**") | Beneficial owner; founder of a discretionary trust; interest held jointly with another person | 220,483,650[5] | 28.58%[6] |

*Notes:*

1. All interests stated are long positions.

2. The calculation is based on the total number of 771,462,180 Shares in issue as at December 31, 2022.

3. The entire share capital of each of Dr. Wang's SPV 1 and Dr. Wang's SPV 2 is directly owned by Dr. Wang and indirectly wholly owned by Dr. Wang and Ms. Zhu Shen, the spouse of Dr. Wang, respectively, and the voting rights of the Shares held by Willgenpharma Ltd which are intended to be used for employee incentive purposes are exercisable by Dr. Wang. Accordingly, Dr. Wang is deemed to be interested in such number of Shares held by Dr. Wang's SPV 1, Dr. Wang's SPV 2 and Willgenpharma Ltd. Dr. Wang is also deemed to be interested in all Shares held by Wordspharma Ltd, a company wholly-owned by Ms. Zhu Shen as Ms. Zhu Shen is the spouse of Dr. Wang. In addition, each of Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2 and Willgenpharma Ltd is also deemed to be interested in all Shares held by Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd, Honourpharma Ltd, Ms. Hu and Ms. Hu's SPV as they are parties acting in concert.

4. The share capital of Ms. Wang's SPV is indirectly owned by the XM Family Trust as to 99.5% and directly owned by Ms. Wang as to 0.5%. Ms. Wang is the settlor, the protector and the beneficiary of the XM Family Trust and therefore she is deemed to be interested in the shares held by Ms. Wang's SPV under the SFO. The voting rights of the Shares held by Gloryviewpharma Ltd which are intended to use for employee incentive purposes are exercisable by Ms. Wang. Accordingly, Ms. Wang is deemed to be interested in the Shares held by Gloryviewpharma Ltd. In addition, each of Ms. Wang, Ms. Wang's SPV and Gloryviewpharma Ltd are deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, Honourpharma Ltd, Blesspharma Ltd, Ms. Hu and Ms. Hu's SPV as they are parties acting in concert.

5. The share capital of Ms. Hu's SPV is indirectly owned by the YN Family Trust as to 99.5% and directly owned by Ms. Hu as to 0.5%. Ms. Hu is the settlor, the protector and the beneficiary of the YN Family Trust and therefore she is deemed to be interested in the shares held by Ms. Hu's SPV under the SFO. In addition, each of Ms. Hu and Ms. Hu's SPV is deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, Honourpharma Ltd, Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd and Blesspharma Ltd as they are parties acting in concert.

6. Dr. Shaojing HU has resigned from his position as an executive director of the Company with effect from March 22, 2022, and thus is not a concert party pursuant to the concert party agreement dated September 7, 2020. For details, please refer to the relevant announcement of the Company dated March 22, 2022.

# Directors' Report

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

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

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

| Name of shareholder | Nature of Interest | Number of Shares[1] | Approximate percentage of shareholding[2] |
|---|---|---|---|
| Dr. Wang's SPV 1[3] | Beneficial interest; interest held jointly with another person | 220,483,650 | 28.58% |
| Dr. Wang's SPV 2[3] | Beneficial interest; interest held jointly with another person | 220,483,650 | 28.58% |
| Willgenpharma Ltd[3] | Beneficial interest; interest held jointly with another person | 220,483,650 | 28.58% |
| Ms. Zhu Shen[4] | Interest of spouse | 220,483,650 | 28.58% |
| Ms. Wang's SPV[5] | Beneficial owner; interest held jointly with another person | 220,483,650 | 28.58% |
| Gloryviewpharma Ltd[5] | Beneficial interest; interest held jointly with another person | 220,483,650 | 28.58% |
| Blesspharma Ltd[6] | Beneficial interest; interest held jointly with another person | 220,483,650 | 28.58% |
| Mr. Ze Liu[7] | Interest of spouse | 220,483,650 | 28.58% |
| Ms. Hu's SPV[8] | Beneficial owner; interest held jointly with another person | 220,483,650 | 28.58% |
| Honourpharma Ltd [9] | Beneficial interest; interest held jointly with another person | 220,483,650 | 28.58% |
| Center Venture Holding I Limited (formerly known as BioEngine Capital Holding Limited)[10] | Beneficial interest | 87,557,000 | 11.35% |
| Center Laboratories, Inc.[10] | Interest in controlled corporation | 87,557,000 | 11.35% |
| LAV Coda Limited[11] | Beneficial interest | 43,134,075 | 5.46% |
| LAV Biosciences Fund IV, L.P.[11] | Interest in controlled corporation | 43,134,075 | 5.46% |
| LAV GP IV, L.P.[11] | Interest in controlled corporation | 43,134,075 | 5.46% |
| LAV Corporate IV GP, Ltd.[11] | Interest in controlled corporation | 43,134,075 | 5.46% |
| Mr. Yi Shi[11] | Interest in controlled corporation | 51,282,225 | 6.65% |
| Qiming Venture Partners VI, L.P.[12] | Beneficial interest | 48,305,740 | 6.26% |
| Qiming Corporate GP V, Ltd[12] | Interest in controlled corporation | 32,222,000 | 4.18% |
| Qiming Corporate GP VI, Ltd[12] | Interest in controlled corporation | 49,605,555 | 6.43% |

# Directors' Report

| Name of shareholder | Nature of Interest | Number of Shares[1] | Approximate percentage of shareholding[2] |
|---|---|---|---|
| HH SPR-III Holdings Limited[13] | Beneficial interest | 56,861,110 | 7.37% |
| Hillhouse Capital Management Ltd.[13] | Interest in controlled corporation | 56,861,110 | 7.37% |
| VISTRA TRUST (SINGAPORE) PTE. LIMITED[14] | Trustee; interest held jointly with another person | 220,483,650 | 28.58% |
| Silver Summit Group Limited[15] | Interest in controlled corporation; interest held jointly with another person | 220,483,650 | 28.58% |
| Ultimate Estate Limited[15] | Interest in controlled corporation; interest held jointly with another person | 220,483,650 | 28.58% |
| Easy Sonic International Limited[16] | Interest in controlled corporation; interest held jointly with another person | 220,483,650 | 28.58% |
| Treasure Partner International Limited[16] | Interest in controlled corporation; interest held jointly with another person | 220,483,650 | 28.58% |

*Note:*

1. All interests stated are long positions.

2. The calculation is based on the total number of 771,462,180 Shares in issue as at December 31, 2022.

3. The entire share capital of each of Dr. Wang's SPV 1 and Dr. Wang's SPV 2 is directly owned by Dr. Wang and indirectly wholly owned by Dr. Wang and Ms. Zhu Shen, the spouse of Dr. Wang, respectively, and the voting rights of the Shares held by Willgenpharma Ltd which are intended to be used for employee incentive purposes are exercisable by Dr. Wang. Accordingly, Dr. Wang is deemed to be interested in such number of Shares held by Dr. Wang's SPV 1, Dr. Wang's SPV 2 and Willgenpharma Ltd. Dr. Wang is also deemed to be interested in all Shares held by Wordspharma Ltd, a company wholly-owned by Ms. Zhu Shen as Ms. Zhu Shen is the spouse of Dr. Wang. In addition, each of Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2 and Willgenpharma Ltd is also deemed to be interested in all Shares held by Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd, Honourpharma Ltd, Ms. Hu and Ms. Hu's SPV as they are parties acting in concert.

4. The entire share capital of Wordspharma Ltd is wholly owned by Ms. Zhu Shen. Accordingly, Ms. Zhu Shen is deemed to be interested in such number of Shares held by Wordspharma Ltd. In addition, Ms. Zhu Shen is the spouse of Dr. Wang. Accordingly, Ms. Zhe Shen is also deemed to be interested in the Shares in which Dr. Wang is interested.

5. The share capital of Ms. Wang's SPV is indirectly owned by the XM Family Trust as to 99.5% and directly owned by Ms. Wang as to 0.5%. Ms. Wang is the settlor, the protector and the beneficiary of the XM Family Trust and therefore she is deemed to be interested in the shares held by Ms. Wang's SPV under the SFO. The voting rights of the Shares held by Gloryviewpharma Ltd which are intended to use for employee incentive purposes are exercisable by Ms. Wang. Accordingly, Ms. Wang is deemed to be interested in the Shares held by Gloryviewpharma Ltd. In addition, each of Ms. Wang, Ms. Wang's SPV and Gloryviewpharma Ltd are deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, Honourpharma Ltd, Blesspharma Ltd, Ms. Hu and Ms. Hu's SPV as they are parties acting in concert.

6. The entire share capital of Blesspharma Ltd is wholly owned by Blesspharma Trust. Ms. Wang and Ms. Hu are the administrators of Blesspharma Trust and are able to exercise the voting rights of the Shares held by Blesspharma Ltd, therefore they are deemed to be interested in the Shares held by Blesspharma Ltd under the SFO. In addition, Blesspharma Ltd is deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, Honourpharma Ltd, Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Ms. Hu and Hmed Ltd as they are parties acting in concert.

7. Mr. Ze Liu is the spouse of Ms. Wang. Accordingly, Mr. Ze Liu is deemed to be interested in the Shares in which Ms. Wang is interested.

# Directors' Report

8. The share capital of Ms. Hu's SPV is indirectly owned by the YN Family Trust as to 99.5% and directly owned by Ms. Hu as to 0.5%. Ms. Hu is the settlor, the protector and the beneficiary of the YN Family Trust and therefore she is deemed to be interested in the shares held by Ms. Hu's SPV under the SFO. In addition, each of Ms. Hu and Ms. Hu's SPV is deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, Honourpharma Ltd, Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd and Blesspharma Ltd as they are parties acting in concert.

9. The entire share capital of Honourpharma Ltd is directly owned by Dr. Wang. As the actual grantor under the Plan, the voting rights of the Shares held by Honourpharma Ltd are held by Ms. Wang and Ms. Hu. Accordingly, Ms. Wang and Ms. Hu are deemed to be interested in such number of Shares held by Honourpharma Ltd under the SFO. In addition, Honourpharma Ltd is deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, Blesspharma Ltd, Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Ms. Hu and Ms. Hu's SPV as they are parties acting in concert.

10. Pursuant to an internal reorganization of Center Laboratories, Inc., BioEngine Capital Inc. was merged by absorption into Center Laboratories, Inc. with effect from July 8, 2022, upon which BioEngine Capital Inc.'s assets (including its 100% shareholding in BioEngine Capital Holding Limited) were assumed by Center Laboratories, Inc. BioEngine Capital Inc. was dissolved with effect from August 2, 2022. BioEngine Capital Holding Limited was renamed Center Venture Holding I Limited with effect from August 22, 2022. To the best of our Director's knowledge, Center Venture Holding I Limited (formerly known as BioEngine Capital Holding Limited) is a directly wholly owned subsidiary of Center Laboratories, Inc. Accordingly, Center Laboratories, Inc. is deemed to be interested in the Shares in Center Venture Holding I Limited is interested. In addition, since Center Laboratories, Inc. is interested in 33.23% of the interests in Fangyuan, Center Laboratories, Inc. is also deemed to be interested in the Shares held by Fangyuan Growth SPC – PCJ Healthcare Fund SP.

11. To the best of our Director's knowledge, LAV Coda Limited is wholly owned by LAV Biosciences Fund IV, L.P., a Cayman exempted limited partnership fund. The general partner of LAV Biosciences Fund IV, L.P. is LAV GP IV, L.P., whose general partner is LAV Corporate IV GP, Ltd., a Cayman company owned by Mr. Yi Shi. Therefore, under the SFO, each of LAV Biosciences Fund IV, L.P., LAV GP IV, L.P., LAV Corporate IV GP, Ltd. and Mr. Yi Shi is deemed to be interested in the Shares held by LAV Coda Limited.

    To the best of our Director's knowledge, the general partner of LAV Biosciences Fund V, L.P. is LAV GP V, L.P., whose general partner is LAV Corporate V GP, Ltd., a Cayman company owned by Mr. Yi Shi as well. Therefore, under the SFO, each of LAV Biosciences Fund V, L.P., LAV GP V, L.P., LAV Corporate V GP, Ltd. and Mr. Yi Shi is deemed to be interested in the Shares held by LAV Biosciences Fund V, L.P.

    Therefore, Mr. Yi Shi is deemed to be interested in the Shares held by both LAV Coda Limited and LAV Biosciences Fund V, L.P.

12. To the best of our Director's knowledge, Qiming Corporate GP V, Ltd is the general partner of Qiming Managing Directors Fund V,L.P. and the ultimate general partner of Qiming Venture Partners V, L.P. Qiming Corporate GP VI, Ltd is the general partner of Qiming Managing Directors Fund VI, L.P. and the ultimate general partner of Qiming Venture Partners VI, L.P. Accordingly, Qiming Corporate GP V, Ltd is deemed to be interested in the Shares held by Qiming Managing Directors Fund V, L.P. and Qiming Venture Partners V, L.P., whereas Qiming Corporate GP VI,Ltd is deemed to be interested in the Shares held by Qiming Managing Directors Fund VI, L.P. and Qiming Venture Partners VI, L.P.

    Separately, the voting and investment power of the Shares owned by Qiming Managing Directors Fund V, L.P., Qiming Venture Partners V, L.P., Qiming Managing Directors Fund VI, L.P. and Qiming Venture Partners VI, L.P. are exercised by Mr. Duane Kuang, Mr. Gary Rieschel and Ms. Nisa Bernice Leung, each of whom owns 33.33% of Qiming Corporate GP V, Ltd and Qiming Corporate GP VI, Ltd respectively. Accordingly, each of Mr. Duane Kuang, Mr. Gary Rieschel and Ms. Nisa Bernice Leung is deemed to be interested in the Shares in which Qiming Managing Directors Fund V, L.P., Qiming Venture Partners V, L.P., Qiming Managing Directors Fund VI, L.P. and Qiming Venture Partners VI, L.P. are interested.

13. To the best of our Director's knowledge, Hillhouse Investment Management, Ltd. acts as the sole management company of Hillhouse Fund IV, L.P., which owns HH SPR-III Holdings Limited. Therefore, Hillhouse Investment Management, Ltd. is deemed to be interested in the Shares held by HH SPR-III Holdings Limited.

# Directors' Report

14. Dr. Wang, Willgenpharma Ltd, Yakovpharma Ltd, Johwpharma Ltd, Honourpharma Ltd, Ms. Hu, Hmed Ltd, Wordspharma Ltd, Wordspharma Ltd, Blesspharma Ltd, Gloryviewpharma Ltd and Ms. Wang are concert parties, each is deemed to be interested in aggregate interests of 220,483,650 shares, including the shares owned by Wordspharma Ltd, which is wholly owned by Ms. Zhu Shen, Dr. Wang's wife. Therefore, Vistra Trust (Singapore) Pte. Limited is deemed to be interested in 220,483,650 shares.

15. Dr. Wang, Willgenpharma Ltd, Yakovpharma Ltd, Johwpharma Ltd, Honourpharma Ltd, Ms. Hu, Hmed Ltd, Wordspharma Ltd, Blesspharma Ltd, Gloryviewpharma Ltd and Ms. Wang are concert parties, each is deemed to be interested in aggregate interests of 220,483,650 Shares, including the Shares owned by Wordspharma Ltd, which is wholly owned by Ms. Zhu Shen, Dr. Wang's wife. Besides, 32,932,500 shares were directly held by Risepharma Ltd which is directly owned by Ultimate Estate Limited as to 99.5% and which in turn is wholly owned by Silver Summit Group Limited. Accordingly, Ultimate Estate Limited and Silver Summit Group Limited are deemed to be interested in the Shares and Ultimate Estate Limited and Silver Summit Group Limited are deemed to be interested in 220,483,650 shares.

16. Dr. Wang, Willgenpharma Ltd, Yakovpharma Ltd, Johwpharma Ltd, Honourpharma Ltd, Ms. Hu, Risepharma Ltd, Wordspharma Ltd, Blesspharma Ltd, Gloryviewpharma Ltd and Ms. Wang are concert parties, each is deemed to be interested in aggregate interests of 220,483,650 Shares, including the Shares owned by Wordspharma Ltd, which is wholly owned by Ms. Zhu Shen, Dr. Wang's wife. Besides, 23,081,095 shares were directly held by Hmed Ltd which is directly owned by Treasure Partner International Limited as to 99.5% and which in turn is wholly owned by Easy Sonic International Limited. Accordingly, Treasure Partner International Limited and Easy Sonic International Limited are deemed to be interested in the Shares and Treasure Partner International Limited and Easy Sonic International Limited are deemed to be interested in 220,483,650 shares.

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

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended December 31, 2022 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.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2022, none of our Directors had any interest in a business, apart from the business of our Group, which competed or was likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

## CONNECTED TRANSACTIONS

During the year ended December 31, 2022, the Group did not enter into any connected transactions and continuing connected transactions which required reporting, annual review, announcements and/or independent shareholders' approval under Chapter 14A of the Listing Rules. Details of related party transactions of the Group for the year ended December 31, 2022 are set out in note 31 to the consolidated financial statements. None of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent shareholders' approval, annual review, and disclosure requirements under Chapter 14A of the Listing Rules.

# Directors' Report

## PRE-EMPTIVE RIGHTS

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

## DISTRIBUTABLE RESERVES

As of December 31, 2022, the Company did not retain any profits under IFRSs as reserves available for distribution to our equity shareholders.

## DONATION

During the year ended December 31, 2022, the Group did not make charitable donations (December 31, 2021: RMB50,000).

## TAX RELIEF AND EXEMPTION

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

## BANK BORROWINGS AND OTHER BORROWINGS

As at December 31, 2022, the Company did not have any bank borrowings or other borrowings.

## PUBLIC FLOAT

According to information that is publicly available to the Company and within the knowledge of the Board, the Company has maintained the public float as required under the Listing Rules during the year ended December 31, 2022 and up to the date of this annual report.

## CORPORATE GOVERNANCE

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

## SUBSIDIARIES

Particulars of the Company's subsidiaries as at December 31, 2022, are set out in note 33 to the consolidated financial statements.

## PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages, and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force for the year ended December 31, 2022. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

# Directors' Report

## EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group or existed during the year ended December 31, 2022.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year ended December 31, 2022.

## PURCHASE, SALE OR 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 during the year ended December 31, 2022.

## MATERIAL LITIGATION

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

## STOCK INCENTIVE PLAN

The Company has adopted the Plan on August 31, 2021. The purposes of the Plan are to attract and retain the best available personnel, to provide additional incentives to Employees and to promote the success of the Company's business.

A summary of the principal terms of the Plan is set out below:

### Eligible participants

Persons eligible to receive Awards under the Plan are Employees, who is in the employ of the Company or any Related Entity and is manager level or above, or considered essential for the Company's development by the Company's management team, subject to the control and direction of the Company or any Related Entity as to both the work to be performed and the manner and method of performance.

### Administration

With respect to grants of Awards to Employees, the Plan shall be administered by the administrator, namely Ms. Xiaojie WANG and Ms. Yunyan HU, directors of the Company, or a person designated by Ms. Xiaojie WANG and Ms. Yunyan HU (the "**Administrator**").

### Maximum number of shares

The Administrator may instruct the Actual Grantor, at any time as they deem appropriate, to purchase Shares on the open market utilizing consideration received in relation to the grant of Awards. Subject to the adjustments upon changes in capitalization, the maximum aggregate number of Shares which may be issued pursuant to all Awards is (i) 10,000,000 Shares; plus (ii) Shares purchased on the open market from time to time. The Shares to be issued pursuant to Awards may be authorized, but unissued Ordinary Shares, and Shares purchased on the open market.

# Directors' Report

### Life

The Plan shall continue in effect until the tenth (10th) anniversary of its adoption date.

### Award purchase price

The purchase price, if any, for an Award shall be determined by the Administrator.

### Consideration

Subject to applicable laws, the consideration to be paid for the Shares to be issued upon purchase of an Award including the method of payment, shall be determined by the Administrator. In addition to any other types of consideration the Administrator may determine, the Administrator is authorized to accept as consideration for Shares issued the payment methods as provided in the Award Agreement. The Administrator may at any time or from time to time, by adoption of or by amendment to the standard forms of Award Agreement or by other means, grant Awards which do not permit all of the foregoing forms of consideration to be used in payment for the Shares or which otherwise restrict one or more forms of consideration.

For details of the Plan, please refer to the announcements of the Company dated August 31, 2021 and October 8, 2021.

During the year ended December 31, 2022, 5,230,000 restricted shares were granted to the eligible participants for no consideration under the Plan. Such restricted shares shall vest during the period from 2023 to 2026 if certain service conditions and non-market performance conditions are met. The total number of Shares available for grant under the Plan was 4,770,000 Shares, representing approximately 0.6% of the issued share capital of the Company as at the date of the annual report.

# Directors' Report

Save as disclosed above, the Company did not have any new adopted stock incentive plan for the year ended December 31, 2022. Details of stock incentive plans adopted in previous years, are set out in note 27 to the consolidated financial statements.

## MATERIAL CONTRACTS AND EXECUTION

The Company, through its indirect wholly-owned subsidiary, Beijing Jacobio as the tenant, entered into a lease agreement on October 19, 2021 and subsequently entered into two supplementary agreements on August 31, 2022 and November 18, 2022, respectively, with Yizhuang Shengyuan as the landlord in relation to the lease of the Premises (as defined below) (the "**Lease**").

The premises includes two partial areas of Building No. 1 and Building No. 8 with an aggregate rentable area of approximately 22,424.18 sq.m, at No. 105, Jing Hai San Road, Beijing Economic and Technological Development Zone, Beijing, the PRC (the "**Premises**"). The Premises will provide the Group with supplemental office area, laboratory area and inhouse GMP-compliant manufacturing facilities to expand the Group's manufacturing capabilities.

Save as disclosed above, during the Reporting Period, the Group did not have any material custody, contracting or lease arrangements, nor were there such arrangements carried forward to the Reporting Period from the previous period.

# Directors' Report

## USE OF PROCEEDS FROM GLOBAL OFFERING

### Use of Proceeds during the Reporting Period

Our Company's Shares were listed on the Main Board of the Stock Exchange on the Listing Date. Our Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from its Global Offering of approximately HK$1,421.8 million, equivalent to RMB1,183.1 million, including shares issued as a result of the partial exercise of the over-allotment option (the "**Net Proceeds**"). All unutilized Net Proceeds as at December 31, 2022 are expected to be utilized by the end of 2025.

As at December 31, 2022, approximately RMB276.1 million of the Net Proceeds of the Global Offering had been utilized as follows:

| | Percentage of Net Proceeds | Allocation of Net Proceeds *RMB million* | Utilized Net Proceeds in 2020 *RMB million* | Unutilized Net Proceeds as at December 31, 2020 *RMB million* | Utilized Net Proceeds in 2021 *RMB million* | Unutilized Net Proceeds as at December 31, 2021 *RMB million* | Utilized Net Proceeds in 2022 *RMB million* | Unutilized Net Proceeds as at December 31, 2022 *RMB million* |
|---|---|---|---|---|---|---|---|---|
| Fund registrational clinical trials and preparation for registration filings of JAB-3068 in the Territory | 25% | 300.6 | – | 300.6 | – | 300.6 | – | 300.6 |
| Fund the clinical trials of JAB-3312 in combination with JAB-21822 and registrational clinical trials and preparation for registration filings of JAB-3312 in the Territory | 18% | 213.0 | – | 213.0 | – | 213.0 | 19.4 | 193.6 |
| Fund the set-up of our sales and marketing team and commercialization activities of 1) JAB-3068 and JAB-3312 in the Territory and 2) JAB-21822 in China | 4% | 47.3 | – | 47.3 | – | 47.3 | – | 47.3 |
| Fund ongoing and planned clinical trials of JAB-8263 | 10% | 118.3 | – | 118.3 | 31.5 | 86.8 | 23.9 | 62.9 |
| Fund clinical development of JAB-21822, including registrational clinical trials and preparation for NDA | 22% | 254.6 | – | 254.6 | 93.8 | 160.8 | 158.9 | 1.9 |
| For the ongoing and planned early-stage drug discovery and development, including pre-clinical and clinical development of our other pipeline assets, discovery and development of new drug candidates | 9% | 107.3 | – | 107.3 | 47.3 | 60.0 | 60.0 | – |
| Fund the planned decoration of our R&D center and construction of our inhouse GMP-compliant manufacturing facility | 8% | 94.6 | – | 94.6 | 0.6 | 94.0 | 13.9 | 80.1 |
| For working capital and general corporate purposes | 4% | 47.4 | – | 47.4 | 47.4 | 0.0 | 0.0 | 0.0 |
| **Total** | **100%** | **1,183.1** | **–** | **1,183.1** | **220.6** | **962.5** | **276.1** | **686.4** |

# Directors' Report

## Change in Use of Proceeds from the Global Offering

As at the date of March 22, 2023, our Company has not yet utilized the Net Proceeds of approximately RMB659.8 million (the "**Unutilized Net Proceeds**"). The Board, having considered the reasons set out in "Reasons for the Change in Use of Proceeds" below, resolved to change in use of the Unutilized Net Proceeds. The change and the revised allocation of the Net Proceeds and Unutilized Net Proceeds are set out in the table below.

| | Original use of Net Proceeds *RMB million* | Original percentage of Net Proceeds | Amounts of Unutilized Net Proceeds as at March 22, 2023 *RMB million* | Changed use of Proceeds | Revised allocation of Net Proceeds *RMB million* | Percentage of Net Proceeds (after the proposed change) | Revised amounts of Unutilized Net Proceeds as at March 22, 2023 *RMB million* |
|---|---|---|---|---|---|---|---|
| Fund registrational clinical trials and preparation for registration filings of JAB-3068 in the Territory | 300.6 | 25% | 300.6 | – | – | – | – |
| Fund the clinical trials of JAB-3312 in combination with JAB-21822 and registrational clinical trials and preparation for registration filings of JAB-3312 in the Territory | 213.0 | 18% | 190.8 | Same as original | 213.0 | 18% | 190.8 |
| Fund the set-up of our sales and marketing team and commercialization activities of 1) JAB-3068 and JAB-3312 in the Territory and 2) JAB-21822 in China | 47.3 | 4% | 47.3 | Same as original | 47.3 | 4% | 47.3 |
| Fund ongoing and planned clinical trials of JAB-8263 | 118.3 | 10% | 61.3 | Same as original | 118.3 | 10% | 61.3 |
| Fund clinical development of JAB-21822, including registrational clinical trials and preparation for NDA | 254.6 | 22% | – | Same as original | 454.6 | 38% | 200.0 |
| For the ongoing and planned early-stage drug discovery and development, including pre-clinical and clinical development of our other pipeline assets, discovery and development of new drug candidates | 107.3 | 9% | – | Same as original | 207.9 | 18% | 100.6 |
| Fund the planned decoration of our R&D center and construction of our inhouse GMP-compliant manufacturing facility | 94.6 | 8% | 59.8 | Same as original | 94.6 | 8% | 59.8 |
| For working capital and general corporate purposes | 47.4 | 4% | – | Same as original | 47.4 | 4% | – |
| **Total** | **1,183.1** | **100%** | **659.8** | | **1,183.1** | **100%** | **659.8** |

# Directors' Report

### Reasons for the Change in Use of Proceeds

The reasons for the above changes in the proposed applications of the Net Proceeds and reallocation of the unutilized amount of the Net Proceeds are as follows:

a) Our 2022 interim report stipulates that approximately RMB300.6 million of the Net Proceeds is originally intended to be used for funding registrational clinical trials and preparation for registration filings of JAB-3068 in the Territory. Pursuant to the collaboration agreement with AbbVie, we will perform pre-clinical and early global clinical development activities on SHP2 Products and manufacture (or have manufactured) SHP2 Products for use in clinical studies, in accordance with a development plan and budget. AbbVie would reimburse our costs and expenses incurred from and after July 31, 2022 which do not exceed 105% of the then-current development budget, and we would bear any costs and expenses in excess of the 105% threshold, subject to certain exceptions. Based on the current progress of JAB-3068 and the foremost development of Glecirasib, the Board is of the view that the removal of the proportion of the Net Proceeds to fund registrational clinical trials and preparation for registration filings of JAB-3068 in the Territory and the increase of the proportion of the Net Proceeds to fund clinical development of Glecirasib and other ongoing and planned early-stage drug discovery and development is beneficial to the whole R&D progress of our Group.

b) The proportion of the Net Proceeds to be used in the clinical development of Glecirasib has been raised from RMB254.6 million to RMB454.6 million, primarily for the purpose of investing in registrational clinical trials and preparation for NDA submission. Please refer to "Management Discussion and Analysis – Business Review" above for the development progress of Glecirasib.

c) The proportion of the Net Proceeds to be used for the ongoing and planned early-stage drug discovery and development has been raised from RMB107.3 million to RMB207.3 million, primarily for the purpose of drug discovery and development of JAB-23400, JAB-30300, JAB-26766 and our iADC programs. Please refer to "Management Discussion and Analysis – Business Review" above for the development progress of JAB-23400, JAB-30300, JAB-26766 and our iADC programs.

The Board has considered that the development direction of our Company is still in line with the disclosures in the Prospectus in spite of the change in use of the unutilized Proceeds as stated above. The Board confirms that there is no material change in the business nature of our Group as set out in the Prospectus, and considers that the change in the use of the net proceeds is fair and reasonable as this would allow the Group to deploy its financial resources more effectively to enhance the R&D capacity and pipeline of our Group, and is therefore in the best interest of our Company and the Shareholders as a whole.

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

# Directors' Report

## IMPORTANT EVENTS AFTER THE REPORTING PERIOD

### Vendor Placing and the Subscription

On February 10, 2023, the Company, Yakovpharma Ltd. (the "**Top-up Vendor**", a limited liability company incorporated in the British Virgin Islands and wholly-owned by Dr. Wang) and Goldman Sachs (Asia) L.L.C. (the "**Placing Agent**") entered into the placing and subscription agreement, pursuant to which, (i) the Top-up Vendor agreed to sell, and the Placing Agent agreed, as agent of the Top-up Vendor, to procure purchasers (on a best effort basis) to purchase, 22,100,100 Shares (the "**Placing Share(s)**") held by the Top-up Vendor (the "**Vendor Placing**") at a price of HK$7.26 per Placing Share (the "**Placing Price**"); and (ii) the Company conditionally agreed to issue to the Top-up Vendor and the Top-up Vendor conditionally agreed to subscribe for 22,100,100 Shares (the "**Subscription Shares**") at the subscription price, which is equivalent to the Placing Price (the "**Subscription**").

All the conditions of the Vendor Placing and the Subscription have been fulfilled, and the completion of the Vendor Placing and the Subscription took place on February 14, 2023 and February 17, 2023, respectively. The Subscription Shares represent approximately 2.78% of the issued share capital of the Company as enlarged by the Subscription as of February 17, 2023.

The Company received total net proceeds of approximately HK$158.9 million from the Subscription. The Company intends to apply (i) approximately 35% of the net proceeds to advance the clinical trials of Glecirasib (including confirmatory clinical trials); and (ii) approximately 65% of the net proceeds to advance the research and development of its pre-clinical pipeline products, including the development of programs such as JAB-23400 ($KRAS^{multi}$ inhibitor) and its iADC platform. For details of the Vendor Placing and the Subscription, please refer to the Company's announcements dated February 10, 2023 and February 17, 2023, respectively.

### Variation of Terms to Purchase of Series A Shares in Hebecell

On August 31, 2021, the Company, among Other Investors entered into the share purchase agreement with Hebecell (the "**Share Purchase Agreement**"), pursuant to which the Company has agreed to purchase and subscribe for, and Hebecell has agreed to allot and issue, 1,321,257 Series A Shares, which represents approximately 19.74% of the issued share capital of Hebecell on a fully-diluted and as-converted basis upon completion of the third closing of the Share Purchase Agreement, at the total consideration of US$25,000,000.

On March 10, 2023, the first closing of the Share Purchase Agreement was completed and a total of 401,660 Series A Shares have been allotted and issued to the Company, the Connected Co-investors and Other Investors. Accordingly, Hebecell is owned by the Company as to 3.28%, the Connected Co-investors as to 2.23% and Other Investors as to 4.46% on a fully-diluted and as-converted basis as of March 10, 2023.

On March 10, 2023, the parties to the Share Purchase Agreement entered into the supplemental agreement (the "**Supplemental Agreement**") to amend and supplement certain terms of the Share Purchase Agreement and the shareholders agreement after amicable discussion. Pursuant to the Supplemental Agreement, the parties have agreed not to proceed with the second closing and the third closing of the Share Purchase Agreement.

For more details, please refer to the Company's announcements dated August 31, 2021 and March 10, 2023, respectively (the "**Announcements**"). Unless otherwise defined herein, capitalized terms used in this annual report shall have the same meaning as those defined in the Announcements.

# Directors' Report

Save as disclosed in this annual report, no important events affecting the Company occurred since the reporting period and up to the date of this annual report.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

## AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2022, have been audited by PricewaterhouseCoopers, who will retire at the 2023 AGM. PricewaterhouseCoopers, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhourseCoopers as the auditor of the Company will be proposed at the 2023 AGM. There was no change in the auditor of the Company in the preceding three years.

By order of the Board
**JACOBIO PHARMACEUTICALS GROUP CO., LTD.**

**Yinxiang WANG**
*Chairman*

Hong Kong, March 22, 2023

# Independent Auditor's Report

**To the shareholders of JACOBIO PHARMACEUTICALS GROUP CO., LTD.**
(incorporated in the Cayman Islands with limited liability)

## OPINION

### What we have audited

The consolidated financial statements of JACOBIO PHARMACEUTICALS GROUP CO., LTD. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 116 to 178, comprise:

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

### Our opinion

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

## BASIS FOR OPINION

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

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

### Independence

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

# Independent Auditor's Report

## 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.

The key audit matter identified in our audit is revenue recognition.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| *Revenue recognition* | |
| Refer to Notes 2.18, 4(a) and 5 to the consolidated financial statements.<br><br>The Group recognised revenue totalled RMB95,746,000 for the year ended 31 December 2022 in relation to a license and collaboration agreement entered by the Group with a customer (the "Agreement"). Under the terms of the Agreement, the Group agreed to grant licenses of certain intellectual properties and to provide research and development services in relation to certain licensed products to the customer. The considerations of the Agreement consist of non-refundable upfront payment, reimbursements for research and development costs incurred, and variable considerations including milestone payments and royalties on net sales of the licensed products.<br><br>Revenue was recognised when control of goods or services was transferred to the customer at an amount that reflected the consideration to which the Group expected to be entitled in exchange for those goods or services.<br><br>As part of the accounting for the revenue from the customer, the Group's management used significant judgements to identify the number of performance obligations included in the Agreement, and to assess whether a variable consideration should be included in the transaction price. | In addressing this matter, we had performed the following procedures:<br><br>• We understood, evaluated and tested the management's key internal controls and assessment process over revenue recognition.<br><br>• We assessed the reasonableness of management's judgement on the identification of performance obligations based on the contractual terms of the Agreement and our knowledge of the business.<br><br>• We assessed the reasonableness of management's judgement on whether milestone events for the variable consideration were considered to be highly probable of being achieved based on the contractual terms of the Agreement, external approval documents, and activities performed by the Group.<br><br>• We tested, on a sample basis, the revenue transactions by examining the supporting documents, including the Agreement, cash receipt slips, external approval documents, the underlying invoices and contracts with suppliers.<br><br>Based on the above procedures performed, we found the revenue recognised was supported by the evidences we obtained. |

# Independent Auditor's Report

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

# Independent Auditor's Report

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yuen Kwok Sun.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 22 March 2023

# Consolidated Statement of Profit or Loss

| | Note | Year ended 31 December 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| Revenue | 5 | **95,746** | 152,809 |
| Cost of revenue | 6 | **(83,112)** | (139,979) |
| **Gross profit** | | **12,634** | 12,830 |
| Research and development expenses | 6 | **(445,647)** | (280,838) |
| Administrative expenses | 6 | **(42,551)** | (44,578) |
| Other income | 8 | **1,854** | 10,997 |
| Other gains/(losses) – net | 9 | **79,509** | (17,795) |
| **Operating loss** | | **(394,201)** | (319,384) |
| Finance income | 10 | **24,610** | 18,765 |
| Finance expenses | 10 | **(2,270)** | (568) |
| Finance income – net | 10 | **22,340** | 18,197 |
| **Loss before income tax** | | **(371,861)** | (301,187) |
| Income tax expense | 11 | **–** | – |
| **Loss for the year** | | **(371,861)** | (301,187) |
| **Loss is attributable to:** | | | |
| Owners of the Company | | **(371,861)** | (301,187) |
| Non-controlling interests | | **–** | – |
| | | **(371,861)** | (301,187) |
| **Loss per share attributable to owners of the Company:** | | | |
| – Basic and diluted (in RMB per share) | 12 | **(0.49)** | (0.40) |

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

# Consolidated Statement of Comprehensive Loss

| | Note | Year ended 31 December 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Loss for the year** | | **(371,861)** | (301,187) |
| **Other comprehensive loss:** | | | |
| *Items that may be reclassified to profit or loss:* | | | |
| Exchange differences on translation of foreign operations | | **304** | (205) |
| **Other comprehensive loss for the year, net of tax** | | **304** | (205) |
| **Total comprehensive loss for the year** | | **(371,557)** | (301,392) |
| **Total comprehensive loss is attributable to:** | | | |
| Owners of the Company | | **(371,557)** | (301,392) |
| Non-controlling interests | | **–** | – |
| | | **(371,557)** | (301,392) |

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

# Consolidated Balance Sheet

| | Note | As at 31 December 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **58,744** | 34,066 |
| Right-of-use assets | 15 | **146,484** | 7,706 |
| Intangible assets | | **1,019** | 1,548 |
| Long-term investments measured at fair value through profit or loss | 16 | **25,421** | 16,228 |
| Other receivables and prepayments | 17 | **4,232** | 19,703 |
| Derivative financial instruments | 18 | **–** | 2,856 |
| **Total non-current assets** | | **235,900** | 82,107 |
| **Current assets** | | | |
| Contract assets | 5 | **15,033** | 64,919 |
| Other receivables and prepayments | 17 | **25,026** | 32,675 |
| Derivative financial instruments | 18 | **–** | 4,550 |
| Cash and bank balances | 19 | **1,298,688** | 1,537,583 |
| **Total current assets** | | **1,338,747** | 1,639,727 |
| **Total assets** | | **1,574,647** | 1,721,834 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 25 | **510** | 510 |
| Other reserves | 26 | **3,979,524** | 3,979,220 |
| Share-based compensation reserve | 27 | **137,170** | 120,177 |
| Accumulated losses | | **(2,834,680)** | (2,462,819) |
| | | **1,282,524** | 1,637,088 |
| **Non-controlling interests** | | **–** | – |
| **Total equity** | | **1,282,524** | 1,637,088 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | 22 | **134,663** | 1,889 |
| Deferred income | 21 | **1,609** | 2,024 |
| **Total non-current liabilities** | | **136,272** | 3,913 |
| **Current liabilities** | | | |
| Trade payables | 23 | **96,551** | 51,047 |
| Other payables and accruals | 24 | **44,361** | 24,868 |
| Lease liabilities | 22 | **13,131** | 4,918 |
| Derivative financial instruments | 18 | **1,808** | – |
| **Total current liabilities** | | **155,851** | 80,833 |
| **Total liabilities** | | **292,123** | 84,746 |
| **Total equity and liabilities** | | **1,574,647** | 1,721,834 |

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

The consolidated financial statements on pages 116 to 178 were approved by the Board of Directors on 22 March 2023 and were signed on its behalf

**Yinxiang Wang** **Xiaojie Wang**

# Consolidated Statement of Changes in Equity

| | Note | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Share capital *RMB'000* | Other reserves *RMB'000* | Share-based compensation reserve *RMB'000* | Accumulated losses *RMB'000* | Subtotal *RMB'000* | Non-controlling interests *RMB'000* | Total *RMB'000* |
| **Balance at 1 January 2022** | | **510** | **3,979,220** | **120,177** | **(2,462,819)** | **1,637,088** | **–** | **1,637,088** |
| **Comprehensive loss** | | | | | | | | |
| Loss for the year | | **–** | **–** | **–** | **(371,861)** | **(371,861)** | **–** | **(371,861)** |
| Exchange differences on translation of foreign operations | | **–** | **304** | **–** | **–** | **304** | **–** | **304** |
| **Transactions with owners** | | | | | | | | |
| Share-based payments | *27* | **–** | **–** | **16,993** | **–** | **16,993** | **–** | **16,993** |
| **Balance at 31 December 2022** | | **510** | **3,979,524** | **137,170** | **(2,834,680)** | **1,282,524** | **–** | **1,282,524** |
| **Balance at 1 January 2021** | | 502 | 3,846,602 | 100,728 | (2,161,632) | 1,786,200 | – | 1,786,200 |
| **Comprehensive loss** | | | | | | | | |
| Loss for the year | | – | – | – | (301,187) | (301,187) | – | (301,187) |
| Exchange differences on translation of foreign operations | | – | (205) | – | – | (205) | – | (205) |
| **Transactions with owners** | | | | | | | | |
| Share-based payments | *27* | – | – | 19,449 | – | 19,449 | – | 19,449 |
| Exercise of over-allotment option | *25, 26* | 8 | 132,823 | – | – | 132,831 | – | 132,831 |
| **Balance at 31 December 2021** | | 510 | 3,979,220 | 120,177 | (2,462,819) | 1,637,088 | – | 1,637,088 |

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

# Consolidated Statement of Cash Flows

| | Note | Year ended 31 December 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash used in operations | 28 | **(311,005)** | (162,949) |
| Interests received | | **18,587** | 15,457 |
| **Net cash used in operating activities** | | **(292,418)** | (147,492) |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | **(16,444)** | (10,106) |
| Payments for intangible assets | | **(62)** | (1,029) |
| Proceeds from disposal of property, plant and equipment | | **85** | 10 |
| Payments for long-term investments measured at fair value through profit or loss | | **(5,000)** | (16,144) |
| Payments for bank deposits with original maturities of over 3 months | | **(662,470)** | – |
| Proceeds from settlement of bank deposits with original maturities of over 3 months | | **–** | 194,905 |
| Interest received on bank deposits with original maturities of over 3 months | | **–** | 549 |
| Payments for restricted bank deposits | | **(12,691)** | (10,499) |
| Withdrawals of restricted bank deposits | | **8,261** | 1,219 |
| Proceeds from settlements of derivative financial instruments | | **1,999** | 2,762 |
| **Net cash (used in)/generated from investing activities** | | **(686,322)** | 161,667 |
| **Cash flows from financing activities** | | | |
| Interests paid | | **(2,259)** | (513) |
| Payments for listing expenses | | **–** | (11,892) |
| Proceeds from exercise of over-allotment option, net of listing expenses | | **–** | 132,831 |
| Principal elements of lease payments | | **(6,459)** | (11,369) |
| Payments for long-term lease retentions | | **(1,136)** | – |
| **Net cash (used in)/generated from financing activities** | | **(9,854)** | 109,057 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(988,594)** | 123,232 |
| Cash and cash equivalents at beginning of the year | | **1,527,204** | 1,430,416 |
| Effects of exchange rate changes on cash and cash equivalents | | **85,765** | (26,444) |
| **Cash and cash equivalents at end of the year** | 19 | **624,375** | 1,527,204 |

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

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

JACOBIO PHARMACEUTICALS GROUP CO., LTD. (the "Company") was incorporated in the Cayman Islands on 1 June 2018 as an exempted company with limited liability under the Companies Law (Cap.22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, "the Group") are principally engaged in research and development of new drugs.

The ordinary shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 21 December 2020.

The consolidated financial statements are presented in Renminbi ("RMB") and rounded to nearest thousand of RMB, unless otherwise stated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

### 2.1 Basis of preparation

#### *(a) Compliance with IFRS and disclosure requirements of the Hong Kong Companies Ordinance Cap.622*

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622.

#### *(b) Historical cost convention*

The consolidated financial statements have been prepared under a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) and long-term investments which are measured at fair value.

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.1 Basis of preparation (Continued)

#### *(c) New and amended standards adopted by the Group*

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

– Amendments to IAS 16 – Property, plant and equipment – proceeds before intended use
– Amendments to IAS 37 – Onerous contracts – cost of fulfilling a contract
– Amendments to IFRS 3 – Reference to the conceptual framework
– Annual improvements to IFRS standards 2018 – 2020 cycle
– Covid-19 Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 (March 2021)

The Group did not change its accounting policy or made retrospective adjustment as a result of adopting the abovementioned amendments or annual improvements.

#### *(d) New and amended standards not yet adopted*

New and amended standards that have been issued but not yet effective and not been early adopted by the Group, are as follows:

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of accounting policies | 1 January 2023 |
| IFRS 17 | Insurance contracts | 1 January 2023 |
| Amendments to IAS 8 | Definition of accounting estimates | 1 January 2023 |
| Amendments to IAS 12 | Deferred tax related to assets and liabilities arising from a single transaction | 1 January 2023 |
| Amendments to IAS 1 | Classification of liabilities as current or non-current | 1 January 2024 |
| Amendments to IFRS 16 | Lease liability in a sale and leaseback | 1 January 2024 |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.1 Basis of preparation (Continued)

#### *(d) New and amended standards not yet adopted (Continued)*

These new and amended standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### 2.2 Subsidiaries

#### *(a) Consolidation*

A subsidiary is an entity over which the Group has control. The Group controls an entity when 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.

Intercompany 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 profit or loss, consolidated statement of comprehensive loss, consolidated balance sheet, and consolidated statement of changes in equity respectively.

*(i) Business combination*

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 is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Acquisition-related costs are expensed as incurred.

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

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.2 Subsidiaries (Continued)

#### *(a) Consolidation (Continued)*

*(i) Business combination (Continued)*

Any contingent consideration to be transferred by the Group is recognise at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognise in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net assets of the business acquired the difference is recognised directly in profit or loss as a bargain purchase.

*(ii) Changes in ownership interests without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transaction – that is, as transactions with equity owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

*(iii) Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.2 Subsidiaries (Continued)

#### *(b) Separate financial statements*

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

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

### 2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

#### *(a) Equity method*

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.8.

During the years ended 31 December 2022 and 2021, no investment in associate is accounted for using the equity method.

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.3 Associates (Continued)

#### *(b) Investments in associates in the form of convertible redeemable preferred shares*

Investments in associates in the form of convertible redeemable preferred shares are accounted as financial assets measured at fair value through profit or loss (Note 2.9).

### 2.4 Segment reporting

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

### 2.5 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 majority of the assets and operations of the Group are located in the PRC, the consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency. The functional currency of the subsidiaries of the Company, which operate in other jurisdictions generally use their respective local currencies as their functional currencies.

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss within other gains or losses.

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.5 Foreign currency translation (Continued)

#### *(c) Group companies*

The results and financial position of all the Group entities (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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for consolidated statement of profit or 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 income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

### 2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes 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 asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the periods in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvement, the shorter lease term as follows:

| | |
|---|---|
| Machinery and equipment | 5-10 years |
| Office equipment and furniture | 3-5 years |
| Leasehold improvement | Shorter of remaining lease term or estimated useful life |

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.6 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Construction in progress represents leasehold improvements under construction, which is stated at actual construction costs less any impairment loss. Construction in progress is transferred to property, plant and equipment when completed and ready for use.

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 (Note 2.8).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts. These are included in profit or loss.

### 2.7 Intangible assets

#### *(a) Computer software*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives of 3-10 years.

#### *(b) Non-proprietary technologies*

Acquired non-proprietary technologies are initially recorded at cost incurred to acquire and are amortised on a straight-line basis over their estimated useful lives.

#### *(c) Research and development*

The Group incurs significant costs and efforts on research and development activities. Research expenditures are charged to 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 drug product and all the following can be demonstrated:

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

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.7 Intangible assets (Continued)

#### *(c) Research and development (Continued)*

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

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

During the years ended 31 December 2022 and 2021, there were no development costs meeting these criteria and capitalised as intangible assets.

### 2.8 Impairment of non-financial assets

Non-financial 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 year.

### 2.9 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 other comprehensive income, or through profit or loss), and

– Those to be measured at amortised cost.

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

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. 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 fair value through other comprehensive income.

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

See Note 20 for details about each type of financial assets.

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.9 Financial assets (Continued)

#### *(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.

#### *(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 fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss 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.

*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. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognise in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue 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 other comprehensive income is reclassified from equity to profit or loss and recognised in other gains or losses. 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 or losses.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognise in profit or loss and presented net in the consolidated statement of profit or loss within other gains or losses in the period in which it arises.

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.9 Financial assets (Continued)

#### *(c) Measurement (Continued)*

*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 other comprehensive income, 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 fair value through profit or loss are recognised in other gains or losses in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

*Derivatives*

The Group's derivatives are not designated as hedging instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value through profit or loss.

#### *(d) Impairment*

The Group assesses the expected credit losses associated with its other receivables and contract assets on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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 cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.10 Offsetting financial instruments

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

### 2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise 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 fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

### 2.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash at bank and on hand, and short-term deposits 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.

### 2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

### 2.14 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within 1 year (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.15 Borrowings and borrowing costs

#### *(a) 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.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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.

#### *(b) Borrowing costs*

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

### 2.16 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 income tax assets and liabilities attributable to temporary differences and to unused tax losses.

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.16 Income tax (Continued)

#### *(a) Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting dates in the countries where the Company's subsidiaries 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 recognised, 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, the deferred income tax is 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 and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each 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 income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Current and deferred income 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.

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.16 Income tax (Continued)

#### *(c) Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.17 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 consolidated balance sheet.

#### *(b) Pension obligations*

Employees of the Group are covered by various government-sponsored 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 not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

#### *(c) Housing funds, medical insurance and other social insurance*

Employees of the Group are entitled to participate in various government supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.17 Employee benefits (Continued)

#### *(d) Share-based payments*

*(i) Equity-settled share-based payment transaction*

The Group operates equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments is recognised as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions;
- Including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement date and grant date.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period.

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 on the date of the forfeiture.

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.17 Employee benefits (Continued)

#### *(d) Share-based payments (Continued)*

*(ii) Share-based payment transaction among group entities*

The grant by the Company of its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

### 2.18 Revenue recognition

#### *Revenue from contracts with customers*

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

At contract inception, the Group assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct.

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value.

The Group recognises revenue only when it satisfies a performance obligation by transferring control of the promised goods or services. The transfer of control can occur over time or at a point in time. A performance obligation is satisfied over time if it meets one of the following criteria.

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

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.18 Revenue recognition (Continued)

***Revenue from contracts with customers** (Continued)*

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The Group adopts an appropriate method of measuring progress for the purpose of recognising revenue. The Group evaluates the measure of progress at the end of each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

The Group enters into license and collaboration agreements for research, development, manufacturing and commercialisation services. The terms of these arrangements typically include non-refundable upfront payments, reimbursements for costs incurred, milestone payments and royalties on net sales of licensed products. The contracts generally do not include a significant financing component.

As part of the accounting for these arrangements, the Group use significant judgement: (i) to determine the performance obligations; and (ii) to estimate variable consideration.

*Licenses of intellectual property:* The Group assesses whether the licensing of the Group's intellectual property is distinct from the other performance obligations identified in the arrangements. For licenses determined to be distinct, the Group recognises revenue from non-refundable, upfront payments allocated to the license at a point in time, when the license is transferred to the licensee and the licensee is able to use and benefit from the license.

*Research and development services:* For research and development services determined to be distinct, the portion of the reimbursements for costs incurred and other transaction price allocated to the performance obligations is recognised as revenue over time as delivery or performance of such services occurs.

The Group uses judgement to determine whether milestones or other variable consideration, except for royalties, should be included in the transaction price.

*Milestone payments:* At the inception of each arrangement that includes milestone payments, the Group assesses whether the milestones are considered highly probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method.

In making these assessments, the Group considers various factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve a particular milestone. Milestone payments that are subject to regulatory approvals and commercialisation stages are not considered highly probable of being achieved until those approvals are received or commercialisation stages are achieved.

The transaction price will be allocated to each performance obligation on a relative stand-alone selling price basis, for which the Group recognises revenue from milestone payments as or when the performance obligations are satisfied. At the end of each subsequent reporting period, the Group re-evaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price.

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.18 Revenue recognition (Continued)

***Revenue from contracts with customers** (Continued)*

*Royalties:* For arrangements that include sales-based royalties, the Group recognises revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

### 2.19 Government grants

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

Where the grants relate 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 relate to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset on straight-line basis.

### 2.20 Leases

The Group leases properties for operation. Rental contracts are typically made for a fixed period of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as right-of-use assets and the corresponding liabilities at the date of which the respective leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.20 Leases (Continued)

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 payment:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment 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 lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee 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.

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 lease term on a straight-line basis. Right-of-use assets are subject to impairment review based on the policy as set out in Note 2.8.

Payments associated with short-term leases 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 less than 12 months. Low-value assets comprise IT equipment and small items of office furniture.

# Notes to the Consolidated Financial Statements (Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

### 2.21 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### 2.22 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, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

#### *(b) Diluted loss per share*

Diluted loss per share adjusts the figures used in the determination of basic loss 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.

# Notes to the Consolidated Financial Statements (Continued)

## 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 performance.

#### *(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 respective group entities' functional currency.

During the years ended 31 December 2022 and 2021, the Group mainly operates in the PRC with most of the transactions settled in RMB, but also undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. Management manages its foreign exchange risk by closely reviewing the movement of the foreign currency rates and considers hedging significant foreign exchange exposure should the need arise.

The Group's exposure to foreign exchange risk at 31 December 2022 and 2021, expressed in RMB, was as follows:

| | **As at 31 December 2022** | | As at 31 December 2021 | |
|---|---|---|---|---|
| | **USD** | **HKD** | USD | HKD |
| | ***RMB'000*** | ***RMB'000*** | *RMB'000* | *RMB'000* |
| Contract assets | **15,033** | **–** | 64,919 | – |
| Other receivables | **7,881** | **–** | 534 | 103 |
| Long-term investments measured at fair value through profit or loss | **25,421** | **–** | 16,228 | – |
| Derivative financial instruments (*Note*) | **(1,808)** | **–** | 2,856 | – |
| Cash and bank balances (*Note*) | **840,544** | **11** | 261,068 | 762,599 |
| Trade payables | **(25,916)** | **–** | (20,932) | – |

*Note*

During the years ended 31 December 2021, the Group entered into several foreign currency forwards with banks in order to manage the Group's foreign currency exposure in relation to USD against RMB (Note 18). As at 31 December 2021, the notional amount of foreign currency forwards is USD20,000,000, which is excluded from the Group's exposure to foreign exchange risk. As at 31 December 2022, the Group did not have any foreign currency forwards.

As at 31 December 2022, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, net loss would have been approximately RMB43,058,000 lower/higher (2021: RMB54,369,000 lower/higher).

# Notes to the Consolidated Financial Statements (Continued)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### *(a) Market risk (Continued)*

*(ii) Cash flow and fair value interest rate risk*

As at 31 December 2022 and 2021, the Group did not have any bank and other borrowings and consequently was not exposed to cash flow and fair value interest rate risk.

#### *(b) Credit risk*

Credit risk mainly arises from cash and bank balances, contractual cash flows of debt instruments carried at amortised cost and at fair value through profit or loss, derivative financial instruments and credit exposures to customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

Credit risk is managed on a group basis. For cash and bank balances, management considers the credit risk is low because the counterparties are state-owned or public listed commercial banks and financial institutions. The Group does not expect any losses and no loss allowance provision for cash and bank balances was recognised.

For contract assets and other receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience and adjusts for forward looking information. The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contract assets. The Group does not expect any losses from contract assets from the customer, which is a reputable pharmaceutical company with low credit risk, and no loss allowance provision for contract assets was recognised. The Group has assessed whether there is a significant increase in credit risk in relation to other receivables during the years, and no significant increase in credit risk was identified since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The Group does not expect any losses from non-performance by the counterparties of other receivables, and no loss allowance provision for other receivables was recognised.

# Notes to the Consolidated Financial Statements (Continued)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### *(c) Liquidity risk*

The Group aims to maintain sufficient cash 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* |
|---|---|---|---|---|---|
| **As at 31 December 2022** | | | | | |
| Trade payables | **96,551** | – | – | – | **96,551** |
| Other payables and accruals (excluding non-financial liabilities) | **18,425** | – | – | – | **18,425** |
| Lease liabilities | **18,982** | **18,883** | **56,636** | **84,955** | **179,456** |
| **Total** | **133,958** | **18,883** | **56,636** | **84,955** | **294,432** |
| As at 31 December 2021 | | | | | |
| Trade payables | 51,047 | – | – | – | 51,047 |
| Other payables and accruals (excluding non-financial liabilities) | 5,741 | – | – | – | 5,741 |
| Lease liabilities | 5,136 | 1,932 | – | – | 7,068 |
| **Total** | 61,924 | 1,932 | – | – | 63,856 |

# Notes to the Consolidated Financial Statements (Continued)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.2 Capital management

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 cost of capital.

The Group monitors capital by regularly reviewing the capital structure. The Group may adjust the amount of dividends paid to shareholders, provide returns for shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total borrowings and lease liabilities less cash and bank balances. As at 31 December 2022 and 2021, the Group has no net debt outstanding.

### 3.3 Fair value estimation

#### *(i) Fair value hierarchy*

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 statement. 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 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 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.

# Notes to the Consolidated Financial Statements (Continued)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Fair value estimation (Continued)

#### *(i) Fair value hierarchy (Continued)*

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2022 and 2021:

| | As at 31 December 2022 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| **Assets** | | | | |
| Long-term investments measured at fair value through profit or loss | **–** | **–** | **25,421** | **25,421** |
| **Liabilities** | | | | |
| Derivative financial instruments | **–** | **1,808** | **–** | **1,808** |

| | As at 31 December 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Assets** | | | | |
| Long-term investments measured at fair value through profit or loss | – | – | 16,228 | 16,228 |
| Derivative financial instruments | – | 4,550 | 2,856 | 7,406 |
| | – | 4,550 | 19,084 | 23,634 |

#### *(ii) Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Back-solve method and equity allocation model based on a combination of observable and unobservable inputs; and
- Black-Scholes option pricing model and the forward pricing model based on a combination of observable and unobservable inputs.

# Notes to the Consolidated Financial Statements (Continued)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Fair value estimation (Continued)

#### *(iii) Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the changes in level 3 items for the years ended 31 December 2022 and 2021:

| | Long-term investments measured at fair value through profit or loss *RMB'000* | Derivative financial instruments *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **As at 1 January 2021** | – | – | – |
| Additions | 16,035 | 109 | 16,144 |
| Changes in fair value | 193 | 2,747 | 2,940 |
| **As at 31 December 2021** | 16,228 | 2,856 | 19,084 |
| *Include unrealised gains recognised in profit or loss for the year* | 193 | 2,747 | 2,940 |
| **As at 1 January 2022** | **16,228** | **2,856** | **19,084** |
| Additions | **5,000** | **–** | **5,000** |
| Changes in fair value | **4,193** | **(2,856)** | **1,337** |
| **As at 31 December 2022** | **25,421** | **–** | **25,421** |
| *Include unrealised gains recognised in profit or loss for the year* | **4,193** | **–** | **4,193** |

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2022 and 2021.

#### *(iv) Valuation processes*

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

# Notes to the Consolidated Financial Statements (Continued)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Fair value estimation (Continued)

#### *(v) Valuation inputs and relationships to fair value*

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

| Description | Fair value at | | Unobservable inputs | Range of inputs | | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| | **31 December 2022** | 31 December 2021 | | **31 December 2022** | 31 December 2021 | |
| | ***RMB'000*** | *RMB'000* | | | | |
| Long-term investments measured at fair value through profit or loss | **25,421** | 16,228 | Expected volatility | **60.55%-84.17%** | 56.47%-81.12% | The higher the expected volatility, the lower the fair value |
| | | | Discount for lack of marketability ("DLOM") | **27.37%-31.18%** | 26.28%-30.90% | The higher the DLOM, the lower the fair value |
| | | | Risk-free rate | **3.89%** | 1.31% | The higher the risk-free rate, the lower the fair value |
| Derivative financial instruments | **–** | 2,856 | Risk-free rate | **4.19%-4.76%** | 0.24%-0.60% | The higher the risk-free rate, the higher the fair value |

Should the risk-free rate used in the back-solve method and the equity allocation model be 10% higher/lower from management's estimates, the estimated fair value carrying amounts of long-term investments measured at fair value through profit or loss as at 31 December 2022 would have been approximately RMB80,000 lower/RMB94,000 higher respectively (2021: approximately RMB33,000 lower/RMB33,000 higher respectively).

The carrying amounts of the Group's financial liabilities and other financial assets, including cash and bank balances, other receivables, lease liabilities, trade payables and other payables, approximate their fair values.

# Notes to the Consolidated Financial Statements (Continued)

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### (a) Revenue recognition

#### *(i) Identification of performance obligations*

The Group identifies the performance obligations within the contracts and evaluates which performance obligations are distinct, which requires the use of judgement. The Group has determined that both the licenses of intellectual property and research and development services are each capable of being distinct. The Group also determined that the promises to transfer the licenses of intellectual property and to provide research and development services are distinct within the context of the contract. In addition, the licenses of intellectual property and research and development services are not highly interdependent or highly interrelated in the contracts because the delivery of the license is not dependent on the service to be provided in the future. Consequently, the Group has allocated a portion of the transaction price to the license of intellectual property and research and development services based on relative standalone selling prices.

#### *(ii) Estimation of variable consideration*

The consideration within the contracts includes milestone payments or other variable consideration, except for royalties. The Group determine the amount of variable consideration by using either the expected value or the most likely amount based on which method better predicts the amount of consideration to which it will be entitled. The Group assesses whether the milestones are considered highly probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. In making these assessments, the Group considers various factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve a particular milestone.

### (b) Estimation of fair value of long-term investments measured at fair value through profit or loss

Long-term investments measured at fair value through profit or loss, in the absence of an active market, is estimated by using appropriate valuation techniques. The Group used back-solve method to determine the underlying equity fair value of the investee and then adopted the equity allocation model to determine the fair value of the long-term investments measured at fair value through profit or loss as at date of purchase and at the end of each reporting period. Key assumptions, such as expected volatility, DLOM and risk-free rate are disclosed in Note 3.3. Any change in key assumptions used in the equity allocation model will have impacts on the fair values.

# Notes to the Consolidated Financial Statements (Continued)

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (c) Recognition of share-based compensation expenses

As mentioned in Note 27, equity-settled share-based compensation plans were granted to the employees. The Group have used Black-Scholes model or binomial model to determine the total of the share options and referred the market price of the Company's shares at the grant date to determine the total fair value of the restricted shares granted to employees, which are to be expensed over the vesting period. Significant estimate on assumptions, such as the risk-free interest rate, expected volatility, estimation of vesting period and dividend yield, is required to be made by the Group in applying the methods.

### (d) 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.

## 5 SEGMENT AND REVENUE INFORMATION

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

### (a) Description of segments

The Group is principally engaged in the research and development of new drugs. The CODM reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM regards that there is only one segment which is used to make strategic decisions.

### (b) License and collaboration agreement with a customer

The Group recognised revenue totalled RMB95,746,000 for the year ended 31 December 2022 (2021: RMB152,809,000) in relation to a license and collaboration agreement entered by the Group with a customer (the "Agreement"). Under the terms of the Agreement, the Group agreed to grant licenses of certain intellectual properties and to provide research and development services in relation to certain licensed products to the customer. The considerations of the Agreement consist of non-refundable upfront payment, reimbursements for research and development costs incurred, and variable considerations including milestone payments and royalties on net sales of the licensed products.

# Notes to the Consolidated Financial Statements (Continued)

## 5 SEGMENT AND REVENUE INFORMATION (Continued)

### (c) An analysis of revenue from contracts with customers is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Revenue from the Agreement | **95,746** | 152,809 |

The Group derives revenue from the transfer of goods and services over time and at a point in time as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Timing of revenue recognition: | | |
| Over time | **95,746** | 152,809 |
| At a point in time | **–** | – |
| Revenue from contracts with customers | **95,746** | 152,809 |

### (d) Assets related to contracts with customers

The Group has recognised the following assets related to contracts with customers:

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| **Current** | | |
| Contract assets relating to the Agreement | **15,033** | 64,919 |
| Less: loss allowance | **–** | – |
| | **15,033** | 64,919 |

# Notes to the Consolidated Financial Statements (Continued)

## 6 EXPENSES BY NATURE

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Testing fees | **202,589** | 188,150 |
| Employee benefits expenses *(Note 7)* | **163,034** | 128,672 |
| Raw materials and consumables used | **149,540** | 99,050 |
| Depreciation and amortisation | **13,795** | 10,791 |
| Professional services expenses | **13,072** | 12,397 |
| Short-term leases expenses | **10,030** | 6,973 |
| Utilities and office expenses | **8,408** | 7,810 |
| Auditor's remuneration | **2,768** | 2,816 |
| – Audit services | **2,588** | 2,636 |
| – Non-audit services | **180** | 180 |
| Others | **8,074** | 8,736 |
| **Total** | **571,310** | 465,395 |

## 7 EMPLOYEE BENEFITS EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Wages, salaries and bonuses | **121,179** | 92,483 |
| Share-based compensation expenses *(Note 27)* | **16,993** | 19,449 |
| Contribution to pension plans (i) | **9,253** | 6,660 |
| Welfare, medical, housing benefits and other expenses | **15,609** | 10,080 |
| | **163,034** | 128,672 |

(i) During the year ended 31 December 2022, no forfeited contributions were utilised by the Group to reduce its contributions to pension plans for the current year (2021: Nil).

### (a) Employee benefits expenses by nature

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Cost of revenue | **12,453** | 18,674 |
| Research and development expenses | **124,134** | 82,950 |
| Administrative expenses | **26,447** | 27,048 |
| | **163,034** | 128,672 |

# Notes to the Consolidated Financial Statements (Continued)

## 8 OTHER INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Other income from a related party *(Note 31 (c))* | **1,024** | 735 |
| Government grants | **830** | 10,262 |
| | **1,854** | 10,997 |

## 9 OTHER GAINS/(LOSSES) – NET

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Net foreign exchange gains/(losses) | **82,531** | (27,263) |
| Net fair value changes on derivative financial instruments | **(7,215)** | 9,275 |
| Net fair value changes on long-term investments measured at fair value through profit or loss | **4,193** | 193 |
| | **79,509** | (17,795) |

## 10 FINANCE INCOME – NET

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Finance income | | |
| – Interest income | **24,610** | 18,765 |
| Finance expenses | | |
| – Interest costs on lease liabilities | **(2,270)** | (568) |
| Finance income – net | **22,340** | 18,197 |

# Notes to the Consolidated Financial Statements (Continued)

## 11 INCOME TAX EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Current income tax | – | – |
| Deferred income tax | – | – |
| | – | – |

**(a) The Group's principal applicable taxes and tax rates are as follows:**

***Cayman Islands***

Under the prevailing laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no Cayman Islands withholding tax is payable on dividend payments by the Company to its shareholders.

***Hong Kong***

Hong Kong profits tax rate is 8.25% for assessable profits on the first HKD2 million and 16.5% for any assessable profits in excess of HKD2 million. No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years ended 31 December 2022 and 2021.

***United States***

The subsidiary incorporated in Massachusetts, United States is subject to statutory United States federal corporate income tax at a rate of 21%. It is also subject to the state income tax in Massachusetts at a rate of 8.00% during the years ended 31 December 2022 and 2021.

***Mainland China***

Pursuant to the PRC Enterprise Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to enterprise income tax at a rate of 25% on the taxable income.

Pursuant to the relevant laws and regulations, a subsidiary of the Company has been eligible as a High/New Technology Enterprise ("HNTE") which is subject to a tax concession rate of 15% during the years ended 31 December 2022 and 2021.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, enterprise engaging in research and development activities are entitled to claim 200% (prior to 1 October 2022: 175%) of their research and development expenditures, as tax deductible expenses ("super deduction") when determining their assessable profits for that year.

# Notes to the Consolidated Financial Statements (Continued)

## 11 INCOME TAX EXPENSE (Continued)

### (b) Numerical reconciliation of income tax expense

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Loss before income tax | **(371,861)** | (301,187) |
| Tax credits calculated at statutory tax rate of 25% | **(92,965)** | (75,297) |
| Impact of applying different tax rate | **(27,952)** | 27,546 |
| Expenses not deductible for taxation purposes | **5,541** | 4,916 |
| Super deduction for research and development expenses | **(90,027)** | (70,756) |
| Tax losses and temporary differences not recognised as deferred income tax assets | **205,403** | 113,591 |
| Income tax expense | **–** | – |

As at 31 December 2022 and 2021, the Group had unused tax losses of approximately RMB1,575,242,000 and RMB854,566,000 respectively that can be carried forward against future taxable income. No deferred income tax assets have been recognised in respect of these 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. Pursuant to the relevant regulations, the tax losses of the subsidiaries incorporated in Mainland China, which are HNTE or Small and Medium-sized Technological Enterprises, will expire within 10 years.

# Notes to the Consolidated Financial Statements (Continued)

## 12 LOSS PER SHARE

### (a) Basic loss per share

Basic and diluted loss per share reflecting the effect of the issuance of ordinary shares by the Company are presented as follows.

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding.

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| Loss attributable to owners of the Company for the year (RMB'000) | **(371,861)** | (301,187) |
| Weighted average number of fully paid ordinary shares in issue (in thousands) | **751,876** | 747,293 |
| Basic loss per share (in RMB per share) (i) | **(0.49)** | (0.40) |

(i) Movement of number of fully paid ordinary shares outstanding for the periods are shown in Note 25.

As at 31 December 2022, 19,016,560 shares in relation to outstanding share options, ungranted or unvested restricted shares under employee incentive plans have not been included in the calculation of basic loss per share (2021: 23,145,010 shares).

### (b) Diluted loss per share

The Group had potential dilutive shares throughout the years ended 31 December 2022 and 2021 related to the share options and restricted shares. Due to the Group's losses for the years ended 31 December 2022 and 2021, shares held for employee incentive plan has anti-dilutive effect on the Group's loss per share. Thus, diluted loss per share is equivalent to the basic loss per share.

## 13 DIVIDEND

No dividend has been declared by the Company for the year ended 31 December 2022 (2021: Nil).

# Notes to the Consolidated Financial Statements (Continued)

## 14 PROPERTY, PLANT AND EQUIPMENT

| | Machinery and equipment *RMB'000* | Office equipment and furniture *RMB'000* | Leasehold improvement *RMB'000* | Construction in progress *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| **As at 1 January 2022** | | | | | |
| Cost | 45,443 | 4,582 | 10,202 | – | 60,227 |
| Accumulated depreciation | (15,301) | (2,824) | (8,036) | – | (26,161) |
| **Net book value** | 30,142 | 1,758 | 2,166 | – | 34,066 |
| **Year ended 31 December 2022** | | | | | |
| Opening net book amount | 30,142 | 1,758 | 2,166 | – | 34,066 |
| Additions | 2,060 | 1,349 | – | 27,787 | 31,196 |
| Disposals | – | (85) | – | – | (85) |
| Depreciation charge | (4,603) | (1,065) | (799) | – | (6,467) |
| Effects of exchange rate changes | 34 | – | – | – | 34 |
| **Closing net book value** | 27,633 | 1,957 | 1,367 | 27,787 | 58,744 |
| **As at 31 December 2022** | | | | | |
| Cost | 47,537 | 5,766 | 10,202 | 27,787 | 91,292 |
| Accumulated depreciation | (19,904) | (3,809) | (8,835) | – | (32,548) |
| **Net book value** | 27,633 | 1,957 | 1,367 | 27,787 | 58,744 |
| **As at 1 January 2021** | | | | | |
| Cost | 38,624 | 3,511 | 8,022 | – | 50,157 |
| Accumulated depreciation | (10,943) | (2,040) | (6,913) | – | (19,896) |
| **Net book value** | 27,681 | 1,471 | 1,109 | – | 30,261 |
| **Year ended 31 December 2021** | | | | | |
| Opening net book amount | 27,681 | 1,471 | 1,109 | – | 30,261 |
| Additions | 6,852 | 1,081 | 2,180 | – | 10,113 |
| Disposals | – | (10) | – | – | (10) |
| Depreciation charge | (4,358) | (784) | (1,123) | – | (6,265) |
| Effects of exchange rate changes | (33) | – | – | – | (33) |
| **Closing net book value** | 30,142 | 1,758 | 2,166 | – | 34,066 |
| **As at 31 December 2021** | | | | | |
| Cost | 45,443 | 4,582 | 10,202 | – | 60,227 |
| Accumulated depreciation | (15,301) | (2,824) | (8,036) | – | (26,161) |
| **Net book value** | 30,142 | 1,758 | 2,166 | – | 34,066 |

# Notes to the Consolidated Financial Statements (Continued)

## 14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation of property, plant and equipment has been charged to the consolidated statement of profit or loss as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Cost of revenue | **531** | 1,763 |
| Research and development expenses | **4,910** | 3,979 |
| Administrative expenses | **1,026** | 523 |
| | **6,467** | 6,265 |

## 15 RIGHT-OF-USE ASSETS

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Leased properties (i) | **146,484** | 7,706 |

# Notes to the Consolidated Financial Statements (Continued)

## 15 RIGHT-OF-USE ASSETS (Continued)

The Group leases properties for own use. Information about leases for which the Group is a lessee is presented below:

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Cost | **171,290** | 22,456 |
| Accumulated depreciation | **(24,806)** | (14,750) |
| **Net book amount** | **146,484** | 7,706 |

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Opening net book amount | **7,706** | 3,868 |
| Additions (i) | **148,834** | 7,889 |
| Depreciation charged to profit or loss | **(6,582)** | (4,051) |
| Depreciation capitalised | **(3,474)** | – |
| **Closing net book amount** | **146,484** | 7,706 |

The consolidated statement of profit or loss and the consolidated statement of cash flows contain the following amounts relating to leases:

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Depreciation charge of right-of-use assets | **6,582** | 4,051 |
| Interest costs on lease liabilities | **2,270** | 568 |
| Expenses relating to short-term leases | **10,030** | 6,973 |
| The cash outflow for leases as operating activities | **8,670** | 9,794 |
| The cash outflow for leases as financing activities | **8,718** | 11,882 |

(i) During the year ended 31 December 2022, the Group leased a new-drug research and development base in Beijing and recognised right-of-use asset of RMB148,834,000. The depreciation of this newly leased base was capitalised in the cost of leasehold improvements during the development period.

# Notes to the Consolidated Financial Statements (Continued)

## 16 LONG-TERM INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| **Non-current assets** | | |
| Preferred shares investment in an associate (a) | **17,516** | 16,228 |
| Preferred shares investment in other investee | **7,905** | – |
| | **25,421** | 16,228 |

The investees of these preferred shares investments are principally engaged in research and development in biotechnology industry, and the major valuation techniques used to determine fair values of long-term investments measured at fair value through profit or loss and the major assumptions used in the valuation are disclosed in Note 3.3.

(a) The Company entered into a share purchase agreement with Hebecell Holding Limited ("Hebecell") in 2021 (the "Share Purchase Agreement"), pursuant to which the Company has subscribed for 1,321,257 convertible redeemable series A preferred shares of Hebecell ("Preferred Shares") at a total consideration of USD25 million with three closings and has the right to nominate one director of Hebecell. The Company completed the 1st closing with a consideration of USD2.5 million ("Preferred Shares Investment") in 2021 and agreed to complete the 2nd and 3rd closings at a fixed purchase price of USD18.9213 per share, subject to the fulfillment or waiver of customary conditions precedent as set forth in the Share Purchase Agreement ("Commitment of Preferred Shares Investment").

The Company's Preferred Shares Investment was recognised as financial assets measured at fair value through profit or loss, and the Company's Commitment of Preferred Shares Investment was recognised as derivative financial instruments (Note 18).

In 2022, the Company did not waive any condition precedent of further investments and determined not to exercise the rights of 2nd and 3rd closings. In March 2023, the Company entered into a supplemental agreement with Hebecell to terminate its obligations, commitments and liabilities to exercise the remaining closing transactions.

# Notes to the Consolidated Financial Statements (Continued)

## 17 OTHER RECEIVABLES AND PREPAYMENTS

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Prepayments for goods and services | **12,074** | 21,678 |
| Retention receivables | **3,383** | 3,491 |
| Value-added tax recoverable | **2,402** | 21,426 |
| Other receivables from a related party *(Note 31(d))* | **–** | 708 |
| Others | **11,399** | 5,075 |
| | **29,258** | 52,378 |
| Less: non-current portion (a) | **(4,232)** | (19,703) |
| **Current portion** | **25,026** | 32,675 |

(a) The non-current portion of other receivables and prepayments includes retention receivables, prepayments to suppliers of property, plant and equipment and value-added tax recoverable that could not be utilised in the coming 12 months.

## 18 DERIVATIVE FINANCIAL INSTRUMENTS

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| **Current assets** | | |
| Foreign currency forwards (a) | **–** | 4,550 |
| **Non-current assets** | | |
| Commitment of investments *(Note 16(a))* | **–** | 2,856 |
| **Current liabilities** | | |
| Foreign currency options (a) | **1,808** | – |

(a) During the years ended 31 December 2022 and 2021, the Group entered into several foreign currency exchange contracts with banks in order to manage the Group's foreign currency exposure in relation to USD against RMB. As at 31 December 2022, the notional amount of foreign currency options is USD20,000,000 (2021: the notional amount of foreign currency forwards is USD20,000,000). These foreign currency exchange contracts are not designated for hedge accounting purposes and are measured at fair value through profit or loss.

# Notes to the Consolidated Financial Statements (Continued)

## 19 CASH AND BANK BALANCES

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Cash at bank | **1,298,688** | 1,537,583 |

The Group's cash and cash equivalents and other cash and bank balances are analysed as below:

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Cash and bank balances | **1,298,688** | 1,537,583 |
| Less: Bank deposits with original maturities of over 3 months | **(659,223)** | – |
| Less: Restricted bank deposits (a) | **(15,090)** | (10,379) |
| Cash and cash equivalents | **624,375** | 1,527,204 |

(a) Restricted bank deposits are the retention deposits for the Group's foreign currency exchange contracts (Note 18) and the retention deposits for guarantees of contracts.

# Notes to the Consolidated Financial Statements (Continued)

## 20 FINANCIAL INSTRUMENTS BY CATEGORY

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| **Financial assets** | | |
| Financial assets at amortised cost | | |
| – Other receivables *(Note 17)* | **13,934** | 8,687 |
| – Cash and bank balances *(Note 19)* | **1,298,688** | 1,537,583 |
| Long-term investments measured at fair value through profit or loss *(Note 16)* | **25,421** | 16,228 |
| Derivative financial instruments *(Note 18)* | **–** | 7,406 |
| | **1,338,043** | 1,569,904 |
| **Financial liabilities** | | |
| Financial liabilities at amortised cost | | |
| – Trade payables *(Note 23)* | **96,551** | 51,047 |
| – Other payables and accruals (excluding non-financial liabilities) *(Note 24)* | **18,425** | 5,741 |
| Lease liabilities *(Note 22)* | **147,794** | 6,807 |
| Derivative financial instruments *(Note 18)* | **1,808** | – |
| | **264,578** | 63,595 |

## 21 DEFERRED INCOME

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Asset-related government grants | **1,609** | 2,024 |
| | **1,609** | 2,024 |
| To be realised within 12 months | **415** | 415 |
| To be realised after more than 12 months | **1,194** | 1,609 |
| | **1,609** | 2,024 |

# Notes to the Consolidated Financial Statements (Continued)

## 22 LEASE LIABILITIES

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Current | **13,131** | 4,918 |
| Non-current | **134,663** | 1,889 |
| | **147,794** | 6,807 |

The Group leases properties for own use and these lease liabilities were measured at net present value of the lease payments to be paid during the lease terms.

Lease liabilities were discounted at incremental borrowing rates of the Group ranging from 3.86% to 5.50% (2021: 3.86% to 5.50%).

For the total cash outflows for leases including payments of lease liabilities and payments of interest costs on leases are disclosed in Note 15.

## 23 TRADE PAYABLES

The aging analysis of trade payables based on the invoice date is as follows:

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Less than 1 year | **96,551** | 51,047 |

The carrying amounts of trade payables approximate their fair values.

# Notes to the Consolidated Financial Statements (Continued)

## 24 OTHER PAYABLES AND ACCRUALS

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Payroll and welfare payables | **23,583** | 17,160 |
| Payables for purchase of property, plant and equipment and intangible assets | **14,724** | 2,985 |
| Tax payables | **2,353** | 1,967 |
| Accrued professional service fees | **1,818** | 1,989 |
| Others | **1,883** | 767 |
| **Total** | **44,361** | 24,868 |

## 25 SHARE CAPITAL

| | Number of ordinary shares | Nominal value of ordinary shares *USD'000* | Number of preferred shares | Nominal value of preferred shares *USD'000* |
|---|---|---|---|---|
| **Authorised:** | | | | |
| **As at 1 January 2021 and 31 December 2021** | 1,000,000,000 | 100 | – | – |
| **As at 1 January 2022 and 31 December 2022** | 1,000,000,000 | 100 | – | – |

| | Number of shares in equity | Share capital *USD'000* | *RMB'000* |
|---|---|---|---|
| **Issued and fully paid:** | | | |
| **As at 1 January 2021** | 759,653,880 | 75 | 502 |
| Exercise of over-allotment option (a) | 11,808,300 | 1 | 8 |
| **As at 31 December 2021 and 2022** | 771,462,180 | 76 | 510 |

(a) On 13 January 2021, the international underwriters of the global offering partially exercised the overallotment option, pursuant to which the Company issued 11,808,300 ordinary shares with par value of USD0.0001 each at a price of HKD14.00 per share and USD1,000 (approximately equivalent to RMB8,000) are credited to share capital, and remaining amounts, after netting of listing expenses, RMB132,823,000 are credited to capital reserve.

# Notes to the Consolidated Financial Statements (Continued)

## 26 OTHER RESERVES

| | Capital reserve *RMB'000* | Foreign currency translation reserve (a) *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **As at 1 January 2021** | 3,846,538 | 64 | 3,846,602 |
| Exercise of over-allotment option *(Note 25(a))* | 132,823 | – | 132,823 |
| Exchange differences on translation of foreign operations | – | (205) | (205) |
| **As at 31 December 2021** | 3,979,361 | (141) | 3,979,220 |
| **As at 1 January 2022** | 3,979,361 | (141) | 3,979,220 |
| Exchange differences on translation of foreign operations | – | 304 | 304 |
| **As at 31 December 2022** | 3,979,361 | 163 | 3,979,524 |

(a) Foreign currency translation reserve represents the difference arising from the translation of financial information of subsidiaries of the Company, which have functional currency different from the presentation currency of the Company.

## 27 SHARE-BASED PAYMENTS

The Group has adopted three employee incentive plans in 2017, 2020 and 2021, respectively. These incentive plans were designed to provide incentives to employees, and shall be valid and effective for ten years commencing on each adoption date.

### 2017 employee incentive plan ("2017 Plan") and its modification

In 2017, participants were granted share options of a subsidiary of the Company under the 2017 Plan. In 2020, the same group of participants were granted restricted shares at a consideration of RMB0.02 per share, taking place of the share options granted under 2017 Plan ("Modification of 2017 Plan"). All restricted shares granted under the Modification of 2017 Plan have vested by 1 January 2022.

### 2020 employee incentive plan ("2020 Plan")

During the year ended 31 December 2022, participants were granted 1,275,000 restricted shares in aggregate for no consideration or a consideration of RMB0.02 per share under the 2020 Plan (2021: 300,000 restricted shares for a consideration of RMB0.02 per share), which shall vest during the period from 2022 to 2027 if certain service conditions or/and non-market performance conditions are met.

During the year ended 31 December 2022, participants were granted 250,000 share options of Willgenpharma Ltd in aggregate, an employee incentive platform of the Group, under the 2020 Plan (2021: nil), which shall vest in 2024 if certain non-market performance conditions are met. The share options vested are exercisable during the exercise period pursuant to the stock option award agreements. When the options are exercised, participants will hold the ordinary shares of the Company indirectly.

# Notes to the Consolidated Financial Statements (Continued)

## 27 SHARE-BASED PAYMENTS (Continued)

### 2021 employee incentive plan ("2021 Plan")

During the year ended 31 December 2022, participants were granted 5,230,000 restricted shares in aggregate for no consideration under the 2021 Plan, which shall vest during the period from 2023 to 2026 if certain service conditions and non-market performance conditions are met.

The summaries of share options and restricted shares under employee incentive plans are disclosed in Notes 27(a) and 27(b). As at 31 December 2022, 4,770,000 shares have not been granted under the existing employee incentive plans (2021: 10,375,000 shares).

### (a) Share options

Set out below are the summaries of share options granted under the employee incentive plans:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **Exercise price per option** | **Number of options** | Exercise price per option | Number of options |
| As at 1 January | **USD0.0001 or USD4.0** | **6,000,000** | USD0.0001 or USD4.0 | 6,000,000 |
| Granted during the year | **USD0.8** | **250,000** | – | – |
| Exercised during the year | **–** | **–** | – | – |
| Forfeited during the year | **USD0.0001 or USD4.0** | **(1,000,000)** | – | – |
| As at 31 December | **USD0.0001 or USD4.0** | **5,250,000** | USD0.0001 or USD4.0 | 6,000,000 |
| Exercisable as at 31 December | | **–** | | – |

# Notes to the Consolidated Financial Statements (Continued)

## 27 SHARE-BASED PAYMENTS (Continued)

### (a) Share options (Continued)

No options expired during the years ended 31 December 2022 and 2021. Share options outstanding at the end of the year have the following expiry date and exercise prices:

| Expiry date | Exercise price | Share options | |
|---|---|---|---|
| | | As at 31 December 2022 | As at 31 December 2021 |
| 90 days following the 5th year anniversary of the grant date | USD0.0001 | | |
| | or USD4.0 | 5,000,000 | 6,000,000 |
| | USD0.8 | 250,000 | – |
| | | **5,250,000** | **6,000,000** |
| Weighted average remaining contractual life of options outstanding at end of period | | 2.80 years | 3.80 years |

The fair value of the share options granted during the year ended 31 December 2022 under the 2020 Plan on the grant date was USD0.52 per option which is determined by using binomial model. Key inputs are set as below:

| | |
|---|---|
| Exercise price | USD0.8 |
| The Company's share price on the grant date | HKD7.38 |
| Risk-free rate | 2.52% |
| Expected volatility | 68.81% |

The expected price volatility is based on the historic volatility adjusted for any expected changes to future volatility due to publicly available information.

### (b) Restricted shares

Set out below are the summaries of restricted shares granted under the employee incentive plans:

| | Number of restricted shares | |
|---|---|---|
| | **2022** | 2021 |
| As at 1 January | **6,770,010** | 10,280,305 |
| Granted during the year | **6,505,000** | 300,000 |
| Vested during the year | **(4,128,450)** | (3,435,295) |
| Forfeited during the year | **(150,000)** | (375,000) |
| As at 31 December | **8,996,560** | 6,770,010 |

The fair value of the restricted shares granted under the 2020 Plan and the 2021 Plan during the year ended 31 December 2022 were determined based on the price of the Company's shares traded on the Hong Kong Stock Exchange on the grant date, which was HKD4.49 per share for the restricted shares granted in September 2022 and HKD4.51 per share for the restricted shares granted in December 2022.

# Notes to the Consolidated Financial Statements (Continued)

## 27 SHARE-BASED PAYMENTS (Continued)

### (c) Expenses arising from share-based payment transactions

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| 2017 Plan and Modification of 2017 Plan | **–** | 743 |
| 2020 Plan | **12,086** | 18,706 |
| 2021 Plan | **4,907** | – |
| | **16,993** | 19,449 |

As at 31 December 2022, the accumulated expenses arising from share-based payment transactions amounting to RMB137,170,000 were recognised in the share-based compensation reserve (2021: RMB120,177,000).

## 28 CASH FLOW INFORMATION

### (a) Cash used in operations

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Loss before income tax | **(371,861)** | (301,187) |
| Adjustments for: | | |
| – Depreciation of property, plant and equipment | **6,467** | 6,265 |
| – Amortisation of intangible assets | **746** | 475 |
| – Depreciation of right-of-use assets | **6,582** | 4,051 |
| – Net fair value changes in long-term investments measured at fair value through profit or loss | **(4,193)** | (193) |
| – Finance income – net | **(22,340)** | (18,197) |
| – Share-based compensation expenses | **16,993** | 19,449 |
| – Net foreign exchange (gains)/losses | **(82,531)** | 27,263 |
| – Net fair value changes on derivative financial instruments | **7,215** | (9,275) |
| Changes in working capital: | | |
| – Contract assets | **49,886** | 106,494 |
| – Other receivables and prepayments | **29,188** | (17,463) |
| – Trade payables | **45,504** | 22,766 |
| – Other payables and accruals | **7,754** | (160) |
| – Deferred income | **(415)** | (3,237) |
| **Cash used in operations** | **(311,005)** | (162,949) |

# Notes to the Consolidated Financial Statements (Continued)

## 28 CASH FLOW INFORMATION (Continued)

### (b) Changes in liabilities from financing activities

| | Lease liabilities *RMB'000* |
|---|---|
| **As at 1 January 2021** | (10,232) |
| Cash used in changes in liabilities | 11,882 |
| New leases *(Note 15)* | (7,889) |
| Interest costs *(Note 10)* | (568) |
| **As at 31 December 2021** | (6,807) |
| **As at 1 January 2022** | **(6,807)** |
| Cash used in changes in liabilities | **8,718** |
| New leases *(Note 15)* | **(147,435)** |
| Interest costs *(Note 10)* | **(2,270)** |
| **As at 31 December 2022** | **(147,794)** |

### (c) Major non-cash transactions

Major non-cash transaction during the year ended 31 December 2022 was the acquisition of right-of-use assets (Note 15).

# Notes to the Consolidated Financial Statements (Continued)

## 29 BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

### Balance sheet of the Company

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| **ASSETS** | | |
| **Non-current assets** | | |
| Investments in subsidiaries | **1,174,071** | 857,078 |
| Long-term investments measured at fair value through profit or loss | **25,421** | 16,228 |
| Derivative financial instruments | **–** | 2,856 |
| **Total non-current assets** | **1,199,492** | 876,162 |
| **Current assets** | | |
| Other receivables | **396,562** | 174,243 |
| Cash and bank balances | **860,245** | 1,304,172 |
| **Total current assets** | **1,256,807** | 1,478,415 |
| **Total assets** | **2,456,299** | 2,354,577 |
| **EQUITY** | | |
| Share capital | **510** | 510 |
| Other reserves | **4,225,488** | 4,225,488 |
| Share-based compensation reserve | **137,170** | 120,177 |
| Accumulated losses | **(1,908,833)** | (1,993,558) |
| **Total equity** | **2,454,335** | 2,352,617 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Other payables and accruals | **1,964** | 1,960 |
| **Total liabilities** | **1,964** | 1,960 |
| **Total equity and liabilities** | **2,456,299** | 2,354,577 |

The financial statements of the Company were approved by the Board of Directors on 22 March 2023 and were signed on its behalf

**Yinxiang Wang** | **Xiaojie Wang**

# Notes to the Consolidated Financial Statements (Continued)

## 29 BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (Continued)

### Statement of changes in equity of the Company

| | Share capital *RMB'000* | Other reserves *RMB'000* | Share-based compensation reserve *RMB'000* | Accumulated losses *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| **Balance at 1 January 2022** | **510** | **4,225,488** | **120,177** | **(1,993,558)** | **2,352,617** |
| **Comprehensive income** | | | | | |
| Profit for the year | – | – | – | **84,725** | **84,725** |
| **Transactions with owners** | | | | | |
| Share-based payments | – | – | **16,993** | – | **16,993** |
| **Balance at 31 December 2022** | **510** | **4,225,488** | **137,170** | **(1,908,833)** | **2,454,335** |
| **Balance at 1 January 2021** | 502 | 4,092,665 | 100,728 | (1,983,975) | 2,209,920 |
| **Comprehensive loss** | | | | | |
| Loss for the year | – | – | – | (9,583) | (9,583) |
| **Transactions with owners** | | | | | |
| Share-based payments | – | – | 19,449 | – | 19,449 |
| Exercise of over-allotment option | 8 | 132,823 | – | – | 132,831 |
| **Balance at 31 December 2021** | 510 | 4,225,488 | 120,177 | (1,993,558) | 2,352,617 |

# Notes to the Consolidated Financial Statements (Continued)

## 30 COMMITMENTS

### (a) Capital commitments

The following is the details of capital expenditure contracted for but not provided in the consolidated financial statements.

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Contracted but not provided for | | |
| – Property, plant and equipment | **51,393** | 3,782 |
| – Investments | **–** | 148,453 |
| | **51,393** | 152,235 |

Furthermore, the Group entered into an agreement with Beijing Economic-Technological Development Area Administration Commission in 2019, pursuant to which further capital expenditures of no less than RMB78 million for the Group's new-drug research and development base is expected to be incurred by 2025.

### (b) Operating lease commitments

As at 31 December 2022 and 2021, the future aggregate minimum lease payment for short-term lease and low-value lease under irrevocable lease contracts are as follows:

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Less than 1 year | **1,518** | 3,873 |

## 31 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 if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

### (a) Name and relationship with related parties

| Name of related party | Nature of relationship |
|---|---|
| Hebecell | Associate of the Group |

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2022 and 2021.

# Notes to the Consolidated Financial Statements (Continued)

## 31 RELATED PARTY TRANSACTIONS (Continued)

### (b) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Salaries and other short-term employee benefits | **12,360** | 12,923 |
| Share-based compensation expenses | **8,739** | 12,672 |
| | **21,099** | 25,595 |

### (c) Transactions with other related parties

The following transactions occurred with related parties:

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| *Provide consulting services* | | |
| Hebecell | **1,024** | 735 |

### (d) Year end balances with related parties

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| *Other receivables* | | |
| Hebecell | **–** | 708 |

# Notes to the Consolidated Financial Statements (Continued)

## 32 BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation for the years ended 31 December 2022 and 2021 are set out as follows:

| | Fees *RMB'000* | Salaries *RMB'000* | Discretionary Bonuses (ii) *RMB'000* | Share-based compensation expenses *RMB'000* | Employer's social security costs *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | | | |
| *Chairman* | | | | | | |
| Yinxiang Wang | – | 2,308 | 500 | 819 | 139 | 3,766 |
| *Executive directors* | | | | | | |
| Xiaojie Wang | – | 1,843 | 400 | 618 | – | 2,861 |
| Shaojing Hu (i) | – | – | – | 411 | – | 411 |
| Yunyan Hu | – | 1,843 | 500 | 467 | 33 | 2,843 |
| *Non-executive directors* | | | | | | |
| Te-Li Chen | – | – | – | – | – | – |
| Yanmin Tang | – | – | – | – | – | – |
| Ting Feng (i) | – | – | – | – | – | – |
| Dong Lyu | – | – | – | – | – | – |
| *Independent non-executive directors* | | | | | | |
| Ruilin Song | 400 | – | – | – | – | 400 |
| Ge Wu | 200 | – | – | – | – | 200 |
| Daqing Cai | – | – | – | – | – | – |
| Xiaoming Wu (i) | 50 | – | – | – | – | 50 |
| | 650 | 5,994 | 1,400 | 2,315 | 172 | 10,531 |

# Notes to the Consolidated Financial Statements (Continued)

## 32 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

### (a) Directors' emoluments (Continued)

| | Fees *RMB'000* | Salaries *RMB'000* | Discretionary Bonuses (ii) *RMB'000* | Share-based compensation expenses *RMB'000* | Employer's social security costs *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2021** | | | | | | |
| *Chairman* | | | | | | |
| Yinxiang Wang | – | 2,008 | 480 | 1,862 | 130 | 4,480 |
| *Executive directors* | | | | | | |
| Xiaojie Wang | – | 1,396 | 480 | 1,406 | – | 3,282 |
| Shaojing Hu (i) | – | 433 | – | 718 | 54 | 1,205 |
| Yunyan Hu | – | 1,316 | 480 | 1,061 | 130 | 2,987 |
| *Non-executive directors* | | | | | | |
| Te-Li Chen | – | – | – | – | – | – |
| Yanmin Tang | – | – | – | – | – | – |
| Ting Feng (i) | – | – | – | – | – | – |
| Dong Lyu | – | – | – | – | – | – |
| *Independent non-executive directors* | | | | | | |
| Ruilin Song | 400 | – | – | – | – | 400 |
| Ge Wu | 200 | – | – | – | – | 200 |
| Daqing Cai | – | – | – | – | – | – |
| Xiaoming Wu (i) | 200 | – | – | – | – | 200 |
| | 800 | 5,153 | 1,440 | 5,047 | 314 | 12,754 |

(i) On 22 March 2022, Shaojing Hu, Ting Feng and Xiaoming Wu have resigned from their respective positions as an executive director, a non-executive director and an independent non-executive director.

(ii) During the years ended 31 December 2022 and 2021, discretionary bonuses are determined with reference to the performance of the relevant director and based on the human resources related government grants received.

### (b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31 December 2022 and 2021.

# Notes to the Consolidated Financial Statements (Continued)

## 32 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

### (c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 December 2022 and 2021.

### (d) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the years ended 31 December 2022 and 2021.

### (e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2022 and 2021.

### (f) Five highest paid individuals

For the years ended 31 December 2022 and 2021, the five individuals whose emoluments were the highest in the Group include 4 directors, whose emoluments are reflected in the analysis presented in Note 32 (a). The emoluments payable to the remaining individuals were as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Basic salaries, other allowances and benefits in kind | **3,629** | 3,402 |
| Contribution to pension scheme | **279** | 92 |
| Discretionary bonus | **336** | 322 |
| Share-based compensation expenses | **6,424** | 7,625 |
| | **10,668** | 11,441 |

The remaining highest paid individuals fell within the following bands:

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| Emolument bands | | |
| HKD11,500,001 – HKD12,000,000 | **1** | – |
| HKD12,000,001 – HKD12,500,000 | **–** | – |
| HKD12,500,001 – HKD13,000,000 | **–** | – |
| HKD13,000,001 – HKD13,500,000 | **–** | – |
| HKD13,500,001 – HKD14,000,000 | **–** | 1 |
| | **1** | 1 |

# Notes to the Consolidated Financial Statements (Continued)

## 33 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2022:

| Name of subsidiaries | Place of incorporation and kind of legal entity | Principal activities and place of operation | Registered/Issued share capital | Ownership interest held by the Group | | Ownership interest held by non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | | | **2022** | 2021 | **2022** | 2021 |
| **Directly held:** | | | | | | | |
| JACOBIO (HK) PHARMACEUTICALS CO., LIMITED | Hong Kong, corporation | Investing holding, Hong Kong | 10,000 shares of par value HKD1.00 | **100.00%** | 100.00% | **–** | – |
| **Indirectly held:** | | | | | | | |
| Jacobio Pharmaceuticals Co., Ltd | the PRC, limited liability company* | Research and development of new drugs, the PRC | RMB250,000,000 | **100.00%** | 100.00% | **–** | – |
| Jacomab Pharmaceuticals Co., Ltd. | the PRC, limited liability company* | Research and development of new drugs, the PRC | RMB5,400,000 | **100.00%** | 100.00% | **–** | – |
| JACOBIO (US) PHARMACEUTICALS, INC. | the United States of America ("U.S."), corporation | Research and development of new drugs, U.S. | 5,000 shares of par value USD1.00 | **100.00%** | 100.00% | **–** | – |

* Registered as a wholly foreign owned enterprise under PRC law

(i) Investments in subsidiaries

The Company's subsidiaries are unlisted companies and the investments in subsidiaries are accounted for at cost.

(ii) Significant restrictions

As at 31 December 2022, cash and bank balances of the Group, amounting to RMB448,966,000 were held in Mainland China and they are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

## 34 SUBSEQUENT EVENTS

(i) The Company completed the placing of 22,100,100 existing shares at the price of HKD7.26 per share to not less than six professional, institutional and/or individual investors on 14 February 2023, and the subscription of 22,100,100 new shares ("Subscription Shares") by top-up vendor ("Subscription") at the price of HKD7.26 per took place on 17 February 2023. The Subscription Shares represent approximately 2.78% of the issued share capital of the Company as enlarged by the Subscription.

The Company received total net proceeds of approximately HKD158.9 million from the Subscription, net of all applicable costs and expenses including commissions, professional fees and out-of-pocket expenses.

# Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial information and financial statements is set out below:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | For the Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | ***RMB'000*** |
| Revenue | – | – | 486,286 | 152,809 | **95,746** |
| Cost of revenue | – | – | (44,115) | (139,979) | **(83,112)** |
| Research and development expenses | (84,887) | (138,976) | (185,952) | (280,838) | **(445,647)** |
| Administrative expenses | (22,786) | (71,081) | (53,838) | (44,578) | **(42,551)** |
| Loss for the year | (155,935) | (425,817) | (1,513,677) | (301,187) | **(371,861)** |
| Total comprehensive loss for the year | (156,132) | (431,477) | (1,519,120) | (301,392) | **(371,557)** |

## CONSOLIDATED BALANCE SHEET

| | As at December 31, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | ***RMB'000*** |
| **Current assets** | | | | | |
| Contract assets | – | – | 171,413 | 64,919 | **15,033** |
| Other receivables and prepayments | 4,198 | 3,746 | 15,743 | 32,675 | **25,026** |
| Derivative financial instruments | – | – | 784 | 4,550 | **–** |
| Cash and bank balances | 420,833 | 314,338 | 1,627,408 | 1,537,583 | **1,298,688** |
| **Current liabilities** | | | | | |
| Trade payables | 9,002 | 12,737 | 28,281 | 51,047 | **96,551** |
| Other payables and accruals | 8,963 | 23,960 | 37,376 | 24,868 | **44,361** |
| Lease liabilities | – | 9,024 | 8,221 | 4,918 | **13,131** |
| **Net current assets** | 407,066 | 272,363 | 1,741,470 | 1,558,894 | **1,182,896** |
| **Non-current assets** | 48,565 | 45,243 | 52,002 | 82,107 | **235,900** |
| **Non-current liabilities** | 552,876 | 787,684 | 7,272 | 3,913 | **136,272** |
| **Net (liabilities)/assets** | (97,245) | (470,078) | 1,786,200 | 1,637,088 | **1,282,524** |
| **Total equity** | (97,245) | (470,078) | 1,786,200 | 1,637,088 | **1,282,524** |

# Definitions and Glossary

| | |
|---|---|
| "2023 AGM" | the annual general meeting of the Company to be held on Thursday, June 8, 2023 |
| "AbbVie" | AbbVie Ireland Unlimited Company, incorporated on July 19, 2020 in Ireland, which is a wholly-owned subsidiary of AbbVie Inc. (NYSE: ABBV) and an Independent Third Party |
| "Administrator" | Ms. Xiaojie WANG and Ms. Yunyan HU, directors of the Company, or a person designated by Ms. Xiaojie WANG and Ms. Yunyan HU |
| "AML" | acute myeloid leukemia, a type of cancer that progresses rapidly and aggressively, and affects the bone marrow and blood |
| "Articles of Association" | articles of association of the Company |
| "Audit Committee" | the audit committee of the Board |
| "Award" | the grant of a RSU, Restricted Share or other right or benefit granted or sold under the Plan |
| "Beijing Jacobio" | Jacobio Pharmaceuticals Co., Ltd. (北京加科思新藥研發有限公司), a limited liability company incorporated under the laws of PRC on July 17, 2015, being an indirect wholly-owned subsidiary of our Company |
| "BET" | bromodomain and extra-terminal; BET proteins interact with acetylated lysine residues in histone to regulate gene expression, and promote aberrant expression of many oncogenes such as MYC, CCND1, and BCL2L1 |
| "Blesspharma Ltd" | a limited company incorporated in the BVI on July 27, 2020, which is an employee incentive platform of our Company |
| "Board" | the board of Directors |
| "BRAF" | B-Raf proto-oncogene, a gene that encodes a protein called B-Raf |
| "CD73" | ecto-5'-nucleotidase, a surface-expressed enzyme that hydrolyzes AMP into adenosine. CD73 is an immunosuppressive molecule that can be therapeutically targeted to restore effector T-cell function |
| "CDE" | the Center for Drug Evaluation of China |
| "CDMO" | Contract Development Manufacturing Organization, a company that mainly provides CMC and manufacturing services in the pharmaceutical industry |
| "China" or "PRC" | the People's Republic of China |

# Definitions and Glossary

| | |
|---|---|
| "Company" or "our Company" | JACOBIO PHARMACEUTICALS GROUP CO., LTD. (加科思藥業集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on June 1, 2018, which was formerly known as JACOBIO (CAY) PHARMACEUTICALS CO., LTD., the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1167) |
| "Concert Parties" | refers to Dr. Wang, Ms. Wang, Ms. Hu, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Ms. Wang's SPV, Ms. Hu's SPV and ESOP Platforms; and "Concert Party" means any one of them |
| "Controlling Shareholder(s)" | has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to the Concert Parties |
| "Core Product(s)" | has the meaning ascribed thereto in Chapter 18A of the Listing Rules |
| "Corporate Governance Code" or "CG Code" | Corporate Governance Code as set out in Appendix 14 to the Listing Rules |
| "CRC" | colorectal cancer |
| "CRO" | Contract Research Organization, a company focused on providing R&D services to companies in the pharmaceutical and agrochemical markets |
| "CRPC" | castration-resistant prostate cancer |
| "Director(s)" | director(s) of our Company |
| "Dr. Wang" | Dr. Yinxiang Wang (王印祥), our executive Director, Chief Executive Officer, Chairman of our Board and one of our Controlling Shareholders |
| "Dr. Wang's SPV 1" | Yakovpharma Ltd, a limited liability company incorporated under the laws of the BVI which is wholly owned by Dr. Yinxiang Wang |
| "Dr. Wang's SPV 2" | Johwpharma Ltd, a limited liability company incorporated under the laws of the BVI which is indirectly wholly owned by Dr. Yinxiang Wang and Ms. Zhu Shen, the spouse of Dr. Wang |
| "EGFR" | epidermal growth factor receptor |

# Definitions and Glossary

| | |
|---|---|
| "Employee" | any person, who is in the employ of our Company or any Related Entity and is manager level or above, or considered essential for our Company's development by the Company's management team, subject to the control and direction of our Company or any Related Entity as to both the work to be performed and the manner and method of performance. The payment of a director's fee by our Company or a Related Entity shall not be sufficient to constitute "employment" by our Company |
| "ESCC" | esophageal squamous cell carcinoma, a high-mortality cancer with complex etiology and progression involving both genetic and environmental factors |
| "ESOP Platforms" | Willgenpharma Ltd, Gloryviewpharma Ltd, Honourpharma Ltd and Blesspharma Ltd |
| "FPI" | First-Patient-In |
| "Global Offering" | the offer of Shares for subscription as described in the Prospectus |
| "GMP" | good manufacturing practice |
| "Group", "our Group", "we", "us" or "our" | our Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it |
| "HCC" | hepatocellular carcinoma, a type of cancer arising from hepatocytes |
| "Hebecell" | Hebecell Holding Limited, an exempted company incorporated with limited liability under the Laws of the Cayman Islands |
| "HNSCC" | head and neck squamous cell carcinoma |
| "Hong Kong dollars" or "HK dollars" or "HK$" or "HKD" | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| "IND" | investigational new drug or investigational new drug application, also known as clinical trial application in China |

# Definitions and Glossary

| | |
|---|---|
| "Independent Third Party" | a person or entity who is not a connected person of our Company under the Listing Rules |
| "Jacobio HK" | JACOBIO (HK) PHARMACEUTICALS CO., LIMITED (加科思(香港)藥業有限公司), a limited liability company incorporated under the laws of Hong Kong on July 3, 2018, being a direct wholly-owned subsidiary of our Company |
| "Jacobio US" | JACOBIO (US) PHARMACEUTICALS, INC., a limited liability company incorporated under the laws of the State of Delaware on December 20, 2018, being an indirect wholly-owned subsidiary of our Company |
| "Jacomab" | Jacomab Pharmaceuticals Co., Ltd. (北京加科天實新藥研發有限公司), a limited liability company incorporated under the laws of PRC on December 7, 2016, being an indirect wholly-owned subsidiary of our Company |
| "KRAS" | Kirsten rat sarcoma 2 viral oncogene homolog, a signal transducer protein, which plays an important role in various cellular signaling events such as in regulation of cell proliferation, differentiation and migration |
| "Listing" | the listing of our Company on the main board of the Stock Exchange on December 21, 2020 |
| "Listing Date" | December 21, 2020, being the date on which the Offer Shares were listed and dealings in the Offer Shares first commenced on the Stock Exchange |
| "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 |
| "LOF" | loss-of-function |
| "Main Board" | the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange |
| "MF" | myelofibrosis, one of a collection of progressive blood cancers known as myeloproliferative neoplasms |

# Definitions and Glossary

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| "Model Code" | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| "Ms. Hu" | Ms. Yunyan Hu (胡雲雁), our executive Director, Executive Vice President and one of our Controlling Shareholders |
| "Ms. Hu's SPV" | Hmed Ltd, a limited liability company incorporated under the laws of the BVI which is wholly owned by Ms. Yunyan Hu |
| "Ms. Wang" | Ms. Xiaojie Wang (王曉潔), our executive Director, President of Administration and one of our Controlling Shareholders |
| "Ms. Wang's SPV" | Risepharma Ltd, a limited liability company incorporated under the laws of the BVI which is wholly owned by Ms. Xiaojie Wang |
| "NF1" | a gene located on chromosome 17, which produces a protein called neurofibromin that helps regulate cell growth. The mutated NF1 gene causes a loss of neurofibromin, which allows uncontrolled cells grow |
| "NMC" | a rare type of cancer that forms in the respiratory tract and other places along the middle of the body, from the head to the abdomen |
| "NMPA" | the National Medical Product Administration of the PRC (國家藥品監督管理局), successor to the China Food and Drug Administration or CFDA (國家食品藥品監督管理總局) |
| "Nomination Committee" | the nomination committee of the Board |
| "NSCLC" | non-small cell lung cancer |
| "PD-1" | programmed cell death protein 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages. The normal function of PD-1 is to turn off the T cell-mediated immune response as part of the process that stops a healthy immune system from attacking other pathogenic cells in the body. When PD-1 on the surface of a T cell attaches to certain proteins on the surface of a normal cell or a cancer cell, the T cell turns off its ability to kill the cell |
| "PD-(L)1" | PD-1 ligand 1, 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 |
| "PDAC" | pancreatic ductal adenocarcinoma cancer |

# Definitions and Glossary

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| "Phase I" | 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 Ib/IIa" | Phase Ib/IIa is the study that tests the safety, side effects, and best dose of a new treatment. It is conducted in target patient popular with selected dose levels. Phase Ib/IIa study also investigates how well a certain type of disease responds to a treatment. In the phase IIa part of the study, patients usually receive multiple dose levels and often include the highest dose of treatment that did not cause harmful side effects in the phase Ia part of the study. Positive results will be further confirmed in a Phase IIb or Phase III study |
| "Phase II" | 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 |
| "Plan" | the 2021 Stock Incentive Plan adopted by the Board on August 31, 2021 in its present form or as amended from time to time |
| "Prospectus" | the prospectus of our Company dated December 9, 2020 being issued in connection with the Listing |
| "RAS" | a low-molecular-weight GDP/GTP-binding guanine triphosphatase, which is a prototypical member of the small-GTPase superfamily |
| "Register of Members" | the register of members of the Company |
| "Related Entity" | any Parent or Subsidiary of the Company and any business, corporation, partnership, limited liability company or other entity in which the Company or a Parent or a Subsidiary of the Company holds a substantial ownership interest, directly or indirectly |
| "Remuneration Committee" | the remuneration committee of the Board |
| "Renminbi" or "RMB" | Renminbi, the lawful currency of the PRC |
| "Reporting Period" | the year ended December 31, 2022 |
| "Restricted Share" | a Share awarded to a Grantee pursuant to an Award Agreement granted under the Plan |

# Definitions and Glossary

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| "RP2D" | recommended Phase II dose |
| "RSU" | means a grant of a hypothetical number of Shares, to be settled upon vesting in Shares |
| "SCLC" | small cell lung cancer |
| "SFO" | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time) |
| "Share(s)" | ordinary share(s) with a nominal value of US$0.0001 each in the share capital of our Company |
| "Shareholder(s)" | holder(s) of the Shares |
| "SHP2" | Src homology region 2 domain-containing phosphatase-2, a protein tyrosine phosphatase acting as a key regulator in the RAS signaling pathway |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "TNBC" | triple-negative breast cancer |
| "U.S." | The United States of America |
| "U.S. dollars", "US$" or "USD" | United States dollars, the lawful currency of the United States |
| "U.S. FDA" | U.S. Food and Drug Administration |