



友芝友生物製藥

武漢友芝友生物製藥股份有限公司  
WUHAN YZY BIOPHARMA CO., LTD.

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

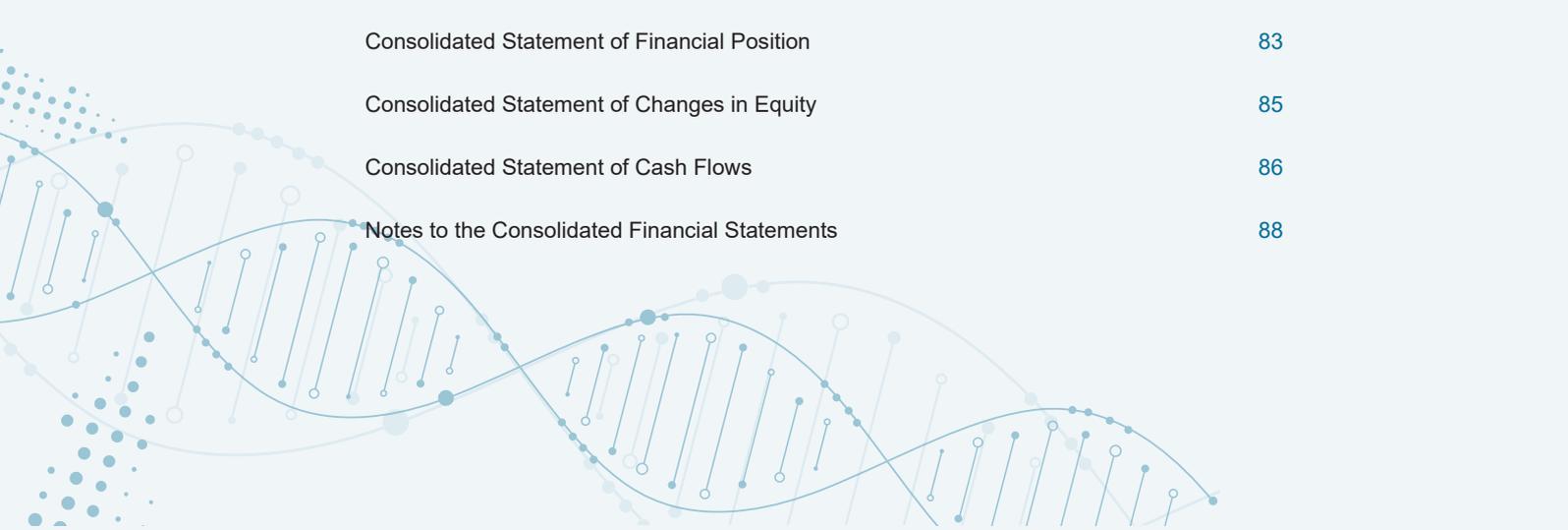
Stock Code: 2496

2023  
ANNUAL REPORT



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# DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definition and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as the Company.

“Actionable Corporate Communications”	any corporate communication that seeks instructions from the Shareholders on how they wish to exercise their rights or make an election as the Shareholders
“AGM”	the annual general meeting of the Company to be held on June 27, 2024
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“bispecific antibody” or “BsAb”	an antibody directed at two different targets or two different epitopes on the same target
“Caizhi No. 2”	Nanjing Caizhi No. 2 Enterprise Management Partnership (Limited Partnership) (南京才智二號企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on August 27, 2021 and one of our employee incentive platforms
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Chairman” or “Chairman of the Board”	the chairman of the Board
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this annual report and for geographical reference only, references herein to “China” and the “PRC” do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“CDMO(s)”	contract development and manufacturing organization, which is a pharmaceutical company that develops and manufactures drugs for other pharmaceutical companies on a contractual basis
“CMO(s)”	contract manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
“Companies Ordinance” or “Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

<p>“Company,” “our Company,” or “the Company”</p>	<p>Wuhan YZY Biopharma Co., Ltd. (武漢友芝友生物製藥股份有限公司), a joint stock company established in the PRC with limited liability on January 13, 2022, or, where the context requires (as the case may be), its predecessor, Wuhan YZY Biopharma Limited Company (武漢友芝友生物製藥有限公司), a limited liability company established in the PRC on July 8, 2010</p>
<p>“Corresponding Period”</p>	<p>for the year ended December 31, 2022</p>
<p>“CRO(s)”</p>	<p>contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research and development services outsourced on a contractual basis</p>
<p>“CSRC”</p>	<p>China Securities Regulatory Commission (中國證券監督管理委員會)</p>
<p>“Director(s)”</p>	<p>the director(s) of our Company</p>
<p>“Domestic Share(s)”</p>	<p>ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange</p>
<p>“Global Offering”</p>	<p>the offer of Shares for subscription as described in the Prospectus</p>
<p>“Group,” “our Group,” “we,” “YZY Bio,” “us,” or “our”</p>	<p>our Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the content may require), or where the context so requires, in respect of the periods before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time</p>
<p>“HCC”</p>	<p>hepatocellular carcinoma, a type of cancer arising from hepatocyte malignant transformation</p>
<p>“H Share(s)”</p>	<p>ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars</p>
<p>“HK\$”</p>	<p>Hong Kong dollars and cents respectively, the lawful currency of Hong Kong</p>
<p>“Hong Kong” or “HK”</p>	<p>the Hong Kong Special Administrative Region of the PRC</p>
<p>“Huiyou Jucai”</p>	<p>Nanjing Huiyou Jucai Enterprise Management Partnership (Limited Partnership) (南京匯友聚才企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on August 26, 2021 and one of our employee incentive platforms</p>

## DEFINITIONS

“Huiyou Juzhi”	Nanjing Huiyou Juzhi Enterprise Management Partnership (Limited Partnership) (南京匯友聚智企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on August 27, 2021 and one of our employee incentive platforms
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange
“Listing Date”	September 25, 2023, on which the H Shares were listed and dealings in the H Shares first commenced on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“MA”	the accumulation of fluid in the peritoneal cavity resulting from the growth of primary or metastatic malignant neoplasms in the peritoneum
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“MPE”	the collection of fluid in the pleural cavity resulting from malignant disease. Malignant pleural effusions often contain free floating malignant cells
“NSCLC”	non-small cell lung cancer
“Nomination Committee”	the nomination committee of our Board
“Over-allotment Option”	the option granted by the Company as described in the Prospectus
“PRC Company Law”	the Company Law of the PRC 《中華人民共和國公司法》 (as amended, supplemented or otherwise modified from time to time)
“Prospectus”	the prospectus of the Company dated September 13, 2023
“Remuneration Committee”	the remuneration committee of our Board
“Reporting Period”	for the year ended December 31, 2023
“RMB” or “Renminbi”	the lawful currency of the PRC
“R&D”	research and development
“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) in the share capital of the Company with a nominal value of RMB1.00 each, comprising the Unlisted Shares and H Shares

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shenzhen Kangzhe Vision”	Shenzhen Kangzhe Vision Pharmaceutical Development Co., Ltd. (深圳市康哲維盛醫藥發展有限責任公司) (formerly known as Kangzhe Pharmaceutical Research and Development (Shenzhen) Limited (深圳康哲醫藥發展有限公司)), an indirect wholly-owned subsidiary of China Medical System Holdings Limited (0867.HK)
“SMO(s)”	site management organization, an organization that provides clinical trial-related services
“SOTER BIOPHARMA”	SOTER BIOPHARMA PTE. LTD., an indirect wholly-owned subsidiary of China Medical System Holdings Limited (0867.HK)
“Supervisor(s)”	member(s) of the supervisory committee of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Unlisted Shares”	domestic shares and unlisted foreign shares of the Company
“US\$”	United States dollar, the lawful currency of the United States
“Wuhan Caizhi”	Wuhan Caizhi Investment Management Partnership (Limited Partnership) (武漢才智投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on September 21, 2015 and one of our employee incentive platforms
“%”	per cent

# CORPORATE INFORMATION

## BOARD

### Executive Director

Dr. Zhou Pengfei (*Chairman of the Board and Chief Executive Officer*)

### Non-executive Directors

Dr. Yuan Qian (袁謙)  
Dr. Zhou Hongfeng (周宏峰)  
Mr. Pang Zhenhai (龐振海)  
Dr. Hui Xiwu (惠希武)  
Ms. Liang Qian (梁倩)  
Dr. Liu Dan (柳丹)  
Dr. Guo Hongwei (郭宏偉)  
Mr. Xie Shouwu (謝守武)

### Independent Non-executive Directors

Dr. Cheng Bin (程斌)  
Dr. Dai Weiguo  
Ms. Fu Lili (付黎黎)  
Dr. Deng Yuezhen (鄧躍臻)  
Dr. Chen Bin (陳斌)

## SUPERVISORS

Mr. Sun Jumin (孫聚民)  
Ms. Liu Fang (劉芳)  
Mr. Ji Changtao (紀昌濤)  
Mr. Zhang Jing (張敬)  
Ms. Xiao Ying (肖瑩)

## REGISTERED OFFICE, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 666 Gaoxin Road  
East Lake High Tech  
Development Zone  
Wuhan, Hubei Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

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

## H SHARE REGISTRAR

### Computershare Hong Kong Investor Services Limited

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

## COMPLIANCE ADVISER

### Gram Capital Limited

Room 1209, 12/F, Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Central  
Hong Kong

## JOINT COMPANY SECRETARIES

Mr. Zheng Jianhua (鄭建華)  
Ms. Lai Janette Tin Yun (賴天恩) (*associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom*)

## AUTHORIZED REPRESENTATIVES

Dr. Zhou Pengfei  
Dr. Zhou Hongfeng (周宏峰)

## AUDIT COMMITTEE

Ms. Fu Lili (付黎黎) (*Chairwoman*)  
Dr. Zhou Hongfeng (周宏峰)  
Dr. Deng Yuezhen (鄧躍臻)

## NOMINATION COMMITTEE

Dr. Zhou Pengfei (*Chairman*)  
Dr. Cheng Bin (程斌)  
Dr. Dai Weiguo

## REMUNERATION COMMITTEE

Dr. Cheng Bin (程斌) (*Chairman*)  
Dr. Chen Bin (陳斌)  
Dr. Yuan Qian (袁謙)

## STOCK CODE

2496

## PRINCIPAL BANKS

**Industrial Bank Co., Ltd.**  
**Wuhan Optics Valley Sub-branch**  
1st-3rd Floors,  
Fanyue City Tower 2,  
No. 21 Guanshan Avenue,  
East Lake High-tech Development Zone  
Wuhan, Hubei Province  
PRC

**China CITIC Bank**  
**Wuhan East Lake Sub-branch**  
No. 724-4 Luoyu Road  
Hongshan District  
Wuhan, Hubei Province  
PRC

**China Merchants Bank**  
**Wuhan Jiang'an Sub-branch**  
1/F, Hanfei Youth Town  
No. 1338 Jiefang Avenue  
Jiang'an District  
Wuhan, Hubei Province  
PRC

## AUDITOR

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

## LEGAL ADVISERS TO THE COMPANY

*Hong Kong laws*

**Cooley HK**  
35/F, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

*PRC laws*

**Beijing Dentons Law Offices, LLP (WUHAN)**  
10-11/F, Zheshang Tower  
No. 718 Jianshe Avenue  
Jiang'an District  
Wuhan, Hubei Province  
PRC

## COMPANY'S WEBSITE

[www.zybio.com](http://www.zybio.com)

# CHAIRMAN'S STATEMENT

## Dear Shareholders:

2023 marked the 13th year since the establishment of YZY Bio, and it was also the first year of its listing on the capital market. During the year, the Company's R&D projects realized significant progress, clinical data met expectations, and internal operations were in good order. The potential economic and social value of the Company was becoming increasingly prominent. All of these achievements would not have been possible without your trust and support for YZY Bio over the years. On behalf of the Board, I am pleased to report to you the Company's results of operations for the year ended December 31, 2023 and our plan for 2024.

YZY Bio is a biotechnology company dedicated to developing bispecific antibody (BsAb)-based therapies to treat cancer-associated complications, cancer and age-related ophthalmologic diseases, to address medical demands in oncology and age-related ophthalmologic disease areas.

In 2023, innovative pharmaceutical companies around the world were facing a downturn in the capital market and multiple challenges. Despite the complex and challenging environment, the Company made remarkable achievements against the negative trend:

### 1. Emerging in the capital market

From the approval of our overseas listing by the CSRC on March 30, 2023 to the listing of the Company on the Main Board of the Stock Exchange on September 25, 2023, a new chapter is unfolded in the development of the Company.

### 2. Multiple breakthroughs in clinical R&D

The Phase II clinical trial of our core product M701 (a recombinant BsAb that targets cancer cells expressing human EpCAM and T cells expressing human CD3) for the treatment of malignant ascites has completed patient enrollment and demonstrated satisfactory efficacy. **The National Medical Products Administration has granted us approval to conduct the Phase III clinical trial of M701.** In addition, the enrollment of Phase Ib clinical trial of M701 for the treatment of malignant pleural effusion has also been completed.

Moreover, as for other projects, we have completed the patient enrollment for the Phase II clinical trial of Y101D (a recombinant anti-PD-L1 and anti-TGF- $\beta$  humanized BsAb) for the treatment of the indication of pancreatic cancer earlier than expected. In April 2023, we obtained the IND approval for Y332 (a recombinant anti-VEGF and anti-TGF- $\beta$  BsAb) for metastatic or locally advanced solid tumors in China and initiated the Phase I clinical study of the drug. In April 2023, Y400 obtained the IND approval (a recombinant anti-VEGF and anti-ANG2 BsAb and we have transferred all the rights and assets of Y400 to CMS Vision in 2022) in China and initiated the Phase I clinical trial of Y400 for the treatment of neovascular age-related macular degeneration.

### 3. Highly efficient operation on process and production

In addition to the completion of the technology transfer of M701 and the production of samples for the confirmatory Phase III clinical trial, we also completed the production of samples for the clinical trial of Y400 and the technology development or transfer of a number of projects.

#### 4. Stable and sustainable internal management

We have unswervingly pursued innovation as the driving force for our development. In 2023, we obtained five invention patents and submitted application for one invention patent, continuously fortifying the moat of our core proprietary intellectual property rights to safeguard the Company's development;

We have always advocated brand management. In November 2023, the Company successfully obtained the qualification of "National High-tech Enterprise", greatly enhancing the Company's brand image;

We have consistently placed great importance on team building. In 2023, we recruited numerous key talents to achieve our objectives of empowering our research and development capabilities from multiple aspects, specializing clinical management, and developing our business cooperation worldwide.

**Looking forward to 2024, the Company will further promote the commercialization of its products and maximize the value of the Company's product pipeline by facilitating the global development of our business.** In particular, we will spare no efforts to push forward the Phase III clinical trial of M701 for the indication of MA, and simultaneously conduct the Phase II study of M701 for the indication of MPE. In addition, we will also complete our research on production process characterization of M701 and carry out its process validation, so as to make adequate preparation for its commercial production. In addition to M701, for which we made the fastest progress, we will unswervingly enrich our product pipeline. We plan to complete the Phase II clinical trial of Y101D for the indication of pancreatic cancer and start the dose escalation and patient enrollment for the Phase I clinical trial of Y332, aiming to achieve the goal of advancing multiple product pipelines in an orderly manner.

Technology R&D and commercialization remain the inexhaustible driving force for YZY Bio's valuation creation. To this end, we will continue to make breakthroughs in innovative BsAb technologies and go deeper in our differentiated clinical development strategy, to maintain YZY Bio's enduring competitive strengths in the development of First-in-Class and Best-in-Class products.

We will make continuous efforts to consolidate the foundation of our corporate operation and internal management by maintaining operational compliance, ensuring scientific decision-making, securing personnel stability, and safeguarding financial security, to ensure the healthy, stable, and efficient operation of the Company.

With the courage to stand at the forefront of the industry, we will fight for a better future through our unremitting efforts. With the support of our shareholders and the community, YZY Bio will remain committed to its mission of "discovering and developing innovative drugs for healthier lives of patients", and consistently promote the R&D and commercialization of the Company's drug candidates, with a view to continuously creating value for all stakeholders.

**Wuhan YZY Biopharma Co., Ltd.**

**Dr. Zhou Pengfei**

*Chairman of the Board, Executive  
Director and Chief Executive Officer*

Wuhan, PRC, March 28, 2024

# FINANCIAL SUMMARY

	Year ended December 31,		
	2023 RMB'000	2022 RMB'000	2021 RMB'000
Other income	13,014	2,560	12,798
Other gains and losses	(334)	671	716
Research and development expenses	(155,054)	(157,329)	(112,893)
Administrative expenses	(22,311)	(20,525)	(31,497)
Listing expenses	(24,629)	(11,775)	(2,670)
Finance costs	(2,388)	(2,468)	(14,972)
Loss before tax	(191,702)	(188,866)	(148,518)
Loss for the year	(191,702)	(188,866)	(148,518)

	As of December 31,		
	2023 RMB'000	2022 RMB'000	2021 RMB'000
Non-current assets	51,523	63,885	74,517
Current assets	250,101	238,957	125,638
Non-current liabilities	150	–	83
Current liabilities	173,820	146,960	56,908
Net assets	127,654	155,882	143,164

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

We are a biotechnology company dedicated to developing bispecific antibody (BsAb)-based therapies to treat cancer-associated complications, cancer and age-related ophthalmologic diseases.

Founded in 2010, we have designed and developed a pipeline of four clinical-stage drug candidates. As of the date of this annual report, three of our four clinical-stage drug candidates are BsAbs designed for cancer treatment or cancer-associated complications such as malignant ascites (MA) and malignant pleural effusion (MPE). In particular, we have been focusing on developing the T cell-engaging BsAb (including M701), and the tumor microenvironment (TME)-targeted BsAbs, including Y101D and Y332. Our Core Product, M701, is a recombinant BsAb that targets cancer cells expressing human EpCAM and T cells expressing human CD3. We are primarily developing M701 for the treatment for MA and MPE, which are severe complications of cancer characterized by the accumulation of fluids in the abdominal or chest cavity of cancer patients.

## PRODUCT PIPELINE

The following pipeline chart summarizes the development status of our selected drug candidates:



Notes:

- All of our drug candidates are in-house developed.
  - Specifically, we expect to hold a pre-BLA meeting with Center for Drug Evaluation (CDE) in the first quarter of 2025 as the initial phase of biologics license application (BLA) process.
  - We have transferred all the rights and assets of Y400 to Shenzhen Kangzhe Vision and SOTER BIOPHARMA. We are entitled to receive an upfront payment, milestone payments upon the occurrence of certain pre-agreed milestone events, and tiered royalties based on net sales.
- \* Several pre-clinical candidate drugs for the treatment of tumors and other diseases are currently in the early pre-clinical stage and are therefore not included in the pipeline. We plan to continue pre-clinical studies on these candidate drugs and progressively apply for IND approvals for them in the next few years.

Abbreviations: Mono refers to monotherapy; Combo refers to combination therapy; EpCAM refers to epithelial cell adhesion molecule; CD3 refers to cluster of differentiation 3; PD-L1 refers to programmed death ligand 1; TGF-β refers to transforming growth factor-β; VEGF refers to vascular endothelial growth factor; ANG2 refers to angiopoietin-2; wAMD refers to wet age-related macular degeneration; DME refers to diabetic macular edema.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

As at the date of this annual report, the Company has made significant progress in its pipeline products and business operations. The following sets out the progress the Company has made during the Reporting Period.

### M701

M701, our Core Product, is a recombinant BsAb targeting cancer cells expressing human EpCAM and T cells expressing human CD3. We are primarily developing M701 for the treatment for MA and MPE, which are severe complications of cancer characterized by the accumulation of fluids in the abdominal or chest cavity of cancer patients.

- **MA:** We completed patient enrollment for a Phase II clinical trial evaluating the efficacy of M701 monotherapy in combination with systemic treatment (targeted therapy, immunotherapy, or chemotherapy) for the treatment of MA, enrolling a total of 115 patients. The clinical data obtained in the Phase II clinical trial indicates that M701 is safe and well-tolerated, with good efficacy in controlling MA. In February 2024, we secured the written consent from CDE regarding the clinical design of a Phase III trial for M701 for the treatment of MA. We enrolled first patient this Phase III clinical trial in March 2024.
- **MPE:** We are conducting a Phase Ib/II clinical trial of M701 for the treatment of MPE in China. We completed the Phase Ib portion of this trial, with a total of 24 patients enrolled. The Phase Ib clinical data demonstrates preliminary efficacy of M701 in controlling MPE in NSCLC patients. We enrolled first patient for the Phase II portion of this trial in March 2024.

### Y101D

Y101D, a recombinant anti-PD-L1 and anti-TGF- $\beta$  humanized BsAb, is being developed for the treatment of solid tumors. Y101D is designed to simultaneously inhibit the programmed death 1 (PD-1)/PD-L1 axis and the TGF- $\beta$  signaling pathways, thus having the potential to unleash a synergistic anti-tumor activity and relieve drug resistance.

- **Pancreatic cancer:** We are conducting a Phase Ib/II clinical trial of Y101D in combination therapy for the treatment of advanced/metastatic pancreatic cancer. We completed the patient enrollment for the Phase II portion of this Phase Ib/II clinical trial in October 2023.
- **HCC and other advanced solid tumors:** We are conducting a Phase Ib/II clinical trial of Y101D in combination therapy for the treatment of HCC and other advanced solid tumors.

### Y332

Y332, a recombinant anti-VEGF and anti-TGF- $\beta$  BsAb, is being developed for the treatment of a variety of solid tumors. In pre-clinical studies, Y332 shows high affinity to both VEGF and TGF- $\beta$ , favorable bioactivity and stability, and demonstrates encouraging anti-tumor effects. We commenced a Phase I clinical trial of Y332 for the treatment of metastatic or locally advanced solid tumors in October 2023. This trial is currently in the dose-escalation phase.

## Y400

Y400 is a recombinant anti-VEGF and anti-ANG2 BsAb. Y400 has a high concentration formulation which is an important factor for the success of such ophthalmic drugs. As a testament to our research and development capability, we have transferred all the rights and assets of Y400 to Shenzhen Kangzhe Vision and SOTER BIOPHARMA. The CDE approved the IND application for Y400 in April 2023 and the Phase I clinical trial of Y400 for the treatment of neovascular age-related macular degeneration has commenced. The interim results of this Phase I clinical trial show a favorable safety profile for Y400.

## Y225

Y225 is a biosimilar of Emicizumab for the treatment of hemophilia. Y225 has completed the cell lines selection and confirmation, process development, formulation confirmation, and preliminary subcutaneous irritability and pharmacokinetic studies in cynomolgus monkeys.

After a comprehensive assessment of clinical needs, market environment, and the competitive landscape for our product candidates, we decided to postpone our clinical research for our pipeline drug candidates M802, Y2019, Y150, Y101D monotherapy for solid tumors, and Y101D combination therapy for small cell lung cancer. By doing so, we aim to allocate our research and development resources more effectively and concentrate on the most promising drug candidates in our pipeline.

**Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that we may be able to ultimately develop and market M701, Y101D, Y332 and Y225 successfully. There is no assurance that Y400 may be ultimately developed and marketed successfully. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

## Manufacturing Facilities and Collaboration with CMOs/CDMOs

As of the date of this annual report, we maintain a manufacturing base of approximately 1,400 square meters with a scale of 500L (two 200L bioreactors and two 50L bioreactors) and a maximum annual production of 20-24 batches with single bioreactor to accommodate the manufacturing demands for our pre-clinical studies and earlier phases of clinical trials prior to the pivotal clinical trials for a majority of our drug candidates, including M701, Y332, and our pre-clinical candidates. In 2023, we completed the technology transfer of the M701 project and the production of Phase III clinical trial samples for M701, the production of clinical trial samples for Y400, as well as the technological development or transfer for multiple other drug candidates.

Besides manufacturing conducted at our own facilities, we currently also engage third-party CMOs/CDMOs for (i) the production for pivotal clinical trials of M701, and (ii) the manufacturing for pre-clinical studies and clinical trials of Y101D, which require larger production volumes. We are responsible for the development of manufacturing process of our drug candidates, and CMOs/CDMOs are responsible for the manufacturing.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Commercialization

We plan to recruit capable marketing professionals and develop our capabilities of commercialization. As our current pipeline of drug candidates comes to the market, we will build an in-house commercialization team with medical and scientific background to maximize the reach of our product offering and expedite market acceptance of our products in China. We plan to seek collaboration and out-licensing opportunities to promote our drug candidates and brand in the overseas markets.

Our in-house commercialization team will initially focus on the marketing and sales of M701 once it is approved for commercialization. We plan to contract a 300-person contract sales organization (CSO) team in China with experience in selling oncology drugs and establish an in-house sales team of approximately 20 employees to meet the sales demands for M701 upon its commercialization. We also plan to further scale up our sales team in line with increasing sales demand of M701 in the future. We plan to initiate negotiations for CSO engagement in the second half of 2024.

## KEY DEVELOPMENTS AFTER THE REPORTING PERIOD

### Key Developments of Our Drug Candidates

We will continue to advance both our ongoing and planned clinical programs and trials for our pipeline products in the PRC and globally to prepare for the commercialization of our pipeline products. In particular, subsequent to the Reporting Period, we (i) enrolled first patient the Phase III clinical trial of M701 for the treatment of MA in March 2024, and (ii) enrolled first patient for the Phase II portion of a Phase Ib/II clinical trial of M701 for the treatment of MPE in March 2024.

## FUTURE DEVELOPMENT

Looking forward to 2024, the acceleration of our R&D progress for our drug candidates is our top priority. We will continue to rapidly advance the development of our drug candidates. In particular, we will invest more resources in the following areas: (i) Phase III clinical trial of M701 for MA as well as Phase II portion of Phase Ib/II clinical trial of M701 for MPE; (ii) Phase II portion of the Phase Ib/II clinical trial of Y101D for pancreatic cancer; (iii) Phase I clinical trial of Y332; and (iv) the further development of our pre-clinical drug candidates, with the aim to advance additional new candidates into clinical development. We also plan to complete the production process characterization studies for M701 and carry out process validation, in preparation for its commercial launch.

## FINANCIAL REVIEW

### Other Income

During the Reporting Period, our other income consisted of (i) government grants, (ii) bank interest income and (iii) others.

Government grants included grants received from various PRC government authorities mainly in connection with the enterprise development support and subsidies which had certain conditions imposed by the respective PRC government authorities. The relevant conditions have been fully met upon recognition. Bank interest income included interest from bank deposits. Others included other miscellaneous non-operating income.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a breakdown of our other income for the years indicated:

	Year ended December 31,			
	2023		2022	
	RMB'000	%	RMB'000	%
Government grants	11,944	92.0	2,254	88.0
Bank interest income	1,047	7.9	283	11.1
Others	23	0.1	23	0.9
<b>Total</b>	<b>13,014</b>	<b>100.0</b>	2,560	100.0

Our other income increased from RMB2.6 million for the Corresponding Period to RMB13.0 million for the Reporting Period, primarily due to an increase in government grants of RMB9.7 million, as we received from local government (i) subsidies for rewarding our research and development of our drug candidates and (ii) rewards for our successful Listing in September 2023.

### Other Gains and Losses

During the Reporting Period, our other gains and losses consisted mainly of (i) loss on disposal of property and equipment, (ii) gain from changes in fair value of financial assets at fair value through profit or loss ("FVTPL") and (iii) net foreign exchange losses.

The following table sets forth a breakdown of our other gains and losses for years indicated:

	Year ended December 31,			
	2023		2022	
	RMB'000	%	RMB'000	%
Loss on disposal of property and equipment	(23)	(6.9)	(3)	(0.4)
Gain from changes in fair value of financial assets at FVTPL	1,608	481.4	671	100.0
Net foreign exchange losses	(1,919)	(574.6)	–	–
Others	–	–	3	0.4
<b>Total</b>	<b>(334)</b>	<b>(100.0)</b>	671	100.0

Loss on disposal of property and equipment represented our loss from disposing of certain assets. Gain from changes in fair value of financial assets at FVTPL represented the gain from recognizing fair value changes in wealth management products and structured deposits purchased by us and managed by financial institutions in China.

## MANAGEMENT DISCUSSION AND ANALYSIS

We recorded other losses of RMB0.3 million for the Reporting Period, as compared to other gains of RMB0.7 million for the Corresponding Period, primarily due to the combined effects of (i) the incurrence of net foreign exchange losses of RMB1.9 million in 2023 in relation to the proceeds from the Global Offering denominated in Hong Kong dollars and (ii) an increase in gain from changes in fair value of financial assets at FVTPL of RMB0.9 million as a result of our increased investment in wealth management products and structured deposits in 2023.

### Research and Development Expenses

During the Reporting Period, our research and development expenses consisted of (i) technical service fees, (ii) raw materials costs, (iii) employee benefit expenses, (iv) depreciation and amortization expenses and (v) others. Technical service fees are mainly related to our engagement with third party service providers including CROs, SMOs, CMOs/CDMOs, clinical trial sites and principal investigators, as well as other expenses incurred in connection with our pre-clinical studies and clinical trials. Raw materials costs mainly included expenses for procuring materials and consumables used to support our preclinical studies and clinical trials. Employee benefit expenses consisted of wages and salaries, bonuses and other employee benefits for research and development employees. Depreciation and amortization expenses mainly represented the depreciation and amortization of our right-of-use assets, property and equipment for research and development purposes. Others mainly included general expenses including utilities, traveling and transportation expenses and other miscellaneous expenses incurred for research and development purposes.

The following table sets forth breakdowns by activities of our research and development expenses in absolute amount and as percentages of our total research and development expenses for the years indicated:

	Year ended December 31,			
	2023		2022	
	RMB'000	%	RMB'000	%
Technical service fees	95,513	61.6	101,247	64.4
Raw material costs	20,310	13.1	21,481	13.7
Employee benefit expenses	27,206	17.5	24,072	15.3
Depreciation and amortization expenses	5,744	3.7	5,722	3.6
Others	6,281	4.1	4,807	3.0
<b>Total</b>	<b>155,054</b>	<b>100.0</b>	157,329	100.0

Our research and development expenses decreased slightly from RMB157.3 million for the Corresponding Period to RMB155.1 million for the Reporting Period. The decrease was mainly due to the combined effects of (i) a decrease in the expenses incurred from the technical service for pre-clinical studies of Y400 and Y332, as we completed the pre-clinical studies of Y400 and Y332 in 2022 while not incurring technical service fees for their pre-clinical studies in the Reporting Period; and (ii) an increase in the expenses incurred for the clinical trials of M701 and Y101D.

## Administrative Expenses

During the Reporting Period, our administrative expenses consisted of (i) employee benefits expenses, (ii) professional parties' fees, (iii) depreciation and amortization expenses, (iv) business development fees, (v) freight and miscellaneous fees and (vi) others. Employee benefits expenses consisted of wages and salaries, bonuses and other employee benefits for administrative employees. Professional parties' fees represented our engagement of professional parties during our ordinary course of business. Depreciation and amortization expenses represented the depreciation and amortization of our right-of-use assets, property and equipment for administrative purposes. Business development expenses represented administrative fees incurred as a result of our business development activities. Freight and miscellaneous fees comprised of transportation expenses. Others mainly included short-term leases expenses, utility fees, traveling expenses, office consumables, and other miscellaneous expenses.

The following table sets forth breakdowns of our administrative expenses in absolute amount and as percentages of our total administrative expenses for the years indicated:

	Year ended December 31,			
	2023		2022	
	RMB'000	%	RMB'000	%
Employee benefits expenses	8,847	39.7	9,114	44.4
Professional parties' fees	4,956	22.2	2,914	14.2
Depreciation and amortization expenses	1,572	7.0	1,222	6.0
Business development fees	1,426	6.4	2,704	13.2
Freight and miscellaneous fees	795	3.6	457	2.2
Others	4,715	21.1	4,114	20.0
<b>Total</b>	<b>22,311</b>	<b>100.0</b>	<b>20,525</b>	<b>100.0</b>

Our administrative expenses were RMB22.3 million for the Reporting Period, which remained relatively stable as compared to RMB20.5 million for the Corresponding Period.

## Listing Expenses

Listing expenses represented expenses incurred for the Listing. Our listing expenses increased significantly from RMB11.8 million for the Corresponding Period to RMB24.6 million for the Reporting Period. The increase was mainly due to the fees to professional parties engaged for the Listing.

## Finance Costs

Our finance costs primarily represented our interest expenses on bank and other borrowings. Our finance costs were RMB2.4 million for the Reporting Period, which remained relatively stable as compared to RMB2.5 million for the Corresponding Period.

## Income Tax Expense

For the Corresponding Period and the Reporting Period, we incurred no income tax expenses.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Loss and Total Comprehensive Expenses

As a result of the foregoing, our loss and total comprehensive expenses were RMB191.7 million for the Reporting Period, which remained relatively stable as compared to RMB188.9 million for the Corresponding Period.

## Liquidity and Capital Resources

Our primary sources of liquidity consisted of cash and cash equivalents, which we have historically generated primarily through capital contributions from our shareholders, private equity financing and bank loans. We expect that our cash needs in the near future will primarily relate to progressing the development of our drug candidates towards receiving regulatory approval and commencing commercialization, as well as expanding our drug candidate portfolio.

As of December 31, 2023, our cash and cash equivalents increased to RMB196.7 million from RMB153.5 million as of December 31, 2022. The increase was primarily attributable to the redemption of our investments in wealth management products and structured deposits.

As of December 31, 2023, we had current assets of RMB250.1 million, including cash and cash equivalents of RMB196.7 million, prepayments, deposits and other receivables of RMB31.6 million, value-added tax recoverable of RMB16.0 million and inventories of RMB5.8 million. As of December 31, 2023, we had current liabilities of RMB173.8 million, including bank borrowings of RMB89.5 million, trade and other payables of RMB42.4 million, advance from transfer agreement of RMB40.8 million, deferred income of RMB0.6 million and lease liabilities of RMB0.5 million.

For the Reporting Period, our net cash used in operating activities was RMB186.0 million (the Corresponding Period: RMB176.7 million), which was primarily attributable to our loss before tax of RMB191.7 million, adjusted for non-cash and non-operating items. Positive adjustments primarily included (i) an increase in trade and other payables of RMB12.5 million, (ii) depreciation of property and equipment of RMB6.4 million and (iii) a decrease in inventories of RMB4.9 million. Negative adjustments mainly included (i) an increase in prepayments, deposits, and other receivables of RMB10.5 million (ii) an increase in value added tax recoverable of RMB7.9 million and (iii) a decrease in deferred income of RMB2.3 million.

For the Reporting Period, our net cash from investing activities was RMB54.8 million (the Corresponding Period: RMB5.8 million). Such cash inflow was mainly due to our redemption of financial assets at FVTPL of RMB491.0 million, which was partially offset by cash outflow mainly in relation to our purchase of financial assets at FVTPL of RMB444.0 million.

For the Reporting Period, our net cash from financing activities was RMB176.3 million (the Corresponding Period: RMB241.3 million). Such cash inflow was due to the proceeds from issue of shares of RMB174.0 million and new bank borrowing raised of RMB89.5 million, which was partially offset by cash outflow mainly in relation to the repayment of bank borrowings of RMB76.5 million.

As part of our treasury management, we invest in certain structured deposits and wealth management products to better utilize excess cash when our cash sufficiently covers our ordinary course of business. We have implemented a series of internal control policies and rules setting forth overall principles as well as detailed approval process of our treasury management activities, to ensure that the purpose of investment is to preserve capital and liquidity until free cash is used in our primary business and operation. We only allow investments in structured deposits and other principal-guaranteed wealth management products, if any, which are issued by large commercial banks in the PRC.

## Capital Structure

The capital structure of the Group consists of bank borrowings, lease liabilities, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves. The Group's debts and monetary assets are denominated in Renminbi and/or Hong Kong dollars.

As of December 31, 2023, the carrying amounts of the bank borrowings are mainly repayable within one year.

## Indebtedness

As of December 31, 2023, we had bank borrowings of RMB89.5 million, consisting of secured bank loans of RMB71.0 million and unsecured bank loans of RMB18.5 million. Our bank borrowings increased from RMB76.5 million as of December 31, 2022 to RMB89.5 million as of December 31, 2023, in relation to additional loans we obtained from banks as our working capital. As of December 31, 2023, we had unutilized banking facilities of RMB160.5 million.

As of December 31, 2023, we had lease liabilities of RMB0.6 million, as compared to RMB0.2 million as of December 31, 2022.

## Gearing Ratio

Gearing ratio represents liability divided by equity as of the same dates and multiplied by 100%. Liability is defined as short-term loan and lease liabilities. Our gearing ratio increased from 49.2% as of December 31, 2022 to 70.6% as of December 31, 2023, due to (i) an increase in liability mainly as a result of an increase in short-term bank borrowings and (ii) a decrease in equity mainly as a result of our loss and total comprehensive expense recorded in 2023.

## Significant Investments Held

We did not make or hold any significant investments during the Report Period.

## Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

We did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

## Future Plans for Material Investments or Capital Assets

As of the date of this annual report, we do not have any concrete future plans for material capital expenditure, investments or capital assets. We will make further announcement(s) in accordance with the Listing Rules, where applicable, if any investments and acquisition opportunities materialize.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Contingent Liabilities

As of December 31, 2023, we did not have any contingent liabilities. As of the date of this annual report, there have been no material changes or arrangements to our contingent liabilities.

### Capital Commitments

As of December 31, 2023, we did not have any significant capital commitments.

### Charges on Group Assets

As of December 31, 2023, certain of our bank borrowings were secured by our property and equipment, right-of-use assets and investment properties with carrying amount of RMB5.9 million, RMB8.1 million, and RMB0.5 million as of the same date.

### Foreign Exchange Exposure

Certain financial liabilities are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. We did not have a foreign currency hedging policy against our exposure to currency risk during the Reporting Period. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### Subsequent Events After the Reporting Period

As of the date of this annual report, there are no other significant events that might affect our Group since December 31, 2023.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Director

**Dr. Zhou Pengfei**, aged 57, the co-founder of the Group, was appointed as a Director of the Company in October 2014, as the chief executive officer of the Company in March 2018, and as the Chairman of the Board in September 2022. He was later re-designated as the executive Director in November 2022. He is responsible for the overall strategic planning of the Group and supervises and oversees the management of our business. He also serves as the general manager of all of our subsidiaries, namely Nanjing Youbodi Biotechnology Co., Ltd (南京友博迪生物技術有限公司), Shijiazhuang Shiyou Biotechnology Co., Ltd. (石家莊石友生物技術有限公司) and Wuhan Youwei Biotechnology Co., Ltd (武漢友微生物技術有限公司), respectively.

Dr. Zhou has over 33 years of experience in the healthcare and pharmaceutical industries. After completion of undergraduate studies, Dr. Zhou successively served as a physician at the pediatrics department and the general surgery department of Shenzhen Second People's Hospital (深圳第二人民醫院) (previously known as Shenzhen Red Cross Hospital (深圳市紅十字會醫院)). He served as a postdoctoral research fellow in microbiology and immunology in the School of Medicine of Stanford University in the U.S. from May 2005 to January 2006 and later served in Schering-Plough Corporation. Prior to founding the Group in July 2010, he worked at Crown Bioscience (Beijing) Co., Ltd. (中美冠科生物技術(北京)有限公司), a subsidiary of Crown Bioscience International (a company previously listed on the Taipei Stock Exchange (stock code: KY(6554))) from September 2008 to June 2010, with last position as executive director. He was appointed as a director and the vice-chairman of the board of directors of Wuhan YZY Medical Science and Technology Co., Ltd. (武漢友芝友醫療科技股份有限公司) (a company controlled by Dr. Yuan Qian and primarily engaged in the sales of medical device, which does not compete and is unlikely to compete, directly or indirectly, with the Company's business) in July 2011 and March 2017, respectively. He has also served as a visiting professor at Tongji Medical College of Huazhong University of Science and Technology (華中科技大學同濟醫學院) since January 2012, and a visiting professor at Central South University (中南大學) in the PRC since April 2022.

Dr. Zhou obtained a bachelor's degree in pediatrics in June 1989, and a master's degree in pediatric surgery (oncology) in June 1994, respectively, from Tongji Medical University (同濟醫科大學) (currently known as Tongji Medical College of Huazhong University of Science and Technology) in the PRC. He also obtained a doctorate in medicine from McMaster University in Canada in November 2005.

Dr. Zhou was recognized as a senior engineer by Hubei Professional Title Reform Leading Group Office (湖北省職稱改革工作領導小組辦公室) in December 2018. He has also served as the president of the Biopharmaceutics Industry Association of Wuhan East Lake National Innovation Demonstration Zone (武漢東湖國家自主創新示範區生物醫藥行業協會) from May 2022 to November 2023 and a supervisor in the National Postdoctoral Research Workstation (國家博士後科研工作站) since October 2018.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Non-executive Directors

**Dr. Yuan Qian (袁謙)**, aged 57, the co-founder of the Group, was appointed as a Director in July 2010 and re-designated as a non-executive Director in November 2022. He was also the Chairman of the Board from July 2010 to January 2018 and the chief executive officer of the Company from July 2010 to March 2018. The completion of the Series A Financing in 2018 saw the Company's entry into a new phase of development. Considering CSPC Pharmaceutical Group Limited (石藥集團有限公司) ("CSPC"), being a prominent pharmaceutical company in China, had become a substantial shareholder of the Company and Dr. Zhou Pengfei's rich clinical research and management experience had proven to be crucial to the Group's achievements and future development, Dr. Yuan stepped down from the positions of Chairman of the Board and the chief executive officer of the Company while CSPC nominated the Chairman of the Board. Dr. Yuan perceived such change as instrumental to enhance the Board's industrial expertise and competencies and improve the Company's corporate governance. The change in Dr. Yuan's executive roles, having not concerned any of his integrity, competency or suitability as a Chairman of the Board or a chief executive officer of the Company, did not result in any movement of key R&D personnel of the Core Product, nor had any material impact on the Group's the business and R&D operations. Dr. Yuan remains involved in the formulation of the general corporate business plans, strategies, and major decisions of the Group through the Board.

Prior to founding the Group, Dr. Yuan founded and held positions in several corporates covering various business areas, including Hubei Zhiyou Mechatronics Co., Ltd. (湖北芝友機電工程有限公司) (a company controlled by Dr. Yuan and primarily engaged in construction business, which does not compete and is unlikely to compete, directly or indirectly, with the Company's business) where he has served as an executive director since October 1995, YZY Industrial Group Co., Ltd. (友芝友實業集團有限公司) (a company wholly owned by Dr. Yuan and primarily engaged in aquaculture business, which does not compete and is unlikely to compete, directly or indirectly, with the Company's business) where he has served as an executive director and the general manager since November 1999, Wuhan YZY Industrial Development Co., Ltd. (武漢友芝友產業發展有限公司) (a company controlled by Dr. Yuan and primarily engaged in business consulting services, which does not compete and is unlikely to compete, directly or indirectly, with the Company's business) where he has served as an executive director since March 2002, and Wuhan YZY Medical Science and Technology Co., Ltd. (武漢友芝友醫療科技股份有限公司) where he has served as a director and the chairman of the board since July 2011.

Dr. Yuan obtained a bachelor's degree in clinical medicine from Tongji Medical University (同濟醫科大學) (currently known as Tongji Medical College of Huazhong University of Science and Technology) in June 1990 and a master's degree of business administration from China Europe International Business School (中歐國際工商學院) in the PRC in September 2007, respectively. He also obtained a doctorate in science from Temple University in December 2023.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Dr. Zhou Hongfeng (周宏峰)**, aged 54, the co-founder of the Group, was appointed as a Director in July 2010 and re-designated as a non-executive Director in November 2022. He is currently responsible for participating in the formulation of the general corporate business plans, strategies and major decisions of the Group through the Board.

Dr. Zhou served as a lecturer at the School of Public Health of Sun Yat-Sen Medical University (中山醫科大學公共衛生學院) (currently known as Zhongshan School of Medicine of Sun Yat-Sen University (中山大學中山醫學院)), from July 1992 to August 1998. He then served in a management position of Guangdong Yikangda Technology Development Co., Ltd. (廣東怡康達科技發展有限公司) from April 2002 to June 2010, and the chairman of the board of Guangdong Huakai Investment Co., Ltd. (廣東鐸凱投資有限公司) from June 2007 to July 2014. He has also served as the co-founder and a director of Wuhan YZY Medical Science and Technology Co., Ltd. (武漢友芝友醫療科技股份有限公司) since July 2011.

Dr. Zhou obtained a bachelor's degree in medicine in June 1992 from Tongji Medical University (同濟醫科大學) (currently known as Tongji Medical College of Huazhong University of Science and Technology). He then obtained a master's degree in medicine in December 1997 from Sun Yat-Sen Medical University (中山醫科大學) (currently known as Zhongshan School of Medicine of Sun Yat-Sen University (中山大學中山醫學院)). He also obtained a master's degree of business administration in March 2014 from the Carlson School of Management, the University of Minnesota in the U.S. and a doctorate in social medicine and health administration in December 2014 from Huazhong University of Science and Technology (華中科技大學) in the PRC. He is currently a candidate for an EMBA degree at Tsinghua University PBC School of Finance (清華大學五道口金融學院).

**Pang Zhenhai (龐振海)**, aged 49, was appointed as a Director in January 2020 and re-designated as a non-executive Director in November 2022. He is responsible for providing guidance and advice on corporate and business strategies.

Mr. Pang worked at Shijiazhuang No. 2 Pharmaceutical Factory (石家莊市第二製藥廠) from October 1999 to February 2001. He then successively served as a budget supervisor and a capital manager at the finance department of CSPC Holdings Company Limited (石藥控股集團有限公司) from March 2001 to March 2005, a manager at purchasing department of CSPC Zhongnuo Pharmaceutical (Shijiazhuang) Co., Ltd. (石藥集團中諾藥業(石家莊)有限公司) from April 2005 to June 2009, a senior director at investment and strategic planning department of CSPC Holdings Company Limited from July 2009 to February 2012, a deputy general manager of CSPC Zhongcheng Medicines Co., Ltd. (石藥集團中誠醫藥有限公司) from March 2012 to August 2014, a general director at the finance department of CSPC (a company listed on the Stock Exchange (stock code: 1093)) from September 2014 to June 2015, and a senior director at capital operation center of CSPC and its subsidiaries ("CSPC Group") from July 2015 to December 2020. Mr. Pang has served as a director of Shanghai Shifengxinhui Venture Capital Management Co., Ltd. (上海石豐昕匯創業投資管理有限公司) since July 2019, and a director at business development department of CSPC Group since December 2020.

Mr. Pang obtained a bachelor's degree in accounting from Lanzhou University (蘭州大學) in the PRC in July 1999.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Dr. Hui Xiwu (惠希武)**, aged 39, was appointed as a Director in September 2022 and re-designated as a non-executive Director in November 2022. He is responsible for providing guidance and advice on corporate and business strategies.

Dr. Hui successively served as a researcher from July 2012 to October 2015, an office director from November 2015 to September 2017, and a deputy director of the research institute from October 2017 to September 2019, at CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd. (石藥集團中奇製藥技術(石家莊)有限公司). He then served as a director of the research institute of CSPC Jushi Biopharmaceutical Co., Ltd. (石藥集團巨石生物製藥有限公司) from October 2019 to September 2022.

Dr. Hui obtained a bachelor's degree in bioscience from Yantai University (煙台大學) in the PRC in June 2006. He then obtained his doctorate in biochemistry and molecular biology through the successive postgraduate and doctoral program from Peking Union Medical College (北京協和醫學院) in the PRC in July 2012.

**Liang Qian (梁倩)**, aged 51, was appointed as a Director in January 2018 and re-designated as a non-executive Director in November 2022. She is responsible for providing guidance and advice on corporate and business strategies.

Ms. Liang possesses extensive experience in the development and manufacture of genetic recombinant drugs. She served as a technological researcher at North China Pharmaceutical Group New Drug R&D Co., Ltd. (華北製藥集團新藥研究所) from July 1996 to October 1998 and was appointed as a development manager at NCPC Genetech Biotechnology Co., Ltd. (華北製藥金坦生物技術股份有限公司) in October 1998. She also served as the executive director at Dali Shangguanhua Tourism Co., Ltd. (大理市上關花旅遊有限公司) from September 2012 to June 2022.

Ms. Liang obtained a bachelor's degree in chemical engineering from Hebei University of Technology (河北工業大學) in the PRC in July 1996 and a master's degree in pharmaceutical science from Hebei Medical University (河北醫科大學) in the PRC in June 2009.

**Dr. Liu Dan (柳丹)**, aged 40, was appointed as a Director in September 2022 and re-designated as a non-executive Director in November 2022. He is responsible for providing guidance and advice on corporate and business strategies.

Dr. Liu served as an associate consultant at Bain Chuangxiao Management Consulting (Shanghai) Co., Ltd. (貝恩創效管理諮詢(上海)有限公司) from January 2014 to October 2015. He served as a senior partner at CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司) from October 2015 to May 2023, and a senior partner of CDH Investments Management (Hong Kong) Limited since June 2023.

Dr. Liu currently holds various positions outside of the Group. He has served as an independent director of Jiangsu Hualan New Pharmaceutical Material Co., Ltd. (江蘇華蘭藥用新材料股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 301093)) since October 2018, a director of GemPharmatech Co., Ltd. (江蘇集萃藥康生物科技股份有限公司) (a company listed on the Shanghai Stock Exchange Science and Technology Innovation Board (stock code: 688046)) from May 2019 to October 2023, a director of Huiying Medical Technology (Beijing) Co., Ltd. (慧影醫療科技(北京)有限公司) (a company listed on the New Third Board of The National Equities Exchange and Quotations Corporation Limited (stock code: 874245)) since August 2020, and a supervisor of HitGen Inc. (成都先導藥物開發股份有限公司) (a company listed on the Shanghai Stock Exchange Science and Technology Innovation Board (stock code: 688222)) since May 2022.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Liu obtained a bachelor's degree in biotechnology in July 2006 from Nanjing University School of Life Science (南京大學生命科學學院) in the PRC. He also graduated from a joint program of Vanderbilt University and Yale University in the U.S., obtaining a doctorate in cancer biology issued by Vanderbilt University in November 2012. He completed postdoctoral training in the Department of Surgery, Yale University in the U.S. from November 2012 to December 2013. He was certified as a securities investment fund practitioner by the Asset Management Association of China (中國證券投資基金業協會) in September 2017 and a practitioner of the No.1 and No.4 license in dealing in securities by the Securities and Futures Commission of Hong Kong in August 2023.

**Dr. Guo Hongwei (郭宏偉)**, aged 56, was appointed as a Director in November 2020 and re-designated as a non-executive Director in November 2022. He is responsible for providing guidance and advice on corporate and business strategies.

Dr. Guo has extensive work experience in financial and investment sector. Prior to joining the Group, he worked at the People's Bank of China (中國人民銀行) from July 1993 to September 2003. From September 2003 to April 2010, he worked at the China Banking Regulatory Commission (中國銀行業監督管理委員會) (currently known as National Administration of Financial Regulation (國家金融監督管理總局)). He also worked at Bank of Communications Co., Ltd. (交通銀行股份有限公司) (a company listed on the Stock Exchange (stock code: 3328) and the Shanghai Stock Exchange (stock code: 601328)) from April 2010 to March 2017. From April 2017 to April 2018, he worked at Beijing Hualian Department Store Co., Ltd. (北京華聯商廈股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 000882)) with last position as the vice-chairman of the board. He then served as the president of Zhongbang Jinkong Investment Co., Ltd. (眾邦金控投資有限公司) from April 2018 to December 2020. He has also served as the chairman of the board of directors of Tongde Qianyuan (Beijing) Investment Management Co., Ltd. (同德乾元(北京)投資管理有限公司) since August 2021.

Dr. Guo currently holds directorships in various companies. He has served as an independent non-executive director of Kunlun Financial Leasing Co., Ltd. (昆侖金融租賃有限責任公司) since October 2019, an independent non-executive director of Sanxiang Impression Co., Ltd. (三湘印象股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 000863)) since July 2021 and an external supervisor of Trust Mutual Life Insurance Company (信美人壽相互保險社) since November 2023.

Dr. Guo obtained a bachelor's degree and a master's degree in economics from Renmin University of China (中國人民大學) in the PRC in July 1990 and July 1993, respectively. He also obtained a doctorate in economics in July 2004 from Renmin University of China. He was certified as a private equity investment fund practitioner by the Asset Management Association of China (中國證券投資基金業協會) in September 2017. He also passed the Paper 1 (Fundamentals of Securities and Futures Regulation) of the Hong Kong licensing examination for securities and futures intermediary in March 2022.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Xie Shouwu (謝守武)**, aged 40, was appointed as a Director in September 2022 and re-designated as a non-executive Director in November 2022. He is responsible for providing guidance and advice on corporate, business strategies and financial position.

Mr. Xie worked at Yunnan Yuntianhua Co., Ltd. (雲南雲天化股份有限公司) from July 2007 to April 2011. He later served as an auditor of Wuhan Kaidi Holding Investment Co., Ltd. (武漢凱迪控股投資有限公司) from May 2011 to May 2016. He also established an employment relationship with Kaidi Ecological Environment Technology Co., Ltd. (凱迪生態環境科技股份有限公司) in May 2016. From April 2019 to August 2019, he served as a manager of the audit department of Wuhan Meilian Real Estate Co., Ltd. (武漢美聯地產有限公司). He also began to work at Wuhan East Lake New Technology Development Zone Development Co., Ltd. (武漢東湖新技術開發區發展總公司), a wholly-owned subsidiary of Wuhan Hi-tech Holding Group Co., Ltd. (武漢高科國有控股集團有限公司) in August 2019 and was appointed as the deputy executive manager of the audit department of Wuhan Hi-tech Holding Group Co., Ltd. in November 2019. In November 2023, Mr. Xie was appointed as the executive director of Wuhan Hi-tech Industry Investment Private Fund Management Co., Ltd. (武漢高科產業投資私募基金管理有限公司) and began to serve as the supervisor of Wuhan Healthgen Biotechnology Corp. (武漢禾元生物科技股份有限公司).

Mr. Xie obtained a bachelor's degree in management from Nanjing Audit University (南京審計大學) in the PRC in June 2007. He has been an auditor recognized by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and the National Audit Office of the PRC (中華人民共和國審計署) since October 2018. He has also been a certified internal auditor recognized by the Institute of Internal Auditors since September 2019.

### Independent Non-executive Directors

**Dr. Cheng Bin (程斌)**, aged 57, was elected as an independent non-executive Director on November 11, 2022 and such appointment will be effective from the Listing Date. He is responsible for supervising and providing independent judgment to the Board.

Dr. Cheng has engaged in clinical work for more than 20 years and has accumulated rich clinical experience. He has served at the gastroenterology department of Tongji Hospital Affiliated to Tongji Medical College of Huazhong University of Science and Technology (華中科技大學同濟醫學院附屬同濟醫院) since July 1994, with his current positions as a chief physician and a professor.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Cheng currently holds positions in the following medical associations:

Association name	Position	Date of appointment
Chinese Medical Association (中華醫學會)	Member of pancreatic disease group of gastroenterology branch	September 2018
	Member of ultrasound endoscopy group of gastrointestinal endoscopy branch	October 2019
China Anti-cancer Association (中國抗癌協會)	Member of oncology endoscopy committee and vice chairman of ultrasound endoscopy group	November 2020
Hubei Association of Pathophysiology (湖北省病理生理學會)	Chairman of digestive specialty committee	December 2020
Hubei Medical Association (湖北省醫學會)	Vice chairman of the society of digestive diseases	December 2020

Dr. Cheng obtained a bachelor's degree and a master's degree in medicine from Tongji Medical University (同濟醫科大學) (currently known as Tongji Medical College of Huazhong University of Science and Technology) in June 1989 and June 1994, respectively. He also obtained a medical doctorate in January 2002 from the University of Bonn in Germany. In April 2001, Dr. Cheng obtained the PRC practicing certificate of medical practitioner (執業醫師執業證書) from Hubei Provincial Department of Health (湖北省衛生廳) and the qualification of chief physician from Wuhan Health and Family Planning Commission (武漢市衛生和計劃生育委員會) (currently known as Wuhan Municipal Health Commission (武漢市衛生健康委員會)). He then obtained the PRC medical practitioner qualification certificate (執業醫師資格證書) from Hubei Provincial Department of Health in December 2012.

**Dr. Dai Weiguo**, aged 60, was elected as an independent non-executive Director on November 11, 2022 and such appointment will be effective from the Listing Date. He is responsible for supervising and providing independent judgment to the Board.

Dr. Dai successively served as a research scientist at Amgen Inc. (a company listed on the NASDAQ (stock code: AMGN)) from September 1997 to February 2003, the director of drug product development of the global biologics development at Janssen R&D US (a division of Johnson & Johnson) (commended to be a Janssen Fellow in June 2012) from March 2003 to March 2019, and the vice president of Livzon Pharmaceutical Group Inc. (麗珠醫藥集團股份有限公司) (a company listed on the Stock Exchange (stock code: 1513) and Shenzhen Stock Exchange (stock code: 000513)) from March 2019 to May 2020. He has served as the general manager and director of Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) since April 2019. He has also held the positions of chief executive officer and chairman of the board of directors at Beijing Menlo Biotech Ltd. (北京門羅生物科技股份有限公司) since October 2020.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Dai obtained a bachelor's degree and a master's degree in engineering from Chengdu University of Science and Technology (成都科技大學) (currently known as Sichuan University (四川大學)) in the PRC in July 1983 and June 1986, respectively. Dr. Dai also obtained a doctorate in chemical engineering in May 1997 from the Johns Hopkins University in the U.S.

**Fu Lili (付黎黎)**, aged 39, was elected as an independent non-executive Director on November 11, 2022 and such appointment will be effective from the Listing Date. She is responsible for supervising the Group's financial position and providing independent judgment to the Board.

Ms. Fu has over 13 years of experience in investment, professional accounting and financial consulting. She has also served as an executive director at the investment department of Abax Global Capital (Hong Kong) Limited since June 2013 and a director at Zhejiang Province Salt Industry Group Co., Ltd. (浙江省鹽業集團有限公司) since May 2020.

Ms. Fu obtained a master's degree in applied statistics in November 2008 from the University of Oxford in the U.K. She is currently a candidate for an executive master in public administration at Tsinghua University (清華大學). She passed the United States Certified Public Accountant Examination in 2011.

**Dr. Deng Yuezhen (鄧躍臻)**, aged 44, was elected as an independent non-executive Director on November 11, 2022 and such appointment will be effective from the Listing Date. He is responsible for supervising and providing independent judgment to the Board.

Dr. Deng successively served as an assistant researcher, a postdoctoral fellow and an associate researcher at Shanghai Institutes for Biological Sciences Institute of Nutritional Sciences (上海生命科學研究院營養科學研究所) from May 2009 to April 2012. From September 2017 to September 2022, he served as a researcher at the National Clinical Molecular Medicine Research Center (Xiangya Hospital of Central South University) (中南大學湘雅醫院分子醫學研究中心). Dr. Deng has served as a researcher at Shanghai Chest Hospital (上海市胸科醫院) (also known as Thoracic Oncology Institute of Shanghai Chest Hospital of Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院附屬胸科醫院胸部腫瘤研究所)) since September 2022.

Dr. Deng obtained a bachelor's degree in biotechnology from Wuhan University (武漢大學) in the PRC in June 2004. He then obtained his doctorate in biochemistry and molecular biology through the successive postgraduate and doctoral program from Shanghai Institutes for Biological Sciences of Chinese Academy of Sciences (中國科學院上海生命科學研究院) in July 2009. In November 2013, he obtained the Category A qualification of Shanghai Young Science and Technology Rising Star Talent Program (上海市青年科技啟明星人才計劃) issued by Science and Technology Commission of Shanghai Municipality (上海市科學技術委員會).

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Dr. Chen Bin (陳斌)**, aged 62, was elected as an independent non-executive Director on November 11, 2022 and such appointment will be effective from the Listing Date. He is responsible for supervising and providing independent judgment to the Board.

Dr. Chen served as a resident doctor, an attending physician, an associate chief physician and an associate director of general surgery at Shenzhen Second People's Hospital (The First Affiliated Hospital of Shenzhen University) (深圳市第二人民醫院(深圳大學第一附屬醫院)) from July 1990 to January 1998. He then respectively served as the chief of the medical section and the vice president of Shenzhen Second People's Hospital from January 1998 to August 2006 and from September 2006 to May 2018. Dr. Chen served as a consultant at Shenzhen Dapeng New Area Medical Health Group (深圳市大鵬新區醫療健康集團) from June 2018 to August 2023.

Dr. Chen obtained a bachelor's degree in medicine from Wuhan Medical College (武漢醫學院) (currently known as Tongji Medical College of Huazhong University of Science and Technology) in December 1982. He also obtained a master's degree and a doctorate in medicine from Tongji Medical College of Huazhong University of Science and Technology in July 1987 and June 1990, respectively. In February 2002, he obtained the qualification of chief physician of general surgery from Department of Personnel of Guangdong Province (廣東省人事廳) (currently known as Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳)).

### SUPERVISORS

**Sun Jumin (孫聚民)**, aged 48, has served as a Supervisor and the chairman of the Supervisory Committee since January 2018. He is responsible for overseeing our operations and financial activities.

Mr. Sun served in various management positions at the finance department and the strategic investment department of CSPC (a company listed on the Stock Exchange (stock code: 1093)) from April 2004 to November 2012, with his last position as the senior director at the finance department. He then was transferred to the headquarters of CSPC Group where he served as the senior director at finance department from November 2012 to August 2015. Mr. Sun respectively served as the president assistant at the headquarters of CSPC Group from March 2014 to August 2015, and the senior director at comprehensive operation department of CSPC from March 2014 to October 2016. He then has served as the vice president at the headquarters of CSPC Group since October 2016. Mr. Sun also successively served as the senior director at finance department of CSPC from July 2017 to August 2018, and the general manager at finance center of CSPC from August 2018 to December 2020. He has served as the deputy general manager at the capital operation center of CSPC Group since November 2020.

Mr. Sun obtained a bachelor's degree in business administration in July 1997 from Zhongnan University of Finance and Economics (中南財經大學) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in the PRC and a master's degree in senior management business administration from Tsinghua University in January 2015. He also respectively received the qualification of senior accountant issued by the Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in January 2000, and the certificate of membership issued by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in July 2010.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Liu Fang (劉芳)**, aged 46, has served as a Supervisor since March 2016. She is responsible for overseeing our operations and financial activities.

Ms. Liu served as the finance officer of Wuhan YZY Automobile Service Co., Ltd. (武漢友芝友汽車服務有限公司) (a company controlled by Dr. Yuan Qian and primarily engaged in new car retail business, which does not compete and is unlikely to compete, directly or indirectly, with the Company's business) from March 2006 to March 2010 and a finance manager of Wuhan Qianhe Diandang Co., Ltd. (武漢謙和典當有限公司) from April 2010 to December 2011. Since January 2012, Ms. Liu has served as a finance manager of YZY Industrial Group Co., Ltd. (友芝友實業集團有限公司).

Ms. Liu obtained an associate's degree in modern accounting from the Hubei University of Economic and Management (湖北經濟管理大學) in the PRC in June 1999. She was recognized as a junior accountant by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and the Ministry of Finance of the PRC (中華人民共和國財政部) in May 2009.

**Ji Changtao (紀昌濤)**, aged 35, has served as a Supervisor since May 2021. He is responsible for overseeing our operations and financial activities.

Mr. Ji served as a key customer representative at Shenzhen Sanofi Pasteur Biological Products Co., Ltd. (深圳賽諾菲巴斯德生物製品有限公司) from April 2014 to June 2015. He then served as an investment manager of the investment and development department of Shenzhen ASB Ventures Holdings Co., Ltd (深圳澳銀資本管理有限公司) from June 2015 to September 2016. Mr. Ji has served as an investment director and a supervisor of BGI Co-Win (Shenzhen) Private Equity Co., Ltd. (華大共贏(深圳)股權投資基金管理有限公司) since September 2016 and March 2020, respectively. He has also served as an investment partner at investment department of BioSpiritus (Shenzhen) Private Equity Fund Management Partnership (Limited Partnership) (柏穗(深圳)私募股權基金管理合夥企業(有限合夥)) since April 2020, and a director of Meitek Technology (Qingdao) Co., Ltd. (美泰科技(青島)股份有限公司) since January 2022.

Mr. Ji obtained a bachelor's degree in biotechnology in June 2011 from Huazhong University of Science and Technology (華中科技大學) in the PRC and a master's degree in bioengineering from South China Sea Institute of Oceanology, Chinese Academy of Sciences (中國科學院南海海洋研究所) in the PRC in July 2014.

**Zhang Jing (張敬)**, aged 41, has served as a Supervisor since February 2018. Mr. Zhang joined the Group in January 2011 and successively served as a senior research assistant in the R&D center of the Company, a senior manager of the cell line development department of the Company and a director of the R&D center of the Company. In May 2023, he was promoted as the senior director of the R&D center of the Company. He is responsible for overseeing our operations and financial activities as well as leading the R&D center.

Prior to joining the Group, Mr. Zhang served as a research assistant at the Institute of Biophysics of the Chinese Academy of Science (中國科學院生物物理研究所) from August 2008 to December 2010. Mr. Zhang has also served as a supervisor of Wuhan Huiyou Juyou Enterprise Management Co., Ltd. (武漢匯友聚友企業管理有限公司) since June 2022.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhang obtained a bachelor's degree in biotechnology from Wuhan University (武漢大學) in June 2004. He then obtained a master's degree in biochemistry and molecular biology from the Graduate School of the Chinese Academy of Science (中國科學院研究生院) (currently known as the University of Chinese Academy of Science (中國科學院大學)), in July 2008. Mr. Zhang obtained the qualification of senior biopharmaceutical engineer approved by Office of the Leading Group for Title Reform in Wuhan East Lake High-Tech Development Zone (武漢東湖新技術開發區職稱改革工作領導小組辦公室) in December 2023.

**Xiao Ying (肖瑩)**, aged 35, has served as a Supervisor since October 2023. Ms. Xiao joined the Company in July 2011 where she consecutively held positions including human resource specialist, human resource supervisor, senior supervisor of the administrative human resource department, deputy manager of the administrative human resource department, senior manager of the administrative human resource department and manager of the strategic development department. She has served as the senior manager of the general management department of the Company since April 2024.

Ms. Xiao has also served as a supervisor of two subsidiaries of the Company (namely, Shijiazhuang Shiyou Biotechnology Co., Ltd and Nanjing Youbodi Biotechnology Co., Ltd) since April 2020 and December 2020, respectively.

Ms. Xiao earned her bachelor's degree in labor and social security from Wuhan University of Technology (武漢理工大學) in June 2011.

### SENIOR MANAGEMENT

**Dr. Zhou Pengfei**, see " – Directors – Executive Directors" for details.

**Zhang Jing (張敬)**, see " – Supervisors" for details.

**Dr. Yang Bin (楊彬)**, aged 42, has served as the vice president of the manufacturing center of the Company since June 2021. He is responsible for implementing the Group's strategies and goals for technology development and product manufacturing.

Dr. Yang has over ten years of experience in CMC processes management and drug development. He served in various positions pertaining to research and development of biopharmaceuticals at Shenzhen HEC Industrial Development Co., Ltd. (深圳市東陽光實業發展有限公司) and its subsidiaries ("HEC Group"). From July 2008 to May 2021, he successively served as an R&D engineer, the head of the monoclonal antibody department, the deputy director and a project manager at the biopharmaceuticals research institute of the HEC Group.

Dr. Yang obtained a bachelor's degree in pharmacy in June 2003 from Wuhan University (武漢大學) and a master's degree in microbiology and biochemical pharmacy from Shenyang Pharmaceutical University (瀋陽藥科大學) in the PRC in July 2008. In June 2020, he obtained a doctorate in biology (biomedicine) from Jinan University (暨南大學) in the PRC.

**Dr. Huang Shaoyi (黃劭毅)**, aged 44, joined our Group and served as the director of the clinical department of the Company in July 2020. In May 2023, he was promoted as the senior director of the clinical department of the Company. He is responsible for academic support of the Group's clinical projects and developing policies and management processes related to our clinical research.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Huang has extensive experience in clinical research and product development. He served as the deputy director of the medical oncology department of Wuhan YZY Medical Science and Technology Co., Ltd. (武漢友芝友醫療科技股份有限公司) from March 2014 to July 2020, where he was responsible for R&D and clinical work.

Dr. Huang obtained a bachelor's degree in biotechnology in June 2001 and a master's degree in microbiology in December 2004 from Wuhan University (武漢大學), respectively. Dr. Huang obtained a doctorate in cancer biology from the University of Texas Health Science Center at Houston and the University of Texas M.D. Anderson Cancer Center in the U.S. in August 2013.

### JOINT COMPANY SECRETARIES

**Zheng Jianhua (鄭建華)** joined the Group in August 2021 and was appointed as one of our joint company secretaries in November 2022. Mr. Zheng currently serves as the senior manager at our strategic development department, responsible for corporate financing and legal affairs. He has nearly 20 years of experience in legal practice and has a combined knowledge background of law, finance and securities. Prior to joining the Group, he served as a law teacher in Xiangfan College (襄樊學院) till March 2011, and as a part-time lawyer of Hubei Dongsheng Law Firm (湖北東升律師事務所). From April 2011 to January 2015, Mr. Zheng served as a manager of legal compliance department of Shaanxi Branch of China Life Property and Casualty Insurance Co., Ltd. (中國人壽財產保險股份有限公司陝西省分公司). He also worked in Zhongying Fund Management Co., Ltd. (中盈基金管理有限公司). From January 2016 to August 2021, he served as a legal manager of Wuhan Yitong Culture and Education Co., Ltd. (武漢億童文教股份有限公司).

Mr. Zheng obtained a bachelor's degree in literature from Zhejiang University (浙江大學) in the PRC in June 2001 and a master's degree in law from Northwest College of Political Science and Law (西北政法學院) (currently known as Northwest University of Political Science and Law (西北政法大學)) in the PRC in July 2004. He also obtained the legal professional qualification certificate in the PRC (中國法律職業資格證書) issued by the Ministry of Justice of the PRC (中華人民共和國司法部) in September 2002, the Lawyer's Practising Certificate (律師執業證書) issued by the Department of Justice of Hubei Province (湖北省司法廳) in November 2008, the qualification of Certified Public Valuer (資產評估師證書) issued by China Appraisal Society (中國資產評估協會) in September 2019 and the certificate for passing all the required subjects of the National Uniform CPA Examination issued by the Certified Public Accountant Examination Committee of the Ministry of Finance of PRC (中華人民共和國財政部註冊會計師考試會員會) in December 2019.

**Lai Janette Tin Yun (賴天恩)** was appointed as one of our joint company secretaries on June 25, 2023, with her appointment taking effect on the Listing Date. Ms. Lai is a senior manager of corporate services in Vistra Group, a global professional services firm. She has over 12 years of experience providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Lai obtained a bachelor's degree in accounting from Hong Kong Shue Yan University (香港樹仁大學) in July 2011. She is a chartered secretary, a chartered governance professional, and a member of both The Hong Kong Chartered Governance Institute (HKCGI) (formerly known as The Hong Kong Institute of Chartered Secretaries (HKICS)) and The Chartered Governance Institute (CGI) (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

# CORPORATE GOVERNANCE REPORT

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended December 31, 2023.

## CORPORATE GOVERNANCE CULTURE

The Board believes that corporate culture underpins the long-term business development, economic achievement and sustainable growth of the Group. By virtue of its profound cultural roots, the Company is capable of achieving long-term and sustainable development while performing its duty as a corporate citizen. The Company continued to strengthen its cultural framework by focusing on the following:

- Vision: being a renowned enterprise focusing on areas including research and development of drugs targeted tumors and personalized medicine and creating a superior platform aiming to realize self-fulfilment and give back to the community.
- Mission: to discover and develop innovative drugs and safeguard the health of human.
- Values: Innovation, profession, teams and win-win cooperation

The Board has established and advocated the corporate culture by encouraging and demanding all employees to put it into practice. All of our employees are required to participate in onboard trainings and training plans to achieve a better understanding of the corporate culture, structure and policies, learn relevant laws and regulations and enhance their awareness of quality. In addition, from time to time, the Company engages external experts to provide our management with training to enhance their knowledge and management skill.

The Board is dedicated to the alignment of the objectives, value, and strategy with its corporate culture, and all Directors shall take the lead and practice its corporate culture earnestly. For details of the Company's performance during the Reporting Period, please refer to the section headed "Management Discussion and Analysis." The Board considered that the current business model of the Company is consistent with its objectives and long-term strategy.

The Board considered that corporate culture is in line with the Group's mission, values and strategy.

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code contained in Appendix C1 of the Listing Rules. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

# CORPORATE GOVERNANCE REPORT

In the opinion of the Directors, throughout the period from the Listing Date to December 31, 2023, the Company has complied with all the applicable code provisions as set out in the CG Code, except as disclosed in this Corporate Governance Report.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules to regulate all dealings by Directors, Supervisors and relevant employees who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities. The Company has also devised its own code of conduct regarding Directors' dealings in the Company's securities (the "**Code of Conduct**") on terms no less exacting than the Model Code as set out in Appendix C3 to the Listing Rules.

Specific enquiry has been made of all the Directors and Supervisors, and the Directors and Supervisors have confirmed that they have complied with the Code of Conduct throughout the period from the Listing Date to December 31, 2023. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company throughout the period from the Listing Date to December 31, 2023.

## BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and is collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors make decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Director and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

### Board Composition

The Board currently comprises the following Directors:

#### *Executive Director*

Dr. Zhou Pengfei (*Chairman of the Board and chief executive officer*)

#### *Non-executive Directors*

Dr. Yuan Qian (袁謙)

Dr. Zhou Hongfeng (周宏峰)

Mr. Pang Zhenhai (龐振海)

Dr. Hui Xiwu (惠希武)

Ms. Liang Qian (梁倩)

Dr. Liu Dan (柳丹)

Dr. Guo Hongwei (郭宏偉)

Mr. Xie Shouwu (謝守武)

### Independent Non-executive Directors

Dr. Cheng Bin (程斌)  
 Dr. Dai Weiguo  
 Ms. Fu Lili (付黎黎)  
 Dr. Deng Yuezhen (鄧躍臻)  
 Dr. Chen Bin (陳斌)

The biographical information of the Directors is set out in the section headed “Directors, Supervisors and Senior Management” of this annual report. Save as the concert party agreement (the “**Concert Party Agreement**”) dated June 30, 2018 and supplemented on October 26, 2020 and June 2, 2023, which was entered into by Dr. Yuan Qian, Dr. Zhou Hongfeng, Dr. Zhou Pengfei and Wuhan Caizhi, there is no relationships (including financial, business, family or other material/relevant relationship(s)) between the Board members. For further details of the Concert Party Agreement, please refer to the Prospectus.

### Directors’ Attendance Records

The attendance record of each Director at the Board meetings, the Board committee meetings and the general meetings of the Company held throughout the period from the Listing Date to December 31, 2023 is set out in the table below:

Name of Director	Attendance/Number of Meetings					
	Board <sup>(1)</sup>	Audit Committee <sup>(1)</sup>	Remuneration Committee <sup>(1)</sup>	Nomination Committee <sup>(1)</sup>	Annual General Meeting <sup>(2)</sup>	Other General Meeting <sup>(3)</sup>
<b>Executive Director</b>						
Dr. Zhou Pengfei	3/3	–	–	0/0	–	1/1
<b>Non-executive Directors</b>						
Dr. Yuan Qian (袁謙)	3/3	–	0/0	–	–	1/1
Dr. Zhou Hongfeng (周宏峰)	3/3	2/2	–	–	–	1/1
Mr. Pang Zhenhai (龐振海)	3/3	–	–	–	–	1/1
Dr. Hui Xiwu (惠希武)	3/3	–	–	–	–	1/1
Ms. Liang Qian (梁倩)	3/3	–	–	–	–	1/1
Dr. Liu Dan (柳丹)	3/3	–	–	–	–	1/1
Dr. Guo Hongwei (郭宏偉)	3/3	–	–	–	–	1/1
Mr. Xie Shouwu (謝守武)	3/3	–	–	–	–	1/1
<b>Independent non-executive Directors</b>						
Dr. Cheng Bin (程斌)	3/3	–	0/0	0/0	–	1/1
Dr. Dai Weiguo	2/3	–	–	0/0	–	1/1
Ms. Fu Lili (付黎黎)	3/3	2/2	–	–	–	1/1
Dr. Deng Yuezhen (鄧躍臻)	3/3	2/2	–	–	–	1/1
Dr. Chen Bin (陳斌)	3/3	–	0/0	–	–	1/1

# CORPORATE GOVERNANCE REPORT

## Notes:

- (1) Code provision C.2.7 of the CG Code stipulates that the chairman of the Board should at least annually hold meetings with the independent non-executive directors without the presence of other directors, and code provision C.5.1 of the CG Code stipulates that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. Due to the fact that the Company was listed on September 25, 2023, only three Board meetings and two Audit Committee meetings were held throughout the period from the Listing Date to December 31, 2023.
- (2) No annual general meeting was held throughout the period from the Listing Date to December 31, 2023.
- (3) An extraordinary general meeting was held on November 16, 2023 during the period from the Listing Date to December 31, 2023.

## Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

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

The Directors shall disclose to the Company details of other offices held by them.

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

The Company has arranged appropriate insurance coverage on Directors', Supervisors' and senior management's liabilities in respect of any legal actions taken against Directors, Supervisors and senior management arising out of corporate activities.

### Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Dr. Zhou Pengfei currently performs these two roles. Dr. Zhou Pengfei is the founder of the Group, the Chairman of the Board and the chief executive officer of the Company who has been participating in the Group's business and overall strategic planning since its establishment. The Board believes that vesting the roles of both the chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of the Group as a whole.

### Independent Non-executive Directors

During the period from the Listing Date to December 31, 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

### Board Independence Evaluation

The Company has established a Board independence evaluation mechanism throughout the period from the Listing Date to December 31, 2023 which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board to effectively exercise independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximize strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board independence evaluation mechanism, the Board will conduct annual review on its independence. The Board independence evaluation report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.



## CORPORATE GOVERNANCE REPORT

During the period from the Listing Date to December 31, 2023, all Directors have completed the independence evaluation individually. The Board independence evaluation report was presented to the Board and the evaluation results were satisfactory.

During the period from the Listing Date to December 31, 2023, the Board reviewed the implementation and effectiveness of the Board independence evaluation mechanism and the results were satisfactory.

### Appointment and Re-election of Directors

Each of Directors has entered into a service contract with the Company for a term of three years and may serve a consecutive term if re-elected upon expiration of their term of office. The term of office of a Director shall commence from the date of taking the position until the expiry of the term of office of the current session of the Board.

All the Directors shall be elected or replaced at the general meeting, and may be removed from their office by the general meeting prior to expiration of the term of office under the Articles of Association. A Director shall serve a term of three years, and may serve a consecutive term if re-elected upon expiration of their term of office.

The Articles of Association also provides that any Director appointed by the Board to fill a temporary vacancy or add the quota of the Board shall hold office only until the first annual general meeting following his/her appointment, and shall then be eligible for re-election.

### Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. 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 expenses.

During the period from the Listing Date to December 31, 2023, the Company organized training sessions conducted by the legal advisers for all Directors. The training sessions covered a wide range of relevant topics including Directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors for the year ended December 31, 2023 and up to date of this annual report are summarized as follows:

Directors	Type of Training <sup>Note</sup>
<b>Executive Director</b>	
Dr. Zhou Pengfei	A/B
<b>Non-executive Directors</b>	
Dr. Yuan Qian (袁謙)	A/B
Dr. Zhou Hongfeng (周宏峰)	A/B
Mr. Pang Zhenhai (龐振海)	A/B
Dr. Hui Xiwu (惠希武)	A/B
Ms. Liang Qian (梁倩)	A/B
Dr. Liu Dan (柳丹)	A/B
Dr. Guo Hongwei (郭宏偉)	A/B
Mr. Xie Shouwu (謝守武)	A/B
<b>Independent non-executive Directors</b>	
Dr. Cheng Bin (程斌)	A/B
Dr. Dai Weiguo	A/B
Ms. Fu Lili (付黎黎)	A/B
Dr. Deng Yuezhen (鄧躍臻)	A/B
Dr. Chen Bin (陳斌)	A/B

Note:

Types of Training

- A: Attending training sessions, including but not limited to briefings, seminars, conferences and workshops
- B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders.

### Audit Committee

The Audit Committee consists of two independent non-executive Directors and one non-executive Director, namely Ms. Fu Lili (chairperson), Dr. Deng Yuezhen and Dr. Zhou Hongfeng.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee include reviewing the financial status of the Company, reviewing the financial information of the Company, making judgment on the truthfulness, completeness and accuracy of the financial information, and checking the implementation and effectiveness of the internal financial reporting systems, risk management and internal control systems. It is also mainly responsible for the communication between the Company and the external audit firms and the supervision and verification of such communication, supervising internal audit, evaluating and improving the internal control systems of the Company and making proposals thereto and assessing the risks of, among others, the significant investment projects under operation. The Audit Committee shall report to the Board on its work.

The attendance records of the Audit Committee during the period from the Listing Date to December 31, 2023 are set out in the section headed "Directors' Attendance Records" above. Up to the date of this annual report, the Audit Committee has met three times to perform the following major duties: (i) reviewed the interim report of the Company for the six months ended June 30, 2023; (ii) reviewed the Group's audit plan for the year ended December 31, 2023; (iii) reviewed the annual results and annual report of the Company for year ended December 31, 2023; and (iv) reviewed the effectiveness of the Company's financial controls, internal control and risk management systems.

The Audit Committee also met the external auditor twice without the presence of the executive Director for the year ended December 31, 2023 and up to the date of this annual report.

### Remuneration Committee

The Remuneration Committee consists of two independent non-executive Directors and one non-executive Director, namely Dr. Cheng Bin (chairperson), Dr. Chen Bin and Dr. Yuan Qian.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include researching and formulating the assessment standards of and evaluating the Directors, Supervisors and senior management, as well as putting forward opinions or suggestions. It is also responsible for researching, formulating and reviewing the remuneration plans or schemes of the Directors, Supervisors and senior management.

Since the Company was listed on September 25, 2023, no Remuneration Committee meeting was held throughout the period from the Listing Date to December 31, 2023. Up to the date of this annual report, the Remuneration Committee has met once to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors, Supervisors and senior management.

In accordance with code provision E.1.5 of CG code, the remuneration of the members of senior management (including executive Director) during the year ended December 31, 2023 falls within the following bands:

Remuneration (HK\$)	Number of Individuals
1,000,001 to 1,500,000	3
1,500,001 to 2,000,000	1
2,500,001 to 3,000,000	1

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors, Supervisors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration policy for the Directors, Supervisors and senior management is to ensure that they are adequately compensated for their efforts and time dedicated to the Company's affairs. The remuneration for the independent non-executive Directors mainly comprises the fees which is determined with reference to their duties and responsibilities by the Board. Individual Directors, Supervisors and senior management have not been involved in deciding their own remuneration.

## Nomination Committee

The Nomination Committee consists of two independent non-executive Directors and one executive Director, namely Dr. Cheng Bin, Dr. Dai Weiguo and Dr. Zhou Pengfei (chairperson).

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include considering selection of directors (including independent non-executive directors) and senior management of the Company, the selection criteria and procedures thereof, as well as putting forward opinions and recommendations to the Board.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Diversity Policy of Board of Directors.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

# CORPORATE GOVERNANCE REPORT

Since the Company was listed on September 25, 2023, no Nomination Committee meeting was held throughout the period from the Listing Date to December 31, 2023. Up to the date of this annual report, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to review the Diversity Policy of Board of Directors and Director Nomination Policy. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

## Diversity Policy of Board of Directors

The Company has adopted a Diversity Policy of Board of Directors which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the concept of having a diverse Board to enhance the execution of the Board.

When designing the Board's composition, the Board will consider factors regarding Board diversity in various ways, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Company will also consider its business model and specific needs from time to time, as well as a balanced composition of Executive and non-executive Directors.

For the purpose of implementation of the Diversity Policy of Board of Directors, the selection of candidates of the Board will be based on a range of measurable objectives from diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service and any other factors that the Board may consider relevant and applicable to contribute to the board diversity from time to time.

An analysis of the Board's current composition based on the key information (including gender, age, length of service, professional experience) is set out below:

### 1. Gender

Gender Group	Female	Male
Number of Directors	2	12

### 2. Age

Age Group	40 and below	41-49	50-59	60 and above
Number of Directors	4	2	6	2

### 3. Length of service of Directors

Length of service	Less than 1 year	1-3 years	3-10 years	More than 10 years
Number of Directors	5	3	4	2

4. *Professional experience*

Directors	Role	Professional experience
Dr. Zhou Pengfei	Executive Director	Immunology and management
Dr. Yuan Qian (袁謙)	Non-executive Director	Clinical medicine, business administration and finance
Dr. Zhou Hongfeng (周宏峰)	Non-executive Director	Medicine, business administration, social medicine and health administration
Mr. Pang Zhenhai (龐振海)	Non-executive Director	Accounting, management and investment
Dr. Hui Xiwu (惠希武)	Non-executive Director	Biochemistry and molecular biology and management
Ms. Liang Qian (梁倩)	Non-executive Director	Chemical engineering, medicine, investment and management
Dr. Liu Dan (柳丹)	Non-executive Director	Biotechnology, cancer biology, investment and management
Dr. Guo Hongwei (郭宏偉)	Non-executive Director	Economics, finance and investment
Mr. Xie Shouwu (謝守武)	Non-executive Director	Management and auditing
Dr. Cheng Bin (程斌)	Independent non-executive Director	Medicine
Dr. Dai Weiguo	Independent non-executive Director	Chemistry and management
Ms. Fu Lili (付黎黎)	Independent non-executive Director	Management, investment, statistics and auditing
Dr. Deng Yuezhen (鄧躍臻)	Independent non-executive Director	Biochemistry and molecular biology
Dr. Chen Bin (陳斌)	Independent non-executive Director	Medicine

We have taken and will continue to take steps to promote and enhance gender diversity at all levels of the Company. The following table sets out the gender ratio in the workforce of the Group, including the Directors, Supervisors and senior management as at the date of this annual report:

	Female	Male
Directors	14%	86%
Supervisors	40%	60%
Senior Management	0%	100%
Other employees	53%	47%
Overall workforce	49%	51%

We will maintain a focus on gender diversity when recruiting staff at the mid to senior level so as to develop a pipeline of potential female successors to our Board. The Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by the Nomination Committee periodically to maintain gender diversity of our Board.

Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our Diversity Policy of Board of Directors.

# CORPORATE GOVERNANCE REPORT

The Nomination Committee will review the Diversity Policy of Board of Directors annually and monitor the progress of the achievement of measurable objectives to ensure the effectiveness of the implementation of this policy. The Nomination Committee will also discuss any necessary amendments and propose them to the Board for consideration and approval.

## Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and nomination process in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, knowledge, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and maintain its leadership of the Company.

Pursuant to the Director Nomination Policy, the Nomination Committee reviews regularly the structure, size and composition of the Board and make recommendations on revision to the Board when necessary to complement the Company's corporate strategy and business needs.

The nomination process set out in the Director Nomination Policy is as follows:

## Appointment of New Directors

- (1) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate and the consent of the nominee, evaluate such candidate based on the criteria as set out below to determine whether such candidate is qualified for directorship.
- (2) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- (3) The Nomination Committee should then make recommendations to the Board on the appointment of appropriate candidate for directorship, as applicable.
- (4) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out below to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendations to Shareholders in respect of the proposals to appoint Directors at the general meeting.

## Re-appointment of Directors at General Meeting

- (1) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director, and the level of participation and performance in the Board.
- (2) The Nomination Committee and/or the Board should also review and determine whether the retiring Directors still meet the criteria as set out below.
- (3) The Nomination Committee and/or the Board should then make recommendations to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

For the Shareholders who wish to nominate a candidate to participate in the election as director at the general meeting, please refer to the “Procedures to Elect a Director for Shareholders” which is available on the Company’s website.

The Director Nomination Policy sets out the criteria for evaluating and selecting candidate for directorship, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company’s business and corporate strategies and diverse aspects under the Diversity Policy of Board of Directors;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, professional experience, skills, knowledge and length of service;
- Requirements for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the guidelines set out in the Listing Rules;
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity; and
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and the Board committee(s) of the Company.

Throughout the period from the Listing Date to December 31, 2023, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.



## CORPORATE GOVERNANCE REPORT

### Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code. During the period from the Listing Date to December 31, 2023, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors, Supervisors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Code of Conduct (where applicable), and the Company's compliance with the CG Code and disclosure in this 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.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, such as financial management, connection transactions, and information disclosure.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted and shall continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system;
- adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions, and information disclosure; and
- provide anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations.

All divisions/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 and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended December 31, 2023.

The Company has engaged an internal control consultant (“**Internal Control Consultant**”) to perform certain agreed-upon procedures (the “**Internal Control Review**”) in connection with the internal control of our Company in certain aspects, including entity-level controls, financial reporting and disclosure controls, sales and collection management, purchase and payment management, inventory management, fixed assets management, human resources and payroll management, general controls of IT system and other procedures of our operations. The Internal Control Consultant is also responsible for inspection and supervision of the authenticity and completeness of the company’s financial information and the establishment and implementation of the internal control system. The Internal Control Consultant performed the Internal Control Review, identified internal control deficiencies and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report, conducted half-yearly reviews of the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended December 31, 2023, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

The Company has in place the Whistleblower Policy for employees of the Group and those who deal with the Group to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company. The Whistleblower Policy is available on the website of the Company.

The Company has also in place the Management System for Anti-fraud, Anti-bribery, Anti-money Laundering and Anti- sanctions (反舞弊、反賄賂、反洗錢、反制裁管理制度) to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. All departments of the Company should be responsible for collecting, identifying and reporting statistics on suspicious transaction data. Suspicious transaction data shall be reported to the leading group for anti-corruption and anti-money laundering (反腐敗、反洗錢工作領導小組), which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

## CORPORATE GOVERNANCE REPORT

The Company has developed its Management System for Information Disclosure (信息披露管理制度) which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

### DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements with the support of the accounting and finance team.

The Directors have prepared the financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

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

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

### AUDITOR'S REMUNERATION

The remuneration paid and payable to the external auditor of the Company in respect of audit services and non-audit services for the year ended December 31, 2023 is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Services	
– Annual audit	2,050
– Reporting accountant in connection with the listing	1,100
Non-audit Services	
– Review of interim results	400
– Tax advisory	150
– ESG Report consulting service	180
<b>Total</b>	<b>3,880</b>

### JOINT COMPANY SECRETARIES

Mr. Zheng Jianhua (鄭建華) and Ms. Lai Janette Tin Yun (賴天恩) have been appointed as the Company's joint company secretaries. Ms. Lai is currently a senior manager of corporate services in Vistra Group, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Mr. Zheng has been designated as the primary contact person at the Company which would work and communicate with Ms. Lai on the Company's corporate governance and secretarial and administrative matters.

### SHAREHOLDERS' RIGHTS

#### Right to Convene an Extraordinary General Meeting

Pursuant to the Articles of Association, Shareholders that hold, individually or collectively, 10% or more of the Shares shall have the right to request in writing the Board to convene an extraordinary general meeting and add resolutions to a meeting agenda.

Where the Board disagrees to convene the extraordinary general meeting, or fails to make a response within ten days upon receipt of the request, Shareholders individually or in aggregate holding 10% or more of the Shares shall have the right to propose to the Supervisory Committee to convene the extraordinary general meeting in writing. If the Supervisory Committee fails to issue the notice calling such a meeting within five days upon receipt of the request, it shall be deemed to have failed to convene and preside over such meeting. Shareholders that hold, individually or collectively, 10% or more of the Shares for 90 consecutive days or longer period may convene and preside over such meeting. All necessary expenses incurred by the Shareholders to convene the general meeting shall be assumed by the Company.

#### Putting Forward Proposals at General Meetings

Shareholders that hold, individually or collectively, 3% or more of the Shares may make provisional proposals in writing to the convener ten days prior to the date of such meeting. The contents of a proposal shall be within the scope of the duties and powers of the general meeting, have definite themes and specific matters for resolutions, as well as be in compliance with laws, administrative regulations, the Listing Rules, other securities regulatory rules of the place where the Shares are listed and the relevant requirements set in the Articles of Association. The convener shall issue a supplementary notice of the general meeting and announce the contents of such provisional proposals within two days after receipt thereof.

The convener shall inform each shareholder the annual general meeting by way of announcement 21 days before the meeting, and shall inform each shareholder the extraordinary general meeting by way of announcement 15 days before the meeting. In counting the aforesaid "21 days" or "15 days", the Company shall not include the day on which the meeting is convened, but shall include the date on which the notice is issued.



## CORPORATE GOVERNANCE REPORT

### Putting Forward Enquiries to the Board

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

### Contact Details

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

Address: No. 666 Gaoxin Road, East Lake High Tech Development Zone, Wuhan, Hubei Province, PRC (for the attention of the secretary of the Board) or 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong (for the attention of the Company Secretary)

Email: [info@zybio.com](mailto:info@zybio.com)

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

The Company recognizes the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, unless required by laws and regulations to do so.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

### Shareholder Communication Policy

The Company has in place a Shareholder Communication Policy. The policy aims to set out the provisions with the objective of ensuring that the Shareholders, both individual and institutional, and, in appropriate circumstances, the investment community at large, are provided with timely access to comprehensive, equal and understandable information about the Company (including its financial performance, strategic goals and plans, major developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to strengthen communication with the Company. The Board reviewed the implementation and effectiveness of the Shareholder Communication Policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

#### (a) *Corporate Communication*

“Corporate Communication” as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors’ report, annual accounts together with a copy of the auditor’s report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange’s website ([www.hkex.com.hk](http://www.hkex.com.hk)) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company’s securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules. Shareholders and non-registered holders of the Company’s securities shall have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

#### (b) *Announcements and Other Documents pursuant to the Listing Rules*

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. the Articles of Association) on the Stock Exchange’s website in a timely manner in accordance with the Listing Rules.

#### (c) *Corporate Website*

Any information or documents of the Company posted on the Stock Exchange’s website will also be published on the Company’s website (<https://www.yzybio.com/investor-relations/corporate-governance>).

## CORPORATE GOVERNANCE REPORT

### **(d) Shareholders' General Meeting**

- (1) Shareholders may participate in the Shareholders' general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings.
- (2) The Company shall make appropriate arrangements for the Shareholders' general meetings to encourage Shareholders' participation.
- (3) The Company shall review the procedure for conducting Shareholders' general meetings from time to time to ensure that it complies with the Articles of Association, the Listing Rules and the applicable laws of the PRC as well as abiding by the practice of good corporate governance. If necessary, changes will be made to ensure that Shareholders' needs are best served.
- (4) Members of the board of directors of the Company, in particular, either the chairmen of board committees or their delegates, appropriate management executives, external auditors and other parties considered to be appropriate by the directors shall attend the Shareholders' general meetings to answer Shareholders' questions.
- (5) Relevant circulars and meeting materials shall be delivered to the Shareholders in advance as required under the Articles of Association and the Listing Rules.

### **(e) Shareholders' Enquiries**

#### *Enquiries about Shareholdings*

Shareholders should direct their enquiries about their shareholdings to the Company's H share registrar, Computershare Hong Kong Investor Services Limited.

#### *Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company*

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries to the Board by post to No. 666 Gaoxin Road, East Lake High Tech Development Zone, Wuhan, Hubei Province, PRC (for the attention of the secretary of the Board) or 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong (for the attention of the Company Secretary).

### **(f) Presentation and Webcast**

Presentation and webcasts of the Company will be available on the Company's website.

### **(g) Other Investor Relations Communication Platforms**

Investor/analysts briefings, roadshows, media interviews for investors and specialist industry forums etc. will be organized from time to time.

### AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

Throughout the period from the Listing Date to December 31, 2023, the Company amended its Articles of Association. Details of the amendments are set out in the circular dated October 27, 2023 to the Shareholders. An up to date version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

### DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board for a financial year or period will be subject to the Shareholders' approval. A summary of the dividend details for the Reporting Period has been disclosed in the annual report of the Company.



# DIRECTORS' REPORT

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

## CORPORATE INFORMATION

The Company was established in the PRC on July 8, 2010 as a limited liability company. On January 13, 2022, the Company was converted into a joint stock company with limited liability under the PRC Company Law, with its name changed from Wuhan YZY Biopharma Limited Company (武漢友芝友生物製藥有限公司) to Wuhan YZY Biopharma Co., Ltd. (武漢友芝友生物製藥股份有限公司). The Company's H shares have been listed on the Main Board of the Stock Exchange since September 25, 2023.

## PRINCIPAL ACTIVITIES

The Company is a biotechnology company dedicated to developing bispecific antibody (BsAb)-based therapies to treat cancer-associated complications, cancer and age-related ophthalmologic diseases.

## BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance, including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business, and events affecting the Company that have occurred since the end of the financial year, is set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this Directors' report.

## RESULTS OF OPERATIONS

The results of the Group for the Reporting Period and the state of the Group's financial position as at that date are set out in the consolidated financial statements on pages 82 to 87 of this 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:

- Our business and financial prospects depend substantially on the success of our clinical stage and pre-clinical stage drug candidates. If we are unable to successfully complete their clinical development, obtain their regulatory approvals and achieve their commercialization, or if we experience significant delays in doing any of the foregoing, our business will be materially harmed;

- We face substantial competition and our competitors may discover, develop or commercialize competing drugs faster or more successfully than we do. For instance, our Core Product, M701, faces competition from current medical treatment methods for MA and MPE which are less costly in nature, and competition from multiple peer products under development for the treatment of MA and MPE and peer products targeting identical molecular targets as M701. Furthermore, we face indirect competition from other therapies for primary and metastatic cancers that do not directly target MA and MPE but can help control these complications;
- The development of BsAbs is a nascent field and faces many imminent risks and challenges. The development of BsAbs involved more difficulties and risks due to the complex molecular design and mechanisms of action, and typically incur higher production costs. BsAbs cannot be administered orally, thus the less convenient administration methods of BsAbs increase treatment costs and safety risks associated with infusions. BsAbs face intense competition from mAbs, antibody-drug conjugates, multi-specific antibodies and fusion protein antibodies, which may surpass BsAbs in terms of cost, R&D difficulty, success rate and market acceptance;
- Clinical drug development involves a lengthy and expensive process with uncertain outcomes, and we may encounter unexpected difficulties executing our clinical trials and commercializing our drug candidates on a timely basis;
- If our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or may ultimately be unable to complete, the development and commercialization of our drug candidates;
- All material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated. Any failure to comply with existing or future regulations and industry standards or any adverse actions by drug approval authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects;
- We have limited experience in the commercialization of drugs. If we are unable to build and manage sales network, or maintain sufficient sales and marketing capabilities, either by ourselves or through third parties, we may not be able to successfully create or increase market awareness of our products or sell our products, which will materially affect our ability to generate product sales revenue; and
- We have incurred net losses since inception. We expect to continue to incur net losses for the foreseeable future and may not be able to generate sufficient revenue to achieve or maintain profitability.



## 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 community and achieving sustainable growth.

For further details of the Group's environmental policies and performance, please refer to the "2023 Environmental, Social and Governance Report", which was published separately.

### KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that various stakeholders including suppliers, employees, Shareholders and other business associates are key to Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

#### Relationship with Our Employees

We endeavor to cultivate talented and loyal employees by treating our employees with dignity, respect and fairness. We conduct new employee trainings, as well as professional and compliance training programs for employees. We enter into employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees usually includes salary and bonus, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

#### Relationship with Shareholders

We recognize the importance of protecting the interests of the Shareholders and of having effective communication with them. We believe that communication with the Shareholders is a two-way process and strive to ensure the quality and effectiveness of information disclosure, maintain regular dialog with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, annual/interim reports and results announcements.

### TAX RELIEF AND EXEMPTIONS

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

## EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2023, the Group had a total of 123 employees with 98 employees for research and development and 25 employees for general and administrative.

We are committed to making sure that working conditions throughout our business network are safe and that employees are treated with care and respect. We believe we offer our employees competitive compensation packages, reflecting our stakeholder-centric ethos which we believe leads to sustainable and durable growth. As required by PRC regulations, we participate in various government statutory employee benefit plans, including social insurances, namely pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing funds. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government regulations from time to time. Our compensation package also comprises year-end bonuses, communication, transport and meal allowances, staff dormitory, paid leaves, and holiday benefits. In addition, we provide career development opportunities and promote an inventive, collaborative, and productive work environment, which we believe fosters long-lasting self-motivation for our employees.

We offer employees a variety of professional development opportunities and encourage a performance-driven environment. We focus on creating a culture to encourage retention and engagement. Given our emphasis on our integrated in-house research and development capabilities, we attach great importance to internal talent growth. We continually pursue progression opportunities for our staff through various internal and external training and development programs, including pre-job training, on-the-job practice, cross-training, special skills training, and talent echelon development training.

In recognition of the contributions of our employees and to incentivize them to further promote our development, the Company had adopted the Wuhan Caizhi Employee Incentive Scheme of Wuhan YZY Biopharma Co., Ltd. (the "**Wuhan Caizhi Employee Incentive Scheme**") and the Caizhi No. 2 Employee Incentive Scheme of Wuhan YZY Biopharma Co., Ltd. (the "**Caizhi No. 2 Employee Incentive Scheme**") (collectively, the "**Employee Incentive Schemes**"). An award under the Employee Incentive Schemes (the "**Award(s)**") gives a participant in the Employee Incentive Schemes a right when granted the Award to obtain partnership interest in the employee incentive platforms (namely, Wuhan Caizhi, Caizhi No. 2, Huiyou Jucai and Huiyou Juzhi) as a limited partner. The Employee Incentive Schemes do not involve any grant of share options or awards after the Listing and therefore are not subject to the provisions of Chapter 17 of the Listing Rules.

As of the date of this annual report, Wuhan Caizhi and Caizhi No. 2, in aggregate, directly hold 28,413,118 Shares (comprising of 22,602,913 Unlisted Shares and 5,810,205 H Shares) (representing approximately 14.66% of the total issued share capital of the Company as of December 31, 2023), while some of the participants indirectly held partnership interest in Wuhan Caizhi through holding partnership interest in Huiyou Jucai and/or Huiyou Juzhi. For details of the Employee Incentive Schemes, please refer to the section headed "Employee Incentive Schemes" in Appendix VI of the Prospectus.



## DIRECTORS' REPORT

### DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the date of this annual report, the names of the Directors, Supervisors and senior management of the Company are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report.

### BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the date of this annual report, biographical details of the Directors, Supervisors and senior management of the Company are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report.

### CHANGES IN DIRECTORS' AND SUPERVISORS' INFORMATION

Dr. Yi Jizu resigned as an employee representative Supervisor with effect from October 31, 2023 due to personal reasons and Dr. Yi confirmed that he had no disagreement with the Board and the Supervisory Committee and there are no matters relating to his resignation that need to be brought to the attention of the Shareholders or the Stock Exchange.

Ms. Xiao Ying was democratically elected as an employee representative Supervisor of the first session of the Supervisory Committee on October 31, 2023. The term of office of Ms. Xiao became effective from October 31, 2023 and will expire until the end of the first session of the Supervisory Committee. Ms. Xiao will not receive any remuneration from the Company as an employee representative Supervisor.

Save as disclosed in this annual report, there are no other changes in the Directors', Supervisors' and chief executive's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### MAJOR SUPPLIERS

During the Reporting Period, the purchases from the Group's largest supplier accounted for 9.3% of the Group's total purchases and the purchases from the Group's five largest suppliers accounted for 32.4% of the Group's total purchases.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

### MAJOR CUSTOMERS

The Group had no products for commercial sale and did not generate any revenue from product sales during the Reporting Period, thus had no reportable major customers as at December 31, 2023.

### **DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

We have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, observance of the Articles of Association and provisions on arbitration.

The Company has not entered, and does not propose to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors and any of their spouse and 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.

### **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

As of the date of this annual report, the Company did not have any existing plan for material investments or acquisition of capital assets.

### **REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

The remuneration of the Directors, Supervisors and senior management of the Group are decided by the Board with reference to the recommendations of the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' remuneration and remuneration of the five highest paid individuals in the Group are set out in Note 11 to the consolidated financial statements in this annual report.

Details of the remuneration of the executive Directors, Supervisors and senior management of the Group are set out in the section headed "Remuneration Committee" in this annual report.

During the Reporting Period, no remuneration was paid by the Group to any of the Directors and Supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors and Supervisors waived any remuneration for the Reporting Period.

Save as disclosed above, no other payments have been made or are payable, for the Reporting Period, by the Group to or on behalf of any of the Directors.



## DIRECTORS' REPORT

### CONTRACTS WITH SUBSTANTIAL SHAREHOLDERS

No contract of significance was entered into or subsisted between the Company or any of its subsidiaries and a substantial Shareholder or any of its subsidiaries during the Reporting Period and no contract of significance for the provision of services to the Company or any of its subsidiaries by a substantial Shareholder or any of its subsidiaries was entered into or subsisted as of December 31, 2023.

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

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director/Supervisor or any entity connected with such Director/Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

### INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

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

### CONNECTED TRANSACTIONS

The Group had no connected transactions or continuing connected transactions which are required to be disclosed under the Listing Rules throughout the period from the Listing Date to December 31, 2023.

### RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group during the Reporting Period are set out in Note 28 to the consolidated financial statements in this annual report.

The related party transactions as disclosed in Note 28 to the consolidated financial statements were not regarded as connected transactions under the Listing Rules which were not exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

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

The H Shares of the Company were listed on the Stock Exchange on September 25, 2023. Since then, Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO were applicable to the Directors, Supervisors and chief executive of the Company.

Save as disclosed below, as at December 31, 2023, no other Directors, Supervisors and chief executive of the Company had any interests and/or short positions in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions in shares, underlying shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) 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/or short positions which they are taken or deemed to have under such provisions of the SFO), (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange:

Name of Director, Supervisor or Chief Executive	Nature of Interest	Description of the Shares <sup>(7)</sup>	Number of Shares Held or Interested	Approximate percentage of interest in the Company <sup>(1)</sup>	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate) Shares <sup>(1)(7)</sup>
Dr. Yuan Qian <sup>(2)(3)(4)</sup>	Beneficial owner; interest held jointly with other persons; interest in controlled corporations	Unlisted Shares	54,262,305	27.99%	65.87% (Unlisted Shares)
		H Shares	1,342,600	0.69%	1.20% (H Shares)
Dr. Zhou Pengfei <sup>(2)(3)(4)</sup>	Beneficial owner; interest held jointly with other persons; interest in controlled corporations	Unlisted Shares	54,262,305	27.99%	65.87% (Unlisted Shares)
		H Shares	1,342,600	0.69%	1.20% (H Shares)
Dr. Zhou Hongfeng <sup>(2)(3)(4)</sup>	Beneficial owner; interest held jointly with other persons	Unlisted Shares	54,262,305	27.99%	65.87% (Unlisted Shares)
		H Shares	1,342,600	0.69%	1.20% (H Shares)
Dr. Guo Hongwei <sup>(5)(6)</sup>	Beneficial owner  Interest in controlled corporations	Unlisted Shares	370,087	0.19%	0.45% (Unlisted Shares)
		Unlisted Shares	5,059,039	2.61%	6.14% (Unlisted Shares)
		H Shares	8,122,098	4.19%	7.29% (H Shares)

## DIRECTORS' REPORT

### Notes:

- (1) The calculation is based on the total number of 82,380,386 Unlisted Shares and 111,468,814 H Shares in issue as at December 31, 2023. All interests stated are long positions.
- (2) Pursuant to the Concert Party Agreement and supplemental concert party agreements dated October 26, 2020 and June 2, 2023 entered into by Dr. Yuan Qian, Dr. Zhou Hongfeng, Dr. Zhou Pengfei and Wuhan Caizhi (each an “**AIC Party**”, collectively, “**AIC Parties**”), the AIC Parties agreed (i) to act in concert by way of reaching consensus on proposals related to the Group’s daily management and operation presented to all general meetings and Board meetings of the Company; and (ii) that when no consensus can be reached, the AIC Parties shall vote in concurrence with Dr. Yuan Qian on the proposals, or, in the event of Dr. Yuan Qian’s absence from voting, the AIC Parties shall vote in concurrence with the AIC Party with the highest shareholding percentage among the AIC Parties who votes at the meetings. As a result, each of the AIC Parties was deemed to be interested in all the Shares in which each of them is interested under the SFO.
- (3) Chengdu Puhua Kaizhi Biotechnology Co., Ltd. (成都樸華凱智生物科技有限公司) (“**Puhua Kaizhi**”) was indirectly 50% owned by Dr. Yuan Qian through his wholly-owned YZY Industrial Group Co., Ltd. (友芝友實業集團有限公司), and was 30% owned by Dr. Zhou Hongfeng. By virtue of the SFO, Dr. Yuan Qian was deemed to be interested in the 1,342,600 H Shares held by Puhua Kaizhi.
- (4) Wuhan Caizhi was owned as to approximately 50.76% by Huiyou Jucai as its largest limited partner. Huiyou Jucai was owned as to approximately 49.95% by Dr. Zhou Pengfei and was managed by Dr. Zhou Pengfei as the general partner. As a result, Dr. Zhou Pengfei was deemed to be interested in the 16,792,707 Unlisted Shares held by Wuhan Caizhi under the SFO.
- (5) Gongqingcheng Yaoyou Investment Center (Limited Partnership) (共青城曜友投資中心(有限合夥)) (“**Gongqingcheng Yaoyou**”) was the executive partner of Gongqingcheng Huiyou Xingyao Phase II Equity Investment Partnership (Limited Partnership) (共青城匯友興曜二期股權投資合夥企業(有限合夥)) (“**Gongqingcheng Huiyou**”), and Dr. Guo Hongwei was the largest limited partner of Gongqingcheng Yaoyou with the limited partnership interests of 60.00%. As a result, Dr. Guo Hongwei was deemed to be interested in the 1,426,827 H Shares and 1,611,513 Unlisted Shares held by Gongqingcheng Huiyou under the SFO.
- (6) Nanning Yaoyou Business Consulting Partnership (Limited Partnership) (南寧曜友商務諮詢合夥企業(有限合夥)) (“**Nanning Yaoyou**”) was the executive partner of Nanning Huiyou Xingyao Equity Investment Fund Partnership (Limited Partnership) (南寧匯友興曜股權投資基金合夥企業(有限合夥)) (“**Huiyou Xingyao**”), and Dr. Guo Hongwei was the largest limited partner of Nanning Yaoyou with the limited partnership interests of 60.00%. As a result, Dr. Guo Hongwei was deemed to be interested in the 6,695,271 H Shares and 3,447,526 Unlisted Shares held by Huiyou Xingyao under the SFO.
- (7) For the avoidance of doubt, both Unlisted Shares and H Shares are ordinary Shares in the share capital of the Company, and are considered as one class of Shares.

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

As stated above, the H Shares of the Company were listed on the Stock Exchange on September 25, 2023. Since then, Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were applicable to the substantial shareholders of the Company.

So far as the Directors are aware, as at December 31, 2023, the following persons (other than the Directors, Supervisors or chief executive of the Company as disclosed above) had interests and/or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, and which would be recorded in the register required to be kept under Section 336 of the SFO, or, who are, directly or indirectly interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Nature of Interest	Description of the Shares <sup>(14)</sup>	Number of Shares Held or Interested	Approximate percentage of interest in the Company <sup>(1)</sup>	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate) Shares <sup>(1)(14)</sup>
Wuhan Caizhi <sup>(2)(3)</sup>	Beneficial owner; interest held jointly with other persons	Unlisted Shares	54,262,305	27.99%	65.87% (Unlisted Shares)
		H Shares	1,342,600	0.69%	1.20% (H Shares)
Wuhan Caizhi Technology Co. Ltd. (武漢才智科技有限責任公司) <sup>(2)(4)</sup>	Interest in controlled corporations	Unlisted Shares	54,262,305	27.99%	65.87% (Unlisted Shares)
		H Shares	1,342,600	0.69%	1.20% (H Shares)
Huiyou Jucai <sup>(2)(5)</sup>	Interest in controlled corporations	Unlisted Shares	54,262,305	27.99%	65.87% (Unlisted Shares)
		H Shares	1,342,600	0.69%	1.20% (H Shares)
CSPC NBP Pharmaceutical Co., Ltd. (石藥集團恩必普藥業有限公司) ("CSPC-NBP") <sup>(6)</sup>	Beneficial owner	H Shares	51,241,785	26.43%	45.97% (H Shares)
CSPC <sup>(6)</sup>	Interest in controlled corporation	H Shares	51,241,785	26.43%	45.97% (H Shares)

## DIRECTORS' REPORT

Name of Shareholder	Nature of Interest	Description of the Shares <sup>(14)</sup>	Number of Shares Held or Interested	Approximate percentage of interest in the Company <sup>(1)</sup>	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate) Shares <sup>(1)(14)</sup>
Dragon Merit Holdings Limited <sup>(6)</sup>	Interest in controlled corporation	H Shares	51,241,785	26.43%	45.97% (H Shares)
Robust Sun Holdings Limited <sup>(6)</sup>	Interest in controlled corporation	H Shares	51,241,785	26.43%	45.97% (H Shares)
Caizhi No. 2	Beneficial owner	Unlisted Shares	5,810,206	3.00%	7.05% (Unlisted Shares)
		H Shares	5,810,205	3.00%	5.21% (H Shares)
Tongde Qianyuan (Beijing) Investment Management Co., Ltd (同德乾元(北京)投資管理有限公司) ("Tongde Qianyuan") <sup>(7)</sup>	Interest in controlled corporation	Unlisted Shares	5,059,039	2.61%	6.14% (Unlisted Shares)
		H Shares	11,822,970	6.10%	10.61% (H Shares)
Wen Zhicheng (溫植成) <sup>(7)</sup>	Interest in controlled corporation	Unlisted Shares	5,059,039	2.61%	6.14% (Unlisted Shares)
		H Shares	11,822,970	6.10%	10.61% (H Shares)
Huiyou Xingyao <sup>(7)</sup>	Beneficial owner	Unlisted Shares	3,447,526	1.78%	4.18% (Unlisted Shares)
		H Shares	6,695,271	3.45%	6.01% (H Shares)
Nanning Yaoyou <sup>(7)</sup>	Interest in controlled corporation	Unlisted Shares	3,447,526	1.78%	4.18% (Unlisted Shares)
		H Shares	6,695,271	3.45%	6.01% (H Shares)
Long Star Growth Group Limited (長星成長集團有限公司) ("Long Star Growth") <sup>(8)</sup>	Beneficial owner	H Shares	7,916,510	4.08%	7.10% (H Shares)

Name of Shareholder	Nature of Interest	Description of the Shares <sup>(14)</sup>	Number of Shares Held or Interested	Approximate percentage of interest in the Company <sup>(1)</sup>	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate) Shares <sup>(1)(14)</sup>
Sooner Star Limited <sup>(8)</sup>	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% (H Shares)
CDH Growth Fund III (USD Parallel), L.P. ("CDH Growth Fund") <sup>(8)</sup>	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% (H Shares)
CDH R-III Parallel Holdings Company Limited <sup>(8)</sup>	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% (H Shares)
CDH GP Holdings Company Limited <sup>(8)</sup>	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% (H Shares)
CDH Investment Management Company Limited <sup>(8)</sup>	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% (H Shares)
CDH 2018 VGC Investment Fund, L.P. <sup>(6)</sup>	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% (H Shares)
CDH Management Company Limited <sup>(8)</sup>	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% (H Shares)
Wang Lin (王霖) <sup>(8)</sup>	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% (H Shares)
CDH Griffin Holdings Company Limited ("CDH Griffin") <sup>(8)</sup>	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% (H Shares)
Central Oak Company Limited <sup>(8)</sup>	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% (H Shares)
Wu Shangzhi <sup>(8)</sup>	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% (H Shares)

## DIRECTORS' REPORT

Name of Shareholder	Nature of Interest	Description of the Shares <sup>(14)</sup>	Number of Shares Held or Interested	Approximate percentage of interest in the Company <sup>(1)</sup>	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate) Shares <sup>(1)(14)</sup>
Hainan Boyou Enterprise Management Consulting Center (Limited Partnership) (海南博友企業管理諮詢中心(有限合夥)) ("Hainan Boyou") <sup>(9)</sup>	Beneficial owner	H Shares	7,628,713	3.94%	6.84% (H Shares)
Liu Dong (劉東) <sup>(9)</sup>	Interest in controlled corporation	H Shares	7,628,713	3.94%	6.84% (H Shares)
Shijiazhuang Shidai Weiye Cultural Development Co., Ltd (石家莊市時代偉業文化發展有限公司) ("Shidai Weiye") <sup>(9)</sup>	Interest in controlled corporation	H Shares	7,628,713	3.94%	6.84% (H Shares)
Liu Junting (劉俊亭) <sup>(9)</sup>	Interest in controlled corporation	H Shares	7,628,713	3.94%	6.84% (H Shares)
Ningbo Meishan Bonded Port Area Guangrui Hongxiang Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區廣瑞弘祥股權投資合夥企業(有限合夥)) ("Guangrui Hongxiang") <sup>(10)</sup>	Beneficial owner	H Shares	7,196,835	3.71%	6.46% (H Shares)
Guoxin Sichuang Investment Fund Management (Beijing) Co., Ltd (國新思創投資基金管理(北京)有限公司) ("Guoxin Sichuang") <sup>(10)</sup>	Interest in controlled corporation	H Shares	7,196,835	3.71%	6.46% (H Shares)
Wang Hongjie (王宏傑) <sup>(10)</sup>	Interest in controlled corporation	H Shares	7,196,835	3.71%	6.46% (H Shares)

Name of Shareholder	Nature of Interest	Description of the Shares <sup>(14)</sup>	Number of Shares Held or Interested	Approximate percentage of interest in the Company <sup>(1)</sup>	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate) Shares <sup>(1)(14)</sup>
Hebei Yier Enterprise Management Consulting Co., LTD (河北益爾企業管理諮詢有限公司) ("Hebei Yier") <sup>(10)</sup>	Interest in controlled corporation	H Shares	7,196,835	3.71%	6.46% (H Shares)
Wuhan Optics Valley New Technology Industry Investment Co., Ltd (武漢光谷新技術產業投資有限公司) ("Guanggu New Technology") <sup>(11)</sup>	Beneficial owner	Unlisted Shares	7,000,000	3.61%	8.50% (Unlisted Shares)
Wuhan Hi-Tech Holding Group Co., Ltd. (武漢高科國有控股集團有限公司) ("Wuhan Hi-Tech") <sup>(11)</sup>	Interest in controlled corporation	Unlisted Shares	7,000,000	3.61%	8.50% (Unlisted Shares)
Wuhan Optics Valley Health Industry Investment Ltd. (武漢光谷健康產業投資有限公司) ("Guanggu Health") <sup>(12)</sup>	Beneficial owner	Unlisted Shares H Shares	5,600,000 2,686,000	2.89% 1.39%	6.80% 2.41% (Unlisted Shares) (H Shares)
Hubei Science and Technology Investment Group Co, Ltd. (湖北省科技投資集團有限公司) ("Hubei Science & Technology Investment") <sup>(12)(13)</sup>	Interest in controlled corporation	Unlisted Shares H Shares	7,000,000 2,686,000	3.61% 1.39%	8.50% 2.41% (Unlisted Shares) (H Shares)

## DIRECTORS' REPORT

Name of Shareholder	Nature of Interest	Description of the Shares <sup>(14)</sup>	Number of Shares Held or Interested	Approximate percentage of interest in the Company <sup>(1)</sup>	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate) Shares <sup>(1)(14)</sup>
Wuhan East Lake New Technology Development Zone Management Committee (武漢東湖新技術開發區管理委員會)	Interest in controlled corporation	Unlisted Shares	14,000,000	7.25%	16.99% (Unlisted Shares)
“East Lake Management Committee” <sup>(11)(12)(13)</sup>		H Shares	2,686,000	1.39%	2.41% (H Shares)

### Notes:

- The calculation is based on the total number of 82,380,386 Unlisted Shares and 111,468,814 H Shares in issue as at December 31, 2023. All interests stated are long positions.
- Pursuant to the Concert Party Agreement and supplemental concert party agreements dated October 26, 2020 and June 2, 2023 entered into by Dr. Yuan Qian, Dr. Zhou Hongfeng, Dr. Zhou Pengfei and Wuhan Caizhi, the AIC Parties agreed (i) to act in concert by way of reaching consensus on proposals related to the Group's daily management and operation presented to all general meetings and Board meetings of the Company; and (ii) that when no consensus can be reached, the AIC Parties shall vote in concurrence with Dr. Yuan Qian on the proposals, or, in the event of Dr. Yuan Qian's absence from voting, the AIC Parties shall vote in concurrence with the AIC Party with the highest shareholding percentage among the AIC Parties who votes at the meetings. As a result, each of the AIC Parties was deemed to be interested in all the Shares in which each of them is interested under the SFO.
- Puhua Kaizhi was indirectly 50% owned by Dr. Yuan Qian through his wholly-owned YZY Industrial Group Co., Ltd. (友芝友實業集團有限公司), and was 30% owned by Dr. Zhou Hongfeng. By virtue of the SFO, Dr. Yuan Qian was deemed to be interested in the 1,342,600 H Shares held by Puhua Kaizhi.
- Wuhan Caizhi Technology Co. Ltd. (武漢才智科技有限責任公司) was the executive partner of Wuhan Caizhi and able to exercise the voting rights held by Wuhan Caizhi in the Company pursuant to the Concert Party Agreement. As a result, Wuhan Caizhi Technology Co. Ltd. (武漢才智科技有限責任公司) was deemed to be interested in, through Wuhan Caizhi (one of the AIC Parties), all the Shares in which each of the AIC Parties is interested under the SFO.
- Wuhan Caizhi was owned as to approximately 50.76% by Huiyou Jucai as its largest limited partner. Huiyou Jucai was owned as to approximately 49.95% by Dr. Zhou Pengfei and was managed by Dr. Zhou Pengfei as the general partner. As a result, Huiyou Jucai was deemed to be interested in, through Wuhan Caizhi (one of the AIC Parties), all the Shares in which each of the AIC Parties is interested under the SFO.
- CSPC-NBP was owned as to 54.06% and 45.94% by CSPC and Dragon Merit Holdings Limited, respectively; and Dragon Merit Holdings Limited was owned as to 100.00% by Robust Sun Holdings Limited, which was wholly owned by CSPC. As a result, each of CSPC, Dragon Merit Holdings Limited and Robust Sun Holdings Limited was deemed to be interested in the 51,241,785 H Shares held by CSPC-NBP under the SFO.

- (7) (i) Nanning Yaoyou was the general partner of Huiyou Xingyao, Tongde Qianyuan was the general partner of Nanning Yaoyou, Tongde Qianyuan was owned as to approximately 72.38% by Wen Zhicheng; (ii) Beijing Tongde Tongxin Investment Center (Limited Partnership) (北京同德同鑫投資中心(有限合夥)) (“**Tongde Tongxin**”) was the general partner of Nanning Zhongheng Tongde Pharmaceutical Industry Investment Fund Partnership (Limited Partnership) (南寧中恒同德醫藥產業投資基金合夥企業(有限合夥)) (“**Zhongheng Tongde**”), Tongde Qianyuan was the general partner of Tongde Tongxin; and (iii) Gongqingcheng Yaoyou was the general partner of Gongqingcheng Huiyou, Tongde Qianyuan was the general partner of Gongqingcheng Yaoyou. As a result, each of Tongde Qianyuan and Wen Zhicheng was deemed to be interested in (i) the 6,695,271 H Shares and 3,447,526 Unlisted Shares held by Huiyou Xingyao, (ii) the 3,700,872 H Shares held by Zhongheng Tongde, and (iii) the 1,426,827 H Shares and 1,611,513 Unlisted Shares held by Gongqingcheng Huiyou under the SFO.
- (8) (i) Long Star Growth was indirectly wholly owned by CDH Growth Fund through its wholly-owned Sooner Star Limited; (ii) CDH R-III Parallel Holdings Company Limited was the general partner of CDH Growth Fund; (iii) CDH R-III Parallel Holdings Company Limited was owned as to approximately 43% by CDH GP Holdings Company Limited which was in turn wholly owned by CDH Investment Management Company Limited, and approximately 57% by CDH 2018 VGC Investment Fund, L.P. with CDH Management Company Limited being its general partner and Wang Lin being its single limited partner owning its 100% partnership interests; (iv) CDH Investment Management Company Limited and CDH Management Company Limited were wholly owned by CDH Griffin; (v) CDH Griffin was owned to approximately 33.2% by Central Oak Company Limited which was in turn wholly owned by Wu Shangzhi. As a result, each of Sooner Star Limited, CDH Growth Fund, CDH R-III Parallel Holdings Company Limited, CDH GP Holdings Company Limited, CDH Investment Management Company Limited, CDH 2018 VGC Investment Fund, L.P., CDH Management Company Limited, Wang Lin, CDH Griffin, Central Oak Company Limited and Wu Shangzhi was deemed to be interested in the 7,916,510 H Shares held by Long Star Growth under the SFO.
- (9) (i) Liu Dong was the general partner of Hainan Boyou; (ii) Hainan Boyou was owned as to approximately 31.13% by Shidai Weiye as its largest limited partner; (iii) Shidai Weiye was owned as to approximately 60% by Liu Dong and 40% by Liu Junting. As a result, each of Liu Dong, Shidai Weiye and Liu Junting was deemed to be interested in the 7,628,713 H Shares held by Hainan Boyou under the SFO.
- (10) (i) Guoxin Sichuang was the general partner of Guangrui Hongxiang; (ii) Guoxin Sichuang was owned as to approximately 60% by Wang Hongjie and 40% by Hebei Yier which was in turn owned as to approximately 40% by Wang Hongjie. As a result, each of Guoxin Sichuang, Wang Hongjie and Hebei Yier was deemed to be interested in the 7,196,835 H Shares held by Guangrui Hongxiang under the SFO.
- (11) Guanggu New Technology was owned as to approximately 98.59% by Wuhan Hi-Tech, which was in turn wholly owned by the state-owned East Lake Management Committee. As a result, each of Wuhan Hi-Tech and East Lake Management Committee was deemed to be interested in the 7,000,000 Unlisted Shares held by Guanggu New Technology under the SFO.
- (12) Guanggu Health was wholly owned by Hubei Science & Technology Investment, which was in turn wholly owned by the state-owned East Lake Management Committee. As a result, each of Hubei Science & Technology Investment and East Lake Management Committee was deemed to be interested in the 2,686,000 H Shares and 5,600,000 Unlisted Shares held by Guanggu Health under the SFO.
- (13) Wuhan Optics Valley Growth Venture Capital Fund Co., Ltd (武漢光谷成長創業投資基金有限公司) (“**Guanggu Growth**”) was owned as to approximately 50.91% by Wuhan Optics Valley Venture Capital Fund Co., Ltd. (武漢光谷創業投資基金有限公司) (“**Guanggu VC**”) and as to approximately 49.09% by Wuhan Optics Valley Technology Financing Guarantee Co., Ltd. (武漢光谷科技融資擔保有限公司) (“**Guanggu Financing Guarantee**”), respectively. Guanggu VC was owned as to 57.00% by Wuhan Optics Valley Financial Holding Group Co., Ltd. (武漢光谷金融控股集團有限公司) (“**Guanggu Financial Holding Group**”) and as to 43.00% by Wuhan Guanggu Growth Venture Capital Management Co., Ltd. (武漢光谷成長創業投資管理有限公司) (“**Guanggu Growth Venture Capital**”), respectively. Guanggu Growth Venture Capital was owned as to 35.00% by Guanggu Financial Holding Group. Guanggu Financing Guarantee was owned as to 90.00% by Guanggu Financial Holding Group. Guanggu Financial Holding Group was owned as to approximately 54.61% by Hubei Science & Technology Investment, which was in turn wholly owned by the state-owned East Lake Management Committee. As a result, each of Hubei Science & Technology Investment and East Lake Management Committee was deemed to be interested in the 1,400,000 Unlisted Shares held by Guanggu Growth under the SFO.
- (14) For the avoidance of doubt, both Unlisted Shares and H Shares are ordinary Shares in the share capital of the Company, and are considered as one class of Shares.

Save as disclosed above, the Directors are not aware of any person who had an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, and which would be recorded in the register required to be kept under Section 336 of the SFO, or, who are, directly or indirectly interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.



## DIRECTORS' REPORT

### CONVERTIBLE BONDS

During the Reporting Period, the Group did not issue any convertible bonds.

### SHARE CAPITAL

On September 25, 2023, the Company issued 11,001,200 H Shares at the price of HK\$16.00 per H Share in connection with the Global Offering. On October 25, 2023, the Company issued an additional 848,000 H Shares at the price of HK\$16.00 per H Share in connection with the partial exercise of the Over-allotment Option. The Company received approximately RMB124.4 million in net proceeds from the Global Offering and the partial exercise of the Over-allotment Option (after deducting the underwriting fees and related Listing expenses).

Details of the movements in share capital of the Group during the Reporting Period are set out in Note 26 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES

As of December 31, 2023, the Company did not have distributable reserve.

### DONATION

During the Reporting Period, the Company did not make donations.

### DEBENTURES ISSUED

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

### SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group did not have any significant investments (including any investment in an investee company with a value of 5 percent or more of the Group's total assets as of December 31, 2023), acquisitions or disposals.

### LOANS AND GUARANTEES

During the Reporting Period, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, Supervisors and senior management of the Company or their respective connected persons.

### DIVIDENDS

The Board does not recommend payment of a final dividend for the Reporting Period.

### PROPERTY AND EQUIPMENT

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

### PERMITTED INDEMNITY

During the Reporting Period, the Company has in force the permitted indemnity provisions (as defined in the Companies Ordinance) in relation to the Directors' and officers' liability insurance.

## EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares nor require the Company to enter into an agreement that will or may result in the Company issuing shares was entered into by the Company during the year or subsisted at the end of the Reporting Period.

## MANAGEMENT CONTRACTS

Other than the Directors' and Supervisors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the Reporting Period.

## 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 Reporting Period.

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds received by the Company from the Global Offering and the partial exercise of the Over-allotment Option (after deducting the underwriting fees and related Listing expenses) amounted to approximately RMB124.4 million, and the balance of unutilized net proceeds of approximately RMB114.9 million as at December 31, 2023.

The net proceeds have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage as of the date of this annual report and any discrepancies in this table between the total and sums of amounts are due to rounding.

Use of Proceeds	Allocation of Net Proceeds (RMB in million)	Utilized		Unutilized		Expected Timeline for Full Utilization of the Unutilized Net Proceeds
		Amount (as of December 31, 2023) (RMB in million)	Amount (as of December 31, 2023) (RMB in million)	Amount (as of December 31, 2023) (RMB in million)	Amount (as of December 31, 2023) (RMB in million)	
For planned clinical trials, preparation for registration filings, and the planned commercial launch (including sales and marketing activities) of M701	80%	99.5	7.9	91.6		By October 2024
For planned clinical trials of Y101D	12%	14.9	1.6	13.3		By June 2024
For working capital and general corporate purposes	8%	10.0	0.0	10.0		By July 2024
	100%	124.4	9.5	114.9		



## DIRECTORS' REPORT

### SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in Note 33 to the consolidated financial statements.

### CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code of corporate governance practices.

In order to maintain a high standard of corporate governance, the Board will continue to review and monitor the operation of the Company.

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this annual report.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available and within the knowledge of the Directors, the Company has maintained the prescribed public float as required under the Listing Rules since the Listing Date up to as of the date of this annual report.

### FINANCIAL SUMMARY

The Company's H Shares were listed on the Stock Exchange on September 25, 2023. A summary of the consolidated results and the assets and liabilities of the Group for the last three financial years, is set out on page 10 of this annual report. This summary does not form part of the audited consolidated financial statements.

### PRE-EMPTIVE RIGHTS

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

### MATERIAL LITIGATION

During the Reporting Period, the Company was not engaged in any material litigation or arbitration of material importance, or the Directors were not aware of any material litigation or claim pending or threatened against the Group.

### CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

As of December 31, 2023, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

### AUDITOR

The H Shares were listed on the Stock Exchange on September 25, 2023, and there has been no change in auditor since the Listing Date. The consolidated financial statements for the Reporting Period have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, who are proposed for re-appointment at the forthcoming annual general meeting of the Company.

### COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Company has complied with the relevant laws and regulations that have a significant impact on the Company, including the requirements under the Companies Ordinance, the Listing Rules, the SFO and the CG Code in relation to, among other things, information disclosure and corporate governance. During the Reporting Period and up to the date of this annual report, none of the Group and the Directors, Supervisors and senior management of the Company had been subject to any investigation or administrative penalty by the CSRC, banned from access to the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial authorities or held criminally responsible, nor were they involved in any other litigation, arbitration or administrative proceedings that would have a material adverse effect on our business, financial condition or results of operations.

By order of the Board  
**Wuhan YZY Biopharma Co., Ltd.**  
**Dr. Zhou Pengfei**  
*Chairman of the Board, Executive  
Director and Chief Executive Officer*

Wuhan, PRC, March 28, 2024

# REPORT OF THE SUPERVISORY COMMITTEE

In 2023, under strict compliance with the requirements of the PRC Company Law and other laws and regulations, the Articles of Association and the Rules of Procedures of the Supervisory Committee and other relevant rules and requirements, and with the Company's actual situation taken into consideration, the Supervisory Committee earnestly performed its duties and actively carried out relevant work, attended the Board meetings and the general meetings, supervised and verified all major matters of the Company, reviewed the Company's financial situation and financial reports, supervised the situation of the Directors, Supervisors and senior management, and safeguarded the legitimate rights and interests of the Company and its Shareholders. The report of the Supervisory Committee for the year 2023 is as follows:

## THE COMPOSITION AND CONVENING OF THE SUPERVISORY COMMITTEE

The Supervisory Committee consists of five Supervisors, including two employee representative Supervisors. The number of members and composition of the Supervisory Committee are in compliance with the relevant provisions of laws and regulations. In 2023, the Company convened a total of three meetings of the Supervisory Committee, all of which were convened and presided over by the chairman of the Supervisory Committee. All Supervisors attended the meetings, carefully reviewed and passed various proposals, and effectively performed their supervisory and review duties. Details of the meeting are as follows:

Date	Meeting	Topics of the Supervisory Committee
May 23, 2023	The first meeting of the first session of the Supervisory Committee	To consider and approve the Proposal on Amendments to the Rules of Procedure of the Supervisory Committee Applicable after the Issuance of H Shares
September 11, 2023	The second meeting of the first session of the Supervisory Committee	To consider and approve the Proposal on the Appointment of Deloitte Touche Tohmatsu as the Company's Annual Auditor and Interim Financial Information Review Auditor for 2023
September 28, 2023	The third meeting of the first session of the Supervisory Committee	To consider and approve the Proposal on the Company's 2023 Interim Results Report

# REPORT OF THE SUPERVISORY COMMITTEE

## OVERALL EVALUATION OF THE COMPANY BY THE SUPERVISORY COMMITTEE

### Operational Compliance

Members of the Supervisory Committee attended all the meetings held by the Board of the Company to supervise major decisions in the operation and management of the Company. In 2023, the Supervisory Committee held an opinion that not only did the Company operate in accordance with the resolutions and authorizations of the Shareholders' general meetings and the Board, but also its decision-making procedures complied with relevant regulations. The Directors and other senior managements of the Company did not violate laws, regulations, rules and the Articles of Association or damage the interests of the Company and Shareholders when performing their duties.

### Financing Position of the Company

The Supervisors Committee reviewed and agreed with the audited consolidated financial statements of the Group for the year ended December 31, 2023, and believed that the financial statements of the Group have given an objective and true view of the financial position and the operating results of the Group and is free of false representations, misleading statements and material omissions.

### Internal Control Performed by the Company

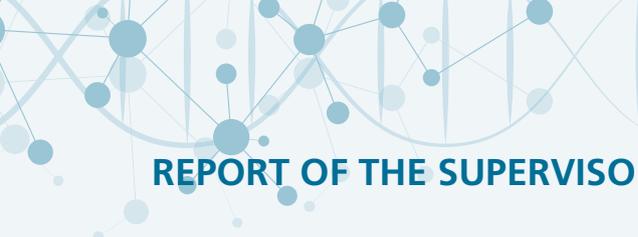
Abiding by the requirements of relevant laws and regulations, the Company has established and revised its systems and codes, including the "Management System for Internal Audit", "Decision-Making System for Related Transaction", "Code for Directors' Trading of the Company's Securities" and "System for Conflict-of-Interest Avoidance." Thus, the internal control system has been further improved. The Supervisory Committee believes that the Company has established an enhanced internal control system, meeting the requirements of relevant laws and regulations in China and the actual needs of the Company's production and operation management. Moreover, such system can be implemented. With the established internal control system, the Company is able to better prevent and control risks in all aspects of operation and management. The evaluation report on the Company's internal control truly and objectively reflects its development and operation of internal control system. The overall evaluation of internal control is objective and accurate.

### Use of Proceeds for the Year

Since its listing on September 25, 2023, the Company has used and managed the proceeds in strict accordance with the Listing Rules and relevant management systems, and there is no non-compliance with the use of the proceeds.

### Guarantees of the Company

In 2023, the Supervisory Committee supervised and verified the external guarantees of the Company, and the Company did not provide guarantees for controlling Shareholders, de facto controllers and other related parties.



## REPORT OF THE SUPERVISORY COMMITTEE

### WORK PLAN OF THE SUPERVISORY COMMITTEE FOR 2024

In 2024, the Supervisory Committee will faithfully and diligently perform its duties in accordance with the PRC Company Law, the Articles of Association and other relevant regulations, keep abreast of the legality of major decisions and decision-making procedures of the Company, further promote the standardized operation of the Company, guard against operation and management risks to protect the legitimate rights and interests of the Company and all Shareholders and make unremitting efforts for the sustained and healthy development of the Company together with all Shareholders.

By order of the Supervisory Committee  
**Wuhan YZY Biopharma Co., Ltd.**  
**Mr. Sun Jumin**  
*Chairman of the Supervisory Committee*

Wuhan, PRC, April 26, 2024

# INDEPENDENT AUDITOR'S REPORT

## TO THE BOARD OF DIRECTORS OF WUHAN YZY BIOPHARMA CO., LTD.

武漢友芝友生物製藥股份有限公司

*(incorporated in the People's Republic of China with limited liability)*

## OPINION

We have audited the consolidated financial statements of Wuhan YZY Biopharma Co., Ltd. (武漢友芝友生物製藥股份有限公司) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 82 to 142, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

Key audit matters is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><b>Cut-off of outsourcing research and development expenses</b></p> <p>During the year ended December 31, 2023, the Group incurred research and development (“R&amp;D”) expenses of approximately RMB155,054,000 out of which approximately 61.6% or RMB95,513,000 as disclosed in note 10 to the consolidated financial statements were attributed to the outsourcing R&amp;D expenses paid and payable to outsourced service providers including contract research organizations, clinical site management operators, contract manufacturing organizations and contract development and manufacturing organizations (collectively referred to as the “Outsourced Service Providers”).</p> <p>These Outsourced Service Providers provided supports to the group’s various R&amp;D activities in the form of R&amp;D services. And these services are typically performed across the financial report periods.</p> <p>We identified the Cut-off of outsourcing R&amp;D expenses as a key matter due to its significance and risk of not recording the outsourcing R&amp;D expenses in the appropriate financial reporting period.</p>	<p>Our procedures in relation to the Cut-off of outsourcing R&amp;D expenses included:</p> <ul style="list-style-type: none"><li>• Obtaining an understanding of the relevant key controls in relation to the accrual process of the outsourcing R&amp;D expenses and evaluating the design and implementation of these controls;</li><li>• Conducting test of details on a sample basis to determine whether the service fees were appropriately accrued based on the respective progress and/or milestones achieved, as of the end of December 31, 2023 by:<ol style="list-style-type: none"><li>(1) Reviewing the key terms set out in the agreements with the Outsourced Service Providers, and evaluating the progress based on inquiry with project managers and inspection on supporting documents reported by the representatives of the Outsourced Service Providers and external clinical trial data platforms;</li><li>(2) Sending confirmations to the Outsourced Service Providers in respect of the progress of the outsourcing R&amp;D projects.</li><li>(3) Checking the subsequent payment to Outsourced Service Providers to evaluate the adequacy of the outsourcing service fees accrual at the year end.</li></ol></li></ul>

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

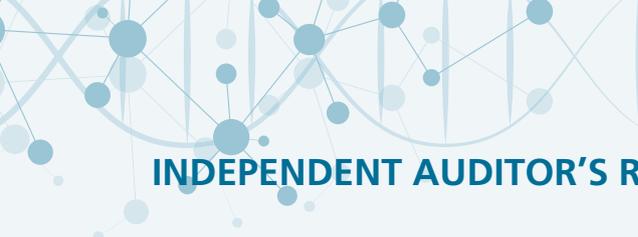
The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine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

In preparing the consolidated financial statements, the directors 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.

Those charged with governance are 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



## INDEPENDENT AUDITOR'S REPORT

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

From the matters communicated with those charged with governance, 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 the independent auditor's report is Zhou Sze

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

March 28, 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2023

	NOTES	Year ended December 31,	
		2023 RMB'000	2022 RMB'000
Other income	6	13,014	2,560
Other gains and losses	7	(334)	671
Research and development expenses		(155,054)	(157,329)
Administrative expenses		(22,311)	(20,525)
Listing expenses		(24,629)	(11,775)
Finance costs	8	(2,388)	(2,468)
Loss before tax	10	(191,702)	(188,866)
Income tax expense	9	–	–
Loss and total comprehensive expense for the year		(191,702)	(188,866)
Loss per share			
– Basic and diluted (RMB)	12	(1.04)	(1.10)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2023

	NOTES	At December 31,	
		2023 RMB'000	2022 RMB'000
<b>Non-current Assets</b>			
Property and equipment	14	41,549	46,042
Right-of-use assets	15	8,830	8,507
Investment properties	16	492	536
Value added tax recoverable		512	8,671
Prepayment for acquisition of property and equipment		140	129
		<b>51,523</b>	63,885
<b>Current Assets</b>			
Inventories	17	5,770	10,623
Prepayments, deposits and other receivables	18	31,615	27,814
Value added tax recoverable		16,032	–
Financial assets at fair value through profit or loss (“FVTPL”)	19	–	47,000
Cash and cash equivalents	20	196,684	153,520
		<b>250,101</b>	238,957
<b>Current Liabilities</b>			
Trade and other payables	21	42,373	33,555
Bank borrowings	22	89,500	76,500
Lease liabilities	23	464	169
Deferred income	24	640	2,975
Advance from transfer agreement	25	40,843	33,761
		<b>173,820</b>	146,960
<b>Net Current Assets</b>		<b>76,281</b>	91,997
<b>Total Assets less Current Liabilities</b>		<b>127,804</b>	155,882

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2023

	NOTES	At December 31,	
		2023 RMB'000	2022 RMB'000
<b>Non-current Liability</b>			
Lease liabilities	23	150	–
		150	–
<b>Net Assets</b>		<b>127,654</b>	155,882
<b>Capital and Reserves</b>			
Paid-in capital	26	–	–
Share capital	26	193,849	182,000
Reserves		(66,195)	(26,118)
<b>Total Equity</b>		<b>127,654</b>	155,882

The consolidated financial statements on pages 82 to 142 were approved and authorised for issue by the board of directors on March 28, 2024 and are signed on its behalf by:

**ZHOU PENGFEI**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

	Paid in capital	Share capital	Capital reserve	Share premium	Other reserves	Share-based		Total
						payments	Accumulated losses	
	RMB'000 (note 26)	RMB'000 (note 26)	RMB'000	RMB'000	RMB'000 (note)	RMB'000	RMB'000	RMB'000
At January 1, 2022	165,072	-	448,528	-	13,722	88,278	(572,436)	143,164
Loss and total comprehensive expense for the year	-	-	-	-	-	-	(188,866)	(188,866)
Conversion into a joint stock company (note 26)	(165,072)	168,000	(448,528)	7,384	(13,722)	(88,278)	540,216	-
Issue of shares (note 26)	-	14,000	-	186,000	-	-	-	200,000
Recognition of equity-settled share-based payment (note 27)	-	-	-	-	-	1,584	-	1,584
At December 31, 2022	-	182,000	-	193,384	-	1,584	(221,086)	155,882
Loss and total comprehensive expense for the year	-	-	-	-	-	-	(191,702)	(191,702)
Issue of shares upon the IPO and exercise of the Over-allotment Option (note 26)	-	11,849	-	162,107	-	-	-	173,956
Transaction costs attribute to issue of new shares	-	-	-	(10,482)	-	-	-	(10,482)
At December 31, 2023	-	<b>193,849</b>	-	<b>345,009</b>	-	<b>1,584</b>	<b>(412,788)</b>	<b>127,654</b>

Note: Other reserves mainly comprises recognition and termination of redemption liabilities on ordinary shares.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
<b>OPERATING ACTIVITIES</b>		
Loss for the year	(191,702)	(188,866)
Adjustments for:		
Gain from changes in fair value of financial assets at FVTPL	(1,608)	(671)
Bank interest income	(1,047)	(283)
Loss on disposal of property and equipment	23	3
Depreciation of property and equipment	6,369	6,299
Depreciation of right-of-use assets	903	600
Depreciation of investment properties	44	45
Share-based payment expenses	–	1,584
Finance costs	2,388	2,468
Loss on exchange	1,919	–
Operating cash flow before movements in working capital	(182,711)	(178,821)
Increase in prepayments, deposits, and other receivables	(10,469)	(7,930)
(Increase)/decrease in value added tax recoverable	(7,873)	5,151
Decrease/(increase) in inventories	4,853	(1,709)
(Decrease)/Increase in deferred income	(2,335)	1,800
Increase in trade and other payables	12,519	9,465
Decrease in amount due to a related party	–	(4,659)
Cash used in operations	(186,016)	(176,703)
Income tax paid	–	–
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(186,016)</b>	<b>(176,703)</b>
<b>INVESTING ACTIVITIES</b>		
Interest received from banks	1,047	283
Advance from transfer agreement	7,082	33,761
Gain on financial assets at FVTPL	1,608	671
Purchase of property and equipment	(1,930)	(1,411)
Purchase of financial assets at FVTPL	(444,000)	(378,500)
Redemption of financial assets at FVTPL	491,000	351,000
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>54,807</b>	<b>5,804</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	173,956	200,000
New bank borrowing raised	89,500	76,500
Repayment of bank borrowings	(76,500)	(28,000)
Payments of lease liabilities	(781)	(436)
Issue cost paid	(7,495)	(4,262)
Interest paid	(2,340)	(2,448)
Interest paid on lease liabilities	(48)	(20)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>176,292</b>	241,334
Effect of foreign exchange rate changes	(1,919)	–
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>43,164</b>	70,435
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>153,520</b>	83,085
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>196,684</b>	153,520

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 1. GENERAL INFORMATION

The Company was established in the People's Republic of China (the "PRC") on July 8, 2010, as a limited liability company. On January 13, 2022, the Company was converted into a joint stock company with limited liability under the PRC Company Law, with its name changed from Wuhan YZY Biopharma Limited Company (武漢友芝友生物製藥有限公司) to Wuhan YZY Biopharma Co., Ltd. (武漢友芝友生物製藥股份有限公司). The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on September 25, 2023 (the "Listing"). The respective address of the registered office and the principal place of business is No. 666 Gaoxin Avenue, Wuhan East Lake New Technology Development District, Wuhan, Hubei Province, PRC.

The principal activities of the Company and its subsidiaries (the "Group") are mainly committed to develop bispecific antibody (BsAb)-based targeted and immune-oncology therapies to address the significant unmet medical needs of patients with cancer and age-related ophthalmologic diseases. Particulars and principal activities of the subsidiaries are disclosed in note 33.

The consolidated financial statements are presented in RMB, which is also the functional currency of the Company and its subsidiaries.

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

### New and amendments to IFRSs that are mandatorily effective for the current year

The Group has consistently adopted the IFRSs issued by the International Accounting Standards Board ("IASB"), which are effective for the accounting period beginning on January 1, 2023.

### Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following amendments to IFRSs have been issued which are not yet effective:

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

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2024.

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2025.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

### 3.1 Basis of preparation of consolidated financial statements

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

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

### 3.2 Material accounting policy information

#### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### *Intangible assets*

##### *Internally-generated intangible assets-research and development expenditure*

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

An internally-generated intangible asset arising from development activities is recognised if, and only if, all of the following have been demonstrated:

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

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### *Cash and cash equivalents*

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

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### *Leases*

##### *Definition of a lease*

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

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

##### *The Group as a lessee*

##### *Allocation of consideration to components of a contract*

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### *Leases (Continued)*

##### *The Group as a lessee (Continued)*

##### Short-term leases

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

##### Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

##### Refundable rental deposits

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

##### Lease liabilities

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

The lease payments are fixed payments (including in-substance fixed payments) less any lease incentives receivable.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### *Leases (Continued)*

#### *The Group as a lessee (Continued)*

#### *Lease liabilities (Continued)*

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

#### *Lease modifications*

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### *Leases (Continued)*

##### *The Group as a lessor*

##### Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

##### Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### *Foreign currencies*

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

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

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

##### *Borrowing costs*

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

##### *Government grants*

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

##### *Employee benefits*

##### *Retirement benefit costs*

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of staff's wages as contributions to the plans. Payments to such retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

##### *Short-term employee benefits*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### *Share-based payment*

##### *Equity-settled share-based payment transactions*

##### Restricted shares ("RS") granted to employees

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

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

When the restricted shares are vested, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### *Taxation*

Income tax expense represents the sum of current and deferred income tax expense.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### *Taxation (Continued)*

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

Current and deferred tax are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### *Property and equipment*

Property and equipment are tangible assets that are held for use in supply of services, or for administrative purposes other than construction in progress. Property and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### *Investment properties*

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

#### *Impairment on property and equipment, investment properties and right-of-use assets*

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

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

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

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

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

##### *Impairment on property and equipment, investment properties and right-of-use assets (Continued)*

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

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

##### *Inventories*

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimate selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### *Financial instruments*

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

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

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

#### *Financial assets*

##### *Classification and subsequent measurement of financial assets*

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

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

All other financial assets the Group hold are subsequently measured at FVTPL.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

#### Classification and subsequent measurement of financial assets (Continued)

##### (i) Amortized cost and interest income

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

##### (ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income are measured at FVTPL.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

#### Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit losses (“ECL”) model on financial assets (including deposits and other receivables, cash and cash equivalents) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group measures the loss allowance equal to 12m ECL for its financial instruments, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL.

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

#### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss (note 7) in the 'Other gains and losses' line item as part of the net foreign exchange gains (losses).

#### Derecognition of financial assets

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

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

#### *Financial liabilities and equity*

#### Classification as debt or equity

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

#### Equity instruments

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

#### Financial liabilities

All financial liabilities the Group hold are subsequently measured at amortized cost using the effective interest method.

#### Financial liabilities at amortized cost

Financial liabilities including trade and other payables, bank borrowings are subsequently measured at amortized cost, using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### *Financial instruments (Continued)*

#### *Financial liabilities and equity (Continued)*

#### Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other gains and losses' line item in profit or loss (note 7) as part of net foreign exchange gains (losses) for financial liabilities that are not part of a designated hedging relationship.

#### Derecognition of financial liabilities

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

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES

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

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

#### Critical judgments in applying accounting policies

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES (CONTINUED)

### Critical judgments in applying accounting policies (Continued)

#### *Research and development expenses*

Development expenses incurred on the Group's drug product pipelines are capitalized and deferred only when the Group can demonstrate (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the Group's intention to complete and the Group's ability to use or sell the asset; (iii) how the asset will generate future economic benefits; (iv) the availability of resources to complete the pipeline; and (v) the ability to measure reliably the expenditure during the development. Research and development expenses which do not meet these criteria are expensed when incurred. The management of the group assesses the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the year, all research and development costs are expensed when incurred.

#### *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting periods, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months, are described below.

#### *Useful lives of property and equipment*

The management of the Group determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property and equipment. This estimate is reference to the useful lives of property and equipment of similar nature and functions in the industry. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write off or write down obsolete assets that have been abandoned or sold.

## 5. SEGMENT INFORMATION

The Group has been operating in one reportable segment, being the discovering, developing and commercializing new class of innovative medicines in respect to anti-tumor bispecific antibody.

For the purpose of resource allocation and performance assessment, the Group's chief executive officer, being the chief operating decision maker ("CODM"), reviews the overall results and financial position of the Group as a whole and no further analysis of the single segment is presented.

#### *Geographical information*

The Group has not generated any revenue during the years ended December 31, 2023 and 2022. All of the Group's non-current assets are located in the PRC.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 6. OTHER INCOME

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Government grants (note)	11,944	2,254
Bank interest income	1,047	283
Others	23	23
	<b>13,014</b>	2,560

Note: The amounts represent government grants received from various PRC government authorities as incentives for the Group's research and development activities. Some subsidies had certain conditions imposed by the respective PRC government authorities. The relevant conditions have been fully met upon recognition.

## 7. OTHER GAINS AND LOSSES

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Loss on disposal of property and equipment	(23)	(3)
Gain from changes in fair value of financial assets at FVTPL (note 19)	1,608	671
Net foreign exchange losses	(1,919)	–
Others	–	3
	<b>(334)</b>	671

## 8. FINANCE COSTS

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Interest expenses on bank borrowings	2,340	2,448
Interest expenses on lease liabilities	48	20
	<b>2,388</b>	2,468

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 9. INCOME TAX EXPENSE

Pursuant to the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the applicable tax rate of the Company's subsidiaries is 25% for the years ended December 31, 2023 and 2022.

In November 2023, the Company has been accredited as a High and New Technology Enterprise and enjoys a preferential tax rate of 15% for a term of three years starting from 2023.

The tax charge for the years ended December 31, 2023 and 2022 can be reconciled to the loss before tax per the consolidated statements of profit or loss and other comprehensive expenses as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Loss before tax	(191,702)	(188,866)
Income tax expense calculated at 15% (2022: 25%)	(28,755)	(47,217)
Tax effect of different tax rates of subsidiaries	(359)	–
Tax effect of expenses that are not deductible for tax purpose	307	1,730
Effect of research and development expenses that are additionally deducted (note)	(14,567)	(18,526)
Tax effect of deductible temporary differences not recognised	2,715	2,247
Tax effect of tax losses not recognised	40,659	61,766
	–	–

Note: Pursuant to Caishui 2023 circular No. 7, the Group are entitled to claim 200% qualified research and development expenses incurred as tax deductible expenses when determining their assessable profit since January 1, 2023 (2022:175%).

As at December 31, 2023, the Group has unrecognised tax losses of approximately RMB903,871,000 (2022: RMB632,811,000) which will expire at various dates up to and including 2033 (at 31 December 2022: 2027). As at December 31, 2023, the Group has deductible temporary differences of approximately RMB34,356,000 (2022: RMB16,256,000). No deferred tax asset has been recognised in respect of the tax losses or temporary differences due to the unpredictability of future profit streams.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 9. INCOME TAX EXPENSE (CONTINUED)

The unrecognised tax losses will be carried forward and expire in years as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
2023	–	44,222
2024	–	117,457
2025	–	117,756
2026	–	106,312
2027	–	247,064
2028	44,222	–
2029	117,457	–
2030	117,756	–
2031	106,312	–
2032	247,064	–
2033	271,060	–
	<b>903,871</b>	632,811

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 10. LOSS BEFORE TAX

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Loss before tax for the year has been arrived at after charging:		
Directors' emoluments (note 11)	2,821	2,308
Other staff costs:		
– salaries and other benefits	24,343	22,915
– discretionary bonuses (note)	5,287	2,991
– retirement benefit scheme contributions	3,602	3,388
– share-based payments	–	1,584
	<b>36,053</b>	33,186
Auditors' remuneration	2,450	–
Depreciation of property and equipment	6,369	6,299
Depreciation of right-of-use assets	903	600
Depreciation of investment properties	44	45
	<b>7,316</b>	6,944
Cost of inventories recognised as an expense	20,310	21,481
Listing expenses	24,629	11,775
Research and development expenses		
– Technical service fees	95,513	101,247
– Raw material costs	20,310	21,481
– Employee benefit expenses	27,206	24,072
– Depreciation and amortization expenses	5,744	5,722
– Others	6,281	4,807
	<b>155,054</b>	157,329

Note: Discretionary bonuses are determined based on the duties and performances of the relevant individuals and the operating result of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 11. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

### (a) Directors', chief executive officer's and supervisors' emoluments

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Discretionary bonuses RMB'000	Total RMB'000
<b>For the year ended December 31, 2023</b>					
<i>Chief Executive Officer and executive director:</i>					
Dr. Zhou Pengfei (note i)	-	2,048	54	364	2,466
<i>Non-executive directors:</i>					
Dr. Hui Xiwu (惠希武) (note ii)	-	-	-	-	-
Ms. Liang Qian (梁倩) (note ii)	-	-	-	-	-
Dr. Yuan Qian (袁謙) (note ii)	-	-	-	-	-
Dr. Zhou Hongfeng (周宏峰) (note ii)	-	-	-	-	-
Mr. Pang Zhenhai (龐振海) (note ii)	-	-	-	-	-
Dr. Liu Dan (柳丹) (note ii)	-	-	-	-	-
Dr. Guo Hongwei (郭宏偉) (note ii)	-	-	-	-	-
Mr. Xie Shouwu (謝守武) (note ii)	-	-	-	-	-
<i>Independent non-executive directors:</i>					
Dr. Cheng Bin (程斌) (note iii)	71	-	-	-	71
Ms. Fu Lili (付黎黎) (note iii)	71	-	-	-	71
Dr. Dai Weiguo (note iii)	71	-	-	-	71
Dr. Deng Yuezhen (鄧躍臻) (note iii)	71	-	-	-	71
Dr. Chen Bin (陳斌) (note iii)	71	-	-	-	71
<i>Supervisors:</i>					
Dr. Yi Jizu (note iv)	-	1,345	-	70	1,415
Mr. Zhang Jing (張敬) (note v)	-	706	54	151	911
Ms. Xiao Ying (肖瑩) (note vi)	-	198	33	153	384
Ms. Liu Fang (劉芳) (note vii)	-	-	-	-	-
Mr. Ji Changtao (紀昌濤) (note viii)	-	-	-	-	-
Mr. Sun Jumin (孫聚民) (note ix)	-	-	-	-	-
	355	4,297	141	738	5,531

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 11. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

### (a) Directors', chief executive officer's and supervisors' emoluments (Continued)

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Discretionary bonuses RMB'000	Total RMB'000
<b>For the year ended December 31, 2022</b>					
<i>Chief Executive Officer and executive director:</i>					
Dr. Zhou Pengfei (note i)	–	1,989	52	267	2,308
<i>Non-executive directors:</i>					
Dr. Hui Xiwu (惠希武) (note ii)	–	–	–	–	–
Ms. Liang Qian (梁倩) (note ii)	–	–	–	–	–
Dr. Yuan Qian (袁謙) (note ii)	–	–	–	–	–
Dr. Zhou Hongfeng (周宏峰) (note ii)	–	–	–	–	–
Mr. Pang Zhenhai (龐振海) (note ii)	–	–	–	–	–
Dr. Liu Dan (柳丹) (note ii)	–	–	–	–	–
Dr. Guo Hongwei (郭宏偉) (note ii)	–	–	–	–	–
Mr. Xie Shouwu (謝守武) (note ii)	–	–	–	–	–
<i>Supervisors:</i>					
Dr. Yi Jizu (note iv)	–	1,581	–	169	1,750
Mr. Zhang Jing (張敬) (note v)	–	694	51	103	848
Ms. Liu Fang (劉芳) (note vii)	–	–	–	–	–
Mr. Ji Changtao (紀昌濤) (note viii)	–	–	–	–	–
Mr. Sun Jumin (孫聚民) (note ix)	–	–	–	–	–
	–	4,264	103	539	4,906

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 11. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

### (a) Directors', chief executive officer's and supervisors' emoluments (Continued)

Notes:

- i. Dr. Zhou Pengfei was appointed as the chief executive officer on March 16, 2018 and executive director on November 11, 2022.
- ii. Dr. Hui Xiwu, Ms. Liang Qian, Dr. Yuan Qian, Dr. Zhou Hongfeng, Mr. Pang Zhenhai, Dr. Liu Dan, Dr. Guo Hongwei and Mr. Xie Shouwu were appointed as non-executive directors of the Company on November 11, 2022.
- iii. Dr. Cheng Bin, Ms. Fu Lili, Dr. Dai Weiguo, Dr. Deng Yuezhen and Dr. Chen Bin were appointed as independent non-executive directors of the Company on November 11, 2022 and the appointment took effect from the date of initial public offering of the Company on September 25, 2023.
- iv. Dr. Yi Jizu was appointed as supervisor of the Company on May 25, 2021 and resigned as supervisor on October 31, 2023. The supervisor's emoluments disclosed above was for service rendered by him as employee of the Company.
- v. Mr. Zhang Jing was appointed as supervisor of the Company on February 26, 2018. The supervisor's emoluments disclosed above was for service rendered by him as employee of the Company.
- vi. Ms. Xiao Ying was appointed as supervisor of the Company on October 31, 2023. The supervisor's emoluments disclosed above was for service rendered by her as employee of the Company.
- vii. Ms. Liu Fang was appointed as supervisor of the Company on March 7, 2016.
- viii. Mr. Ji Changtao was appointed as supervisor of the Company on May 20, 2021.
- ix. Mr. Sun Jumin was appointed as supervisor of the Company on January 10, 2018.
- x. The executive director's emoluments shown above was for his services in connection with the management of the affairs of the Company and the Group.
- xi. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.
- xii. None of the directors or supervisors of the Company waived or agreed to waive any emoluments during the years ended December 31, 2023 and 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 11. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

### (b) Five highest paid employees

The five highest paid individuals of the Group during the year included 1 (2022: 1) director, details of whose remuneration is included in the disclosures set out above. Details of the emoluments for the year of the remaining 4 (2022: 4) highest paid employees who are not directors of the Company are as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Salaries and other benefits	3,861	4,014
Discretionary bonuses	542	458
Retirement benefit scheme contributions	161	155
Share-based payments	–	396
	<b>4,564</b>	5,023

The emoluments of the five highest paid individuals for the years ended December 31, 2023 and 2022 are within the following bands:

	Year ended December 31,	
	2023 No. of employees	2022 No. of employees
Hong Kong Dollars ("HK\$") 1,000,001 to HK\$1,500,000	3	3
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,500,001 to HK\$3,000,000	1	1
	<b>5</b>	5

During the years ended December 31, 2023 and 2022, no emoluments were paid by the Group to any of the executive director, non-executive directors, independent non-executive directors, supervisors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 12. LOSS PER SHARE

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
<b>Loss:</b>		
Loss for the purpose of calculating basic and diluted loss per share	(191,702)	(188,866)
<b>Number of shares ('000):</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculation	185,112	172,044
Loss per share		
– Basic and diluted	(1.04)	(1.10)

The Company was converted to a joint stock company on January 13, 2022, 168,000,000 ordinary shares with par value of RMB1.00 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on that day. This capitalization of share capital is applied retrospectively for the purpose of calculating basic loss per share, as adjusted for the capital contributions by the then shareholder.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There was no potential ordinary shares in issue for the years ended December 31, 2023 and 2022. In addition, for the purpose of calculation of diluted loss per share for the year ended 31 December 2023, the Company's Over-allotment Option granted pursuant to the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited were not included as their inclusion would result in a decrease in loss per share. Accordingly, diluted loss per share for the years ended December 31, 2023 and 2022 are the same as basic loss per share respectively.

## 13. DIVIDENDS

No dividend was declared or paid by the Company during the years ended December 31, 2023 and 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 14. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Equipment RMB'000	Furniture and fixture RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>							
At January 1, 2022	15,044	61,505	2,956	1,003	1,760	16,845	99,113
Additions	-	1,193	170	-	-	-	1,363
Disposals	-	(11)	(4)	-	-	-	(15)
At December 31, 2022	15,044	62,687	3,122	1,003	1,760	16,845	100,461
Additions	-	1,797	102	-	-	-	1,899
Disposals	-	(320)	(57)	-	-	-	(377)
At December 31, 2023	<b>15,044</b>	<b>64,164</b>	<b>3,167</b>	<b>1,003</b>	<b>1,760</b>	<b>16,845</b>	<b>101,983</b>
<b>DEPRECIATION</b>							
At January 1, 2022	7,741	36,076	2,729	611	975	-	48,132
Provided for the year	710	5,170	96	156	167	-	6,299
Eliminated on disposals	-	(8)	(4)	-	-	-	(12)
At December 31, 2022	8,451	41,238	2,821	767	1,142	-	54,419
Provided for the year	710	5,282	110	100	167	-	6,369
Eliminated on disposals	-	(300)	(54)	-	-	-	(354)
At December 31, 2023	<b>9,161</b>	<b>46,220</b>	<b>2,877</b>	<b>867</b>	<b>1,309</b>	<b>-</b>	<b>60,434</b>
<b>CARRYING AMOUNTS</b>							
At December 31, 2023	<b>5,883</b>	<b>17,944</b>	<b>290</b>	<b>136</b>	<b>451</b>	<b>16,845</b>	<b>41,549</b>
At December 31, 2022	6,593	21,449	301	236	618	16,845	46,042

The above items of property and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of the residual value, over the following period:

Buildings	20 years
Leasehold improvement	Over the shorter of the relevant lease terms or 10 years
Equipment	7-10 years
Furniture and fixture	3-5 years
Motor vehicles	4 years

As at December 31, 2023, the Group has pledged buildings with carrying amounts of RMB5,883,000 (2022: RMB6,593,000) to secure general banking facilities granted to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
At January 1, 2022	8,498	484	8,982
Addition for the year	–	125	125
Depreciation charge for the year	(211)	(389)	(600)
At December 31, 2022	8,287	220	8,507
Addition for the year	–	1,226	1,226
Depreciation charge for the year	(211)	(692)	(903)
At December 31, 2023	<b>8,076</b>	<b>754</b>	<b>8,830</b>

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Expenses relating to short-term leases	<b>279</b>	181
Total cash outflow for leases	<b>1,108</b>	637

During the years ended December 31, 2023 and 2022, the Group leases various properties for its research and development activities. Lease contracts are entered into for fixed term of 1 year to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group's interests in leasehold lands represent prepaid operating lease payments for land located in the PRC and the remaining lease term is 39 years (2022: 40 years).

As at December 31, 2023, the Group has pledged leasehold lands with carrying amounts of RMB8,076,000 (2022: RMB8,287,000) to secure general banking facilities granted to the Group.

As at December 31, 2023, the Group's lease liabilities of RMB614,000 (2022: RMB169,000) are recognised with related right-of-use assets of RMB754,000 (2022: RMB220,000), respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Except for the leasehold lands, leased assets may not be used as security for borrowing purposes.

The Group regularly entered into short-term leases for equipment and properties. As at December 31, 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 16. INVESTMENT PROPERTIES

	RMB'000
<b>COST</b>	
At January 1, 2022 and December 31, 2022 and December 31, 2023	937
<b>DEPRECIATION</b>	
At January 1, 2022	356
Provided for the year	45
At December 31, 2022	401
Provided for the year	44
At December 31, 2023	<b>445</b>
<b>CARRYING AMOUNT</b>	
At December 31, 2023	<b>492</b>
At December 31, 2022	536

The Group leases out various residential properties under operating leases with fixed rentals receivable monthly.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

The fair value of the Group's investment properties as at December 31, 2023 was RMB2,275,000 (2022: RMB2,496,000). The fair value has been arrived at based on estimates made by the directors of the Company.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 19. FINANCIAL ASSETS AT FVTPL

	At December 31,	
	2023 RMB'000	2022 RMB'000
Structured deposits (note i)	–	32,000
Wealth management products (note ii)	–	15,000
	–	47,000

Notes:

- (i) The Group invested in financial products managed by a financial institution in the PRC. The principal is guaranteed by the relevant financial institutions with expected yield from 1.78% to 3.45% (2022: 1.3% to 3.30%), and the actual yield to be received is uncertain until settlement. The investments have maturity date within one year and are classified as financial assets measured at FVTPL.
- (ii) The Group invested in a wealth management product managed by a financial institution in the PRC with expected rates of return of 0.69% (2022: 2.80% to 4.10%). The investments have maturity date within one year and are classified as financial assets measured at FVTPL.

## 20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.2% to 4.2% (2022: 0.05% to 0.9%).

Cash and cash equivalents is denominated in the following currencies:

	At December 31,	
	2023 RMB'000	2022 RMB'000
RMB	42,031	153,520
HK\$	154,653	–
	196,684	153,520

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 21. TRADE AND OTHER PAYABLES

	At December 31,	
	2023 RMB'000	2022 RMB'000
Trade payables for research and development expenses	2,954	3,214
Accrued research and development expenses	29,559	15,503
Other payables to government (note i)	3,600	3,600
Accrued staff costs and benefits	4,384	3,456
Accrued listing expenses	106	4,318
Accrued issue costs	–	2,009
Accrued audit fee	1,050	–
Government grants received on behalf of staff (note ii)	–	877
Other tax payables	500	454
Payables for acquisition of property and equipment	27	47
Others	193	77
	<b>42,373</b>	<b>33,555</b>

Notes:

- (i) This amount was asset related government subsidy and attached with conditions that the construction of the buildings should be completed and approved by the respective PRC government authority before December 31, 2016. The Company has not fulfilled the conditions attached to this subsidy at December 31, 2023 and 2022. Therefore, the amount was repayable to the respective PRC government authority on demand.
- (ii) These amounts were government subsidy received on behalf of staff and repayable to staff on demand.

The credit period on purchases of goods/services of the Group is 0 to 90 days.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 21. TRADE AND OTHER PAYABLES (CONTINUED)

The following is an aging analysis of trade payables presented based on the invoice dates:

	At December 31,	
	2023 RMB'000	2022 RMB'000
0-30 days	1,415	1,795
31-90 days	914	628
91-180 days	101	61
181-365 days	220	207
Over 365 days	304	523
	<b>2,954</b>	3,214

Analysis of trade payables and other payables denominated in currencies other than the functional currency of relevant group entities is set out below:

	At December 31,	
	2023 RMB'000	2022 RMB'000
GBP	–	713
HK\$	–	469
US\$	28	5,361
CHF	361	754
	<b>389</b>	7,297

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 22. BANK BORROWINGS

	At December 31,	
	2023 RMB'000	2022 RMB'000
Secured bank loans (note i)	71,000	45,000
Unsecured bank loans (note ii)	18,500	31,500
	89,500	76,500

	At December 31,	
	2023 RMB'000	2022 RMB'000
The carrying amounts of the above borrowings are repayable based on scheduled repayment terms:		
Within one year	89,500	76,500

Notes:

- (i) The bank borrowings of RMB20,000,000 and RMB51,000,000 as at December 31, 2023 were secured, unguaranteed, and carried a fixed-rate interest rate (also being the effective interest rate) of 3.50% and 3.85% per annum, respectively. Such bank borrowings were secured by the Group's property and equipment, right-of-use assets and investment properties with carrying amount of RMB5,883,000, RMB8,076,000, and RMB492,000 respectively as at December 31, 2023.

The bank borrowings as at December 31, 2022 were secured, unguaranteed, and carried a fixed-rate interest rate (also being the effective interest rate) of 4.35% per annum. Such bank borrowings were secured by the Group's property and equipment, right-of-use assets and investment properties with carrying amount of RMB6,593,000, RMB8,287,000, and RMB536,000 respectively as at December 31, 2022. The borrowings of RMB18,000,000 were repaid in May 2023, and the remaining RMB27,000,000 were repaid in full in July 2023.

- (ii) The bank borrowings of RMB9,000,000 as at December 31, 2023 were unsecured, guaranteed, and carried a fixed-rate interest rate (also being the effective interest rate) of 4.50% per annum. Such bank borrowing was guaranteed by the Company's subsidiary of Nanjing Youbodi Biotechnology Co., Ltd\* (南京友博迪生物技术有限公司) ("YBD"). The borrowings were repaid in January 2024.

The bank borrowings of RMB9,500,000 as at December 31, 2023 were unsecured, unguaranteed, and carried a fixed-rate interest rate (also being the effective interest rate) of 4.00% per annum.

The bank borrowings of RMB27,500,000 as at December 31, 2022 were unsecured, unguaranteed, and carried a fixed-rate interest rate (also being the effective interest rate) of 4.80% per annum. The borrowings were repaid in full till April 2023.

The bank borrowings of RMB4,000,000 as at December 31, 2022 were unsecured, unguaranteed, and carried a fixed-rate interest rate (also being the effective interest rate) of 5.10% per annum. The borrowings were repaid in June 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 22. BANK BORROWINGS (CONTINUED)

The exposure of the Group's borrowings are as follows:

	At December 31,	
	2023 RMB'000	2022 RMB'000
Fixed-rate borrowings	89,500	76,500

The ranges of effective interest rates per annum on the Group's borrowings are as follows:

	At December 31,	
	2023	2022
Effective interest rate: Fixed-rate borrowings	3.50%-4.50%	4.35%-5.10%

## 23. LEASE LIABILITIES

	At December 31,	
	2023 RMB'000	2022 RMB'000
Lease liabilities payable:		
Within one year	464	169
Within a period of more than one year but not exceeding two years	150	–
	614	169
Less: Amount due for settlement with 12 months shown under current liabilities	464	169
Amount due for settlement after 12 months shown under non- current liabilities	150	–

The weighted average incremental borrowing rates applied to lease liabilities range from 5.72% to 5.90% per annum for the years ended December 31, 2023 and 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 24. DEFERRED INCOME

	At December 31,	
	2023 RMB'000	2022 RMB'000
Subsidies related to research and development activities (note)	640	2,975

The movements in deferred income during the years ended December 31, 2023 and 2022 are as follows:

	At December 31,	
	2023 RMB'000	2022 RMB'000
At beginning of the year	2,975	1,175
Received during the year	713	3,816
Recognised in profit for loss during the year	(3,048)	(2,016)
At end of the year	640	2,975

Note: Subsidies are in relation to research and development activities of the Group. The subsidies can be regarded as fully granted until certain conditions are fulfilled. As at December 31, 2023 and 2022, the relevant conditions have not been fully fulfilled and therefore the government subsidies were classified as deferred income. Such deferred income is categorized as current liabilities because the fulfilment date are reasonably estimated within one year.

## 25. ADVANCE FROM TRANSFER AGREEMENT

	At December 31,	
	2023 RMB'000	2022 RMB'000
Upfront fee received from transfer agreement	40,843	33,761

In July 2022, the Company entered into an agreement with an independent third party (the "Transferee") (the "Agreement") to transfer all of the rights and assets relating to one of its drug candidates (the "Transfer").

The Company is entitled to a fixed upfront fee amounting to USD5,000,000 for the Transfer. According to the Agreement, the upfront fee will be required to refund upon the condition, which is not possible to predict the possibility of occurrence, and the upfront fee was recognised as advance from transfer agreement and classified as current liabilities.

According to the Agreement, the Company is entitled to a fixed milestone fee amounting to USD1,000,000 when the Transferee get an approval for clinical trial of the drug candidate from the National Medical Products Administration of the People's Republic of China ("NMPA"). On April 27, 2023, the Transferee received an approval for drug clinical trials from NMPA, and settled the milestone fee with the Company in June 2023. The milestone fee will be required to refund upon the condition, which is not possible to predict the possibility of occurrence.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 26. PAID-IN CAPITAL/SHARE CAPITAL

As disclosed in note 1, the Company converted into a joint stock company on January 13, 2022. The balance as at January 1, 2022 represented the paid-in capital of the Company prior to the conversion to a joint stock company. Share capital as at December 31, 2023 and 2022 represented the issued share capital of the Company.

### Paid-in capital

	Paid-in capital RMB'000
<b>Issued and paid</b>	
At January 1, 2022	165,072
Conversion into a joint stock company (note i)	(165,072)
At December 31, 2022 and 2023	–

### Share capital

	Number of shares	Nominal value of shares RMB'000
<b>Authorized and issued</b>		
At January 1, 2022	–	–
Issue of ordinary shares upon conversion into a joint stock company (note i)	168,000,000	168,000
Issue of shares (note ii)	14,000,000	14,000
At December 31, 2022	182,000,000	182,000
Issue of ordinary shares upon Global Offering (note iii)	11,001,200	11,001
Exercise of Over-allotment Option (note iv)	848,000	848
At December 31, 2023	<b>193,849,200</b>	<b>193,849</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 26. PAID-IN CAPITAL/SHARE CAPITAL (CONTINUED)

Notes:

- (i) On January 13, 2022, the Company converted into a joint stock company with limited liability under the PRC Company Law. The net assets of the Company as of the conversion date of August 31, 2021, including paid-in capital, reserves and accumulated losses, amounting to approximately RMB175,384,000 were converted into approximately 168,000,000 ordinary shares at RMB1.00 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's share premium.
- (ii) In October 2022, the Company issued 14,000,000 ordinary shares at the consideration of RMB200,000,000 to investors. RMB14,000,000 was credited to the Company's share capital and the remaining balance was credited as share premium.
- (iii) On September 25, 2023, the Company has completed a Global Offering of 11,001,200 H shares with par value of RMB1.00 each at the price of HK\$16.00. On the same day, the Company's H shares were listed on the Main Board of the Stock Exchange. The proceeds of HK\$11,990,000 (equivalent to RMB11,001,000) were credited to the Company's share capital. The remaining proceeds of approximately HK\$164,029,000 (equivalent to RMB150,505,000) were credited to share premium.
- (iv) On October 25, 2023, the Company issued additional 848,000 new H shares upon the exercise of Over-allotment Option of the Global Offering at the price of HK\$16.00. The proceeds of HK\$924,000 (equivalent to RMB848,000) were credited to the Company's share capital. The remaining proceeds of approximately HK\$12,644,000 (equivalent to RMB11,602,000) were credited to share premium.

## 27. SHARE-BASED PAYMENT TRANSACTIONS

### Restricted shares plan

The Company adopted equity incentive plan ("ESOP Plan") in order to provide incentives to employees and directors to promote the success of the business of the Group.

Under the ESOP Plan, the founders of the Company may grant share options to eligible employees and directors. The maximum number of shares which may be issued pursuant to all awards granted under the ESOP Plan was 16,500,000 shares, assuming the ESOP Plan shares have been fully issued.

The vesting commencement date ("Vesting Commencement Date") of the options granted under the ESOP Plan is one year after date of grant and the options granted shall vest in below schedule: (i) 1/4th of the share options to vest on the Vesting Commencement Date; (ii) the remaining share options to vest in a series of thirty-six (36) successive equal monthly installments starting from the Vesting Commencement Date. All the options will expire in 10 years after date of grant.

To implement the ESOP plan, the founders of the Company established an employee stock ownership platform, namely Caizhi in August 2015, to hold the Company's paid-in capital of RMB16,500,000, which was transferred from the founders. Upon exercise of the options, eligible employees and directors shall subscribe for partnership interest of Caizhi at a consideration price ranges from RMB0.8 to RMB6.36 for RMB1 registered capital and indirectly hold the equity interests of the Company.

In August 2021, the Company terminated the ESOP Plan and all the share options granted. The share options which account for RMB3,285,000 of the Company's paid-in capital, have been exercised in Caizhi before termination.

### 27. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

#### Restricted shares plan (Continued)

As a replacement for the ESOP Plan, the Company has formulated RS scheme (“Caizhi I RS Scheme”). To implement Caizhi I RS Scheme, another two employee stock ownership platforms, namely Nanjing Huiyou Jucai Enterprise Management Partnership (Limited Partnership) (“Huiyou Jucai”) and Nanjing Huiyou Juzhi Enterprise Management Partnership (Limited Partnership) (“Huiyou Juzhi”) were established in August 2021. On the date of establishment, Caizhi transferred the Company’s paid-in capital of RMB8,375,000 and RMB4,840,000 to Huiyou Jucai and Huiyou Juzhi respectively, and the Company’s paid-in capital of RMB3,285,000 were retained in Caizhi.

Under the Caizhi I RS Scheme, eligible employees and directors shall subscribe for partnership interest of Huiyou Jucai and Huiyou Juzhi at a consideration price ranges from RMB1.58 to RMB6.36 for RMB1 registered capital and indirectly hold the incentive shares of the Company.

On the same date of terminating all the options granted under ESOP Plan, the Company has signed Employee Shareholding Confirmation Letter with those employees and directors who has been granted share options under ESOP Plan to grant same number of RS corresponding to the number of original options no matter whether the original options have been vested or not. In the meantime, the Company also grant additional RS to part of those employees who have been granted share options in the ESOP plan and other key employees who make contribution to the development of the Company.

The RS issued under Caizhi I RS Scheme have been vested upon issuance in August 2021.

In the view of Directors of the Company, the Caizhi I RS Scheme was a replacement of ESOP Plan and therefore was accounted for as modification in accordance with IFRS 2 Share-based Payment. The amount of RMB11,554,000 was recognised immediately in the consolidated statements of profit or loss and other comprehensive income due to the acceleration of vesting of the share options under ESOP plan. The amount of RMB4,135,000 was recognised in the consolidated statements of profit or loss and other comprehensive income due to the grant of additional RS under Caizhi I RS Scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 27. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

### Restricted shares plan (Continued)

Set out below are details of the movements of the equity-settled share-based transactions during the year ended December 31, 2022:

	At January 1, 2022	Granted during the year	Lapsed during the year	Forfeited during the year	Exercised during the year	At December 31, 2022
RS under Caizhi I RS Scheme						
Directors	–	–	–	–	–	–
Employees	–	200,000	–	–	(200,000)	–
	–	200,000	–	–	(200,000)	–
Weighted average exercise price of RS (RMB)	–	6.36	–	–	6.36	–

No equity-settled share-based transaction during the year ended December 31, 2023.

### Fair value of RS granted under Caizhi I RS Scheme

The Group used back-solve method to determine the underlying equity fair value of the Company. The fair value of RS at date of grant was determined to be RMB7.93, by taking into account of the fair value of the equity of the Company amounting to RMB14.29 per share and the purchase price of RS was RMB6.36. The foresaid fair value of RS at date of grant was valued by directors of the Company with reference to valuation reports carried out by AVISTA Valuation Advisory Limited (“AVISTA”).

During the year ended December 31, 2023, no share-based payment expenses has been recognised by the Group (2022: RMB1,584,000), related to the Caizhi I RS scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 27. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

### Restricted shares plan under Caizhi II Enterprise Management

In August 2021, Mr. Yuan Qian and Mr. Zhou Hongfeng, two of the founders and investors who entered into investment agreements with the Company in December 2020 (“Series A investors”) of the Company established an employee stock ownership platform, namely Nanjing Caizhi No. 2 Enterprise Management Partnership (Limited Partnership) (“Caizhi II”) to hold the Company’s paid-in capital of RMB11,418,000, to implement RS scheme (“Caizhi II RS Scheme”).

Under the Caizhi II RS Scheme, eligible employees and directors shall subscribe for partnership interest of Caizhi II at a consideration of RMB6.364 for RMB1.00 registered capital and indirectly hold the incentive shares of the Company.

Details of the restricted shares issued under the Caizhi II RS Scheme are as follows:

Grant date	Amount of registered capital RMB’000	Grantee	Vesting schedule defined in contract term
August 20, 2021	11,418	Directors, employees	100% on grant date

All restricted shares issued under Caizhi II RS Scheme have been vested upon issuance in August 2021.

### Fair value of RS granted under Caizhi II RS Scheme

The Group used back-solve method to determine the underlying equity fair value of the Company. Monte Carlo simulation model was used to determine the fair value of RS at the date of grant under Caizhi II RS Scheme. The fair value of RS was determined to be RMB1.81, by referring to the fair value of the equity of the Company amounting to RMB8.43 per share and the purchase price of RS of RMB6.36. The foresaid fair value of RS at date of grant was valued by directors of the Company with reference to valuation reports carried out by AVISTA.

During the years ended December 31, 2023 and 2022, no share-based payment expenses has been recognised by the Group, related to the Caizhi II RS scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 28. RELATED PARTY TRANSACTIONS

The Group has the following transactions and balances with the related parties during the years ended December 31, 2023 and 2022.

### (a) Related party transactions

Purchase of research and development service from a related party:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd* (石藥集團中奇製藥技術(石家莊)有限公司) ("CSPC Zhongqi") (note)	267	2,245

Note:

CSPC Zhongqi is a wholly-owned subsidiary of CSPC NBP Pharmaceutical Co., Ltd\* (石藥集團恩必普藥業有限公司), one of the Series A investors.

### (b) Related party balances

As at December 31, 2023 and 2022, the Group has no outstanding balances with related parties.

### (c) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Company during the years ended December 31, 2023 and 2022 were as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Salaries and other benefits	6,322	6,249
Discretionary bonuses	1,126	564
Retirement benefit scheme contributions	268	291
Share-based payment	–	396
	7,716	7,500

\* English name is for identification purpose only.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 29. CAPITAL COMMITMENT

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– Property and equipment	27	1,116

## 30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes bank borrowings and lease liabilities disclosed in notes 22 and 23 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt.

## 31. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	At December 31,	
	2023 RMB'000	2022 RMB'000
<b>Financial assets</b>		
Amortized cost	197,376	154,177
Financial assets at FVTPL	–	47,000
	<b>197,376</b>	<b>201,177</b>
<b>Financial liabilities</b>		
Amortized cost	96,274	91,396

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies

The Group's major financial instruments include deposits and other receivables, financial assets at FVTPL, cash and cash equivalents, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risk

##### (i) Currency risk

Certain Cash and cash equivalents, deposits and other receivables, trade and other payables are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management of the group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	At December 31,	
	2023 RMB'000	2022 RMB'000
<b>Assets</b>		
HK\$	154,653	–
<b>Liabilities</b>		
GBP	–	713
HK\$	–	469
US\$	28	5,361
CHF	361	754
	<b>389</b>	<b>7,297</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

#### (i) Currency risk (Continued)

##### Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in RMB against relevant foreign currencies. 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting date for a 5% (2022: 5%) change in foreign currency rates. A positive number below indicates a decrease in loss where RMB strengthens 5% (2022: 5%) against the relevant currencies. For a 5% (2022: 5%) weakening of RMB against the relevant currencies, there would be an equal and opposite impact on the loss and other comprehensive expense and the amounts below would be negative.

	At December 31,	
	2023 RMB'000	2022 RMB'000
<b>Impact on profit or loss</b>		
GBP	–	36
HK\$	<b>(7,733)</b>	23
US\$	<b>1</b>	268
CHF	<b>18</b>	38
	<b>(7,714)</b>	365

#### (ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, lease liabilities and cash flow interest rate risk in relation to variable-rate bank balances. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable, therefore no sensitivity analysis on such risk has been prepared.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

#### *Credit risk*

The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the amount of each class of financial assets (including deposits and other receivables, cash and cash equivalents) as disclosed in the consolidated statements of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

For deposits and other receivables, the management of the Group has applied 12m ECL in IFRS 9 to measure the loss allowance. The ECL on deposits and other receivables are assessed individually based on historical settlement records and past default experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions. For the years ended December 31, 2023 and 2022, no loss allowance was recognised for deposits and other receivables, as the management considered the ECL provision of deposits and other receivables is insignificant.

The credit risk on cash and cash equivalents is limited because the counterparties are reputable financial institutions. The management of the Group are of the opinion that the average loss rate is insignificant and no loss allowance was recognised.

#### *Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and relies on issuance of shares as a significant source of liquidity. The directors of the Group are satisfied that the Group will have sufficient financial resource to meet its financial obligation as they fall due and to sustain its operations for the foreseeable future after reviewing the Group's cash flow projection, and taking into account the unutilised committed bank facilities of RMB149,500,000 as at the report date.

The following table details the Group's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

	Weighted average effective interest rate %	Within 1 year or on demand RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total undiscounted balances RMB'000	Carrying amount RMB'000
<b>At December 31, 2023</b>						
Trade and other payables	–	6,774	–	–	6,774	6,774
Bank borrowings	4.12	91,364	–	–	91,364	89,500
Lease liabilities	5.81	488	155	–	643	614
		98,626	155	–	98,781	96,888
<b>At December 31, 2022</b>						
Trade and other payables	–	14,896	–	–	14,896	14,896
Bank borrowings	4.75	78,701	–	–	78,701	76,500
Lease liabilities	5.81	173	–	–	173	169
		93,770	–	–	93,770	91,565

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial instruments.

#### (i) Fair value measurements and valuation processes

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The directors of the Group are responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engage third party qualified valuers to perform the valuation and works closely with the qualified valuer to establish the appropriate valuation techniques and inputs to the model.

#### (ii) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at December 31, 2023 RMB'000	Fair value as at December 31, 2022 RMB'000	Fair value hierarchy	Valuation technique(s) and key inputs	Significant Unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets at FVTPL	-	47,000	Level 2	Income approach – the discounted cash flow method was used to estimate the return from underlying assets.	N/A	N/A

There were no transfers between level 1 and level 2 during the years ended December 31, 2023 and 2022.

#### (iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The management of the group considers that the carrying amount of the financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 32. RETIREMENT BENEFIT PLANS

The employees of the Group entities in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The PRC entities are required to contribute, based on a certain percentage of the payroll costs of their employees, to the retirement benefit scheme and have no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC and charged to profit or loss are RMB3,656,000 and RMB3,440,000 for the years ended December 31, 2023 and 2022, respectively.

## 33. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiaries	Place/country and date of establishment/ incorporation/ operations	Issued and fully paid-in/ registered capital	Equity interest attributable to the Company			Principal activities
			December 31, 2023	December 31, 2022	Date of the report	
Shijiazhuang Shiyou Biotechnology Co., Ltd.* (石家莊石友生物技術有限公司)	Shijiazhuang April 21, 2020	Nil	100%	100%	100%	Research and development
YBD	Nanjing December 29, 2020	RMB20,000,000 (note i)	100%	100%	100%	Research and development
Wuhan Youwei Biotechnology Co., Ltd.* (武漢友微生物技術有限公司)	Wuhan March 22, 2021	RMB1,000,000 (note ii)	100%	100%	100%	Research and Development

Notes:

- (i) The registered capital was fully paid by the Company on January 29, 2021.
- (ii) The registered capital was fully paid by the Company on August 23, 2021.

All subsidiaries are limited liability companies and adopted December 31 as financial year end date.

None of the subsidiaries had issued any debt securities at the end of the year.

\* English name is for identification purpose only.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	<b>Bank borrowings</b>	<b>Lease liabilities</b>	<b>Accrued/ Prepaid issue costs</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	28,000	480	493	28,973
Financing cash flows	46,052	(456)	(4,262)	41,334
Non-Cash changes:				
Issue costs incurred	–	–	5,670	5,670
New leases entered	–	125	–	125
Finance costs	2,448	20	–	2,468
At December 31, 2022	76,500	169	1,901	78,570
Financing cash flows	10,660	(829)	(7,495)	2,336
Non-Cash changes:				
Issue costs incurred	–	–	3,922	3,922
Accrued/prepaid issue cost reclassification	–	–	1,672	1,672
New leases entered	–	1,226	–	1,226
Finance costs	2,340	48	–	2,388
At December 31, 2023	<b>89,500</b>	<b>614</b>	<b>–</b>	<b>90,114</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At December 31,	
	2023 RMB'000	2022 RMB'000
<b>Non-current assets</b>		
Property and equipment	41,549	46,042
Right-of-use assets	8,254	8,507
Investment properties	492	536
Investments in subsidiaries	20,000	21,000
Value added tax recoverable	50	8,230
Prepayment for acquisition of property and equipment	140	129
	<b>70,485</b>	84,444
<b>Current assets</b>		
Inventories	5,770	10,623
Prepayments, deposits and other receivables	31,589	25,808
Value added tax recoverable	16,032	–
Amount due from a subsidiary	–	17,418
Financial assets at fair value through profit or loss (“FVTPL”)	–	32,000
Cash and cash equivalents	180,888	152,982
	<b>234,279</b>	238,831
<b>Current liabilities</b>		
Trade and other payables	39,489	30,906
Bank borrowings	89,500	76,500
Amount due to a subsidiary	5,519	5,519
Lease liabilities	31	169
Deferred income	640	2,975
Advance from transfer agreement	40,843	33,761
	<b>176,022</b>	149,830
<b>Net current assets</b>	<b>58,257</b>	89,001
<b>Total assets less current liabilities</b>	<b>128,742</b>	173,445
<b>Net assets</b>	<b>128,742</b>	173,445
<b>Capital and reserves</b>		
Paid in capital	–	–
Share capital	193,849	182,000
Reserves	(65,107)	(8,555)
<b>Total equity</b>	<b>128,742</b>	173,445

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

## 35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

### Movement in the Company's reserves

	Capital reserve RMB'000	Share premium RMB'000	Other reserves RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2022	448,528	–	13,722	88,278	(572,775)	(22,247)
Loss and total comprehensive expenses for the year	–	–	–	–	(170,964)	(170,964)
Conversion into a joint stock company	(448,528)	7,384	(13,722)	(88,278)	540,216	(2,928)
Issue of shares	–	186,000	–	–	–	186,000
Recognition of equity-settled share-based payment	–	–	–	1,584	–	1,584
At December 31, 2022	–	193,384	–	1,584	(203,523)	(8,555)
Loss and total comprehensive expenses for the year	–	–	–	–	(208,177)	(208,177)
Issue of shares upon the IPO and exercise of the Over-allotment Option (note 26)	–	162,107	–	–	–	162,107
Transaction costs attribute to issue of new shares	–	(10,482)	–	–	–	(10,482)
At December 31, 2023	–	<b>345,009</b>	–	<b>1,584</b>	<b>(411,700)</b>	<b>(65,107)</b>