# CANbridge Pharmaceuticals Inc.
# 北海康成製藥有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1228)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The board of directors (the "**Board**") of CANbridge Pharmaceuticals Inc. (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "**Group**", "**we**", "**our**" or "**us**") for the year ended December 31, 2021 (the "**Reporting Period**"), together with comparative figures for the year ended December 31, 2020 as follows. These consolidated financial statements of the Group for the Reporting Period have been reviewed by the Audit Committee and audited by the Company's auditors, Ernst & Young.

In this announcement, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

## BUSINESS HIGHLIGHTS

The Company was listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on December 10, 2021 (the "**Listing Date**"). The Group has made significant progress with respect to its drug pipeline and business operations, including the following milestones and achievements:

***Hunterase® (CAN101)****, targeting MPS II/Hunter syndrome.*

- Launched Hunterase® in mainland China in May 2021 into a non reimbursed market.

***CAN008,*** *a glycosylated CD95-Fc fusion protein being developed for the treatment of glioblastoma multiforme (GBM).*

- Confirmed Investigational New Drug (IND) application was successfully amended to allow CAN008 to be studied as a first-line Phase II trial based on the positive preliminary efficacy results obtained in the Phase 1 trial in Taiwan, which suggested the potential of CAN008 to become a standard-of-care treatment.

- Initiated a Phase II trial of CAN008 in China on patients with GBM in April 2021 and dosed the first patient in China in October 2021. The Phase II clinical trial is designed to be multi-center, randomized, double-blind and placebo-controlled to investigate the efficacy and explore the correlation of different biomarkers with treatment outcome.

- CANbridge expects to commercialize CAN008 in China as a combination therapy with the standard of care for GBM (radiotherapy plus chemotherapy).

***CAN108 (maralixibat)*** *is an oral, minimally absorbed reversible inhibitor of the ileal bile acid transporter (IBAT) and is under development to treat rare cholestatic liver diseases, including Alagille syndrome (ALGS), progressive familial intrahepatic cholestasis (PFIC), and biliary atresia (BA).*

- Obtained, in April 2021, an exclusive license from Mirum Pharmaceuticals, Inc. ("**Mirum**") to develop, manufacture and commercialize CAN108 (maralixibat) in Greater China for ALGS, PFIC and BA. Maralixibat is currently the first and only approved targeted drug for ALGS by the United States Food and Drug Administration (FDA) in USA.

- Maralixibat possesses an extensive safety dataset, having been evaluated in more than 1,600 human subjects. Mirum obtained FDA approval for maralixibat for ALGS in September 2021.

- In May 2021, CANbridge's development partner, Mirum, began patient recruitment and clinical site management in China for a Phase II global multi-center clinical trial evaluating CAN108 for the treatment of BA after Hepatoportoenterostomy.

- Submitted in December 2021 a New Drug Application (NDA) for CAN108 for the treatment of cholestatic pruritus in patients with ALGS in mainland China based on data from global studies conducted by our collaboration partner, Mirum.

- CAN108 New Drug Application (NDA) for ALGS accepted and granted priority review by China's National Medical Product Administration (NMPA) in January 2022.

***CAN106,*** *a humanized monoclonal antibody for the treatment of complement-mediated diseases including paroxysmal nocturnal hemoglobinuria (PNH), and various other complement-mediated diseases that are targeted by approved anti-C5 antibodies.*

- CANbridge in-licensed global rights to develop and commercialize CAN106 from both WuXi Biologics and Privus.

- Submitted an IND application for a Phase I clinical trial of CAN106 in Singapore in October 2020 and received IND approval from Health Sciences Authority (HSA) in December 2020. CAN106 has demonstrated a favorable PK/PD profile and tolerability, indicating that CAN106 has the potential to effectively inhibit C5 in patients with PNH and potentially with reduced dosing frequency.

- Completed a Phase I clinical trial in healthy volunteers for CAN106 in Singapore in February 2022. This first-in-human study is designed to be a randomized, double-blind, placebo controlled and single ascending dose study in 31 healthy volunteers to evaluate the safety, pharmacokinetics, pharmacodynamics and development of anti-drug antibodies of CAN106.

- Obtained the IND approval from the NMPA for PNH in July 2021.

- Reported positive top line CAN106 Phase 1 data from Singapore trial in February 2022. Results suggest complete blockade of complement function. CAN106 was shown to be safe and well-tolerated.

***CAN103,*** *an enzyme replacement therapy (ERT) for the treatment of Gaucher disease (GD).*

- CAN103 originated from discovery works conducted by WuXi Biologics and is currently being locally developed in China by CANbridge. It is the first rare disease asset CANbridge acquired in 2018 from WuXi Biologics. CANbridge maintains global proprietary rights to develop and commercialize the product in China.

- GD is one of the best known rare diseases evidenced by a large number of research literatures and has more approved drugs available as compared to other rare diseases, according to Frost & Sullivan. There were approximately 3,000 GD patients in 2020 in China.

- Obtained the IND approval for CAN103 from the NMPA in October 2021 and is currently in preparation to begin a Phase 1 trial in adult and adolescent GD patients.

***Advanced world-class gene therapy platform, focusing on adeno-associated virus (AAV) as a gene delivery vehicle, with potential as a one-time durable therapy for many genetic diseases.***

- Obtained an exclusive worldwide license from LogicBio Therapeutics for a next – generation capsid platform, for use in gene editing and gene therapy, for the development, manufacturing and commercialization of drug candidates for the treatment of Fabry and Pompe disease, thereby expanding CANbridge's rare disease portfolio. The agreement also includes worldwide options to license the platform for development for two additional indications, as well as an option to license LB-001, an investigational gene editing technology potentially for the treatment of methylmalonic acidemia (MMA), in Greater China.

- In October 2021, entered into a research collaboration and license agreement with Scriptr Global, Inc. for the exclusive worldwide rights to develop, manufacture and commercialize a gene therapy candidate for the treatment of dystrophinopathies, using Scriptr Global's Stitchr™ platform, a proprietary ribozyme-mediated RNA assembly technology.

- Identified two gene therapies to advance into clinical development targeting rare neuromuscular diseases: CAN201, for treatment of Fabry disease and CAN202, for the treatment of Pompe disease.

## FINANCIAL HIGHLIGHTS

- Our cash and bank balances increased by RMB385.0 million from RMB360.8 million as of December 31, 2020 to RMB745.8 million as of December 31, 2021, which was primarily attributed to our proceeds from pre-IPO financing in May 2021 and the initial public offering of the Company ("**IPO**") in December 2021.

- Our revenue increased by RMB19.2 million from RMB12.0 million for the year ended December 31, 2020 to RMB31.2 million for the year ended December 31, 2021, which was mainly attributable to the increase of sales from Hunterase® and Nerlynx®.

- Our research and development expenses increased by approximately RMB318.1 million, from RMB109.6 million for the year ended December 31, 2020 to RMB427.7 million for the year ended December 31, 2021, which was primarily attributable to our increased payments made to our licensing partners, increased R&D employee costs and other testing and clinical trial expenses.

- Fair value loss of convertible redeemable preferred shares decreased by RMB129.0 million from RMB591.4 million for the year ended December 31, 2020 to RMB462.4 million for the year ended December 31, 2021, which was in line with the changes in our Company's valuation.

- Loss for the year increased by approximately RMB231.0 million from RMB846.0 million for the year ended December 31, 2020 to RMB1,077.0 million for the year ended December 31, 2021, which was primarily attributable to the increase of research and development costs and administrative expenses.

- The adjusted loss for the year was RMB581.3 million for the year ended December 31, 2021, increased by RMB370.7 million from RMB210.6 million for the year ended December 31, 2020. The adjusted loss for the year is arrived at by adjusting the IFRS loss for the year of RMB1,077.0 million (2020: RMB846.0 million) from excluding the effect of (i) a one-time, non-cash, IFRS fair value changes of our pre-IPO convertible redeemable preferred shares and derivative financial instruments, (ii) the share-based payment expenses, and (iii) the listing expenses. Please refer to the section headed "Non-IFRS Measures" of this announcement, for details.

## FUTURE DEVELOPMENTS

To accomplish our vision of becoming a global biopharmaceutical leader that delivers targeted therapies for rare disease patients in China and worldwide, we will focus on pursuing the following aspects:

- Continue to transform CANbridge into an integrated global biopharma
    - o Integrate first phase of in-house gene therapy CMC capabilities
    - o Continue to explore strategic partnerships that pivot the global development and commercialization of joint programs
    - o Open the U.S.-based Gene Therapy R&D centre
    - o Continue to look for value creating strategic partnerships that expand the pipeline and potential to leverage CANbridge's global infrastructure
- R&D: Continue to advance pipeline by delivering upon key data and milestones and continue to prioritize and to be guided by our respective "in China for China, in China for Global and in Global for Global" strategy.
    - o CAN106 – Following the positive readout of the Phase 1 data in Singapore, CANbridge plans to initiate a Phase 1b/2 clinical trial in PNH patients in China in the first half of 2022
    - o CAN008 – Continue to enroll patients in the Phase 2 clinical trial of CAN008 for the treatment of GBM. Expect to have CAN008 Phase 2 interim readout in 2023
    - o CAN108 – Receive approval of the NDA in ALGS and dose the first patients in a Phase 2 clinical trial in BA
    - o CAN201 – Schedule pre-IND meeting with the FDA in the second half of 2022 and submit IND application in 2023; complete the development of pilot scale manufacturing process, and tech transfer in the second half of 2022
- Gene Therapy: Advance in-house gene therapy global program and generate non-human proof of concept data
    - o Advance in-house gene therapy global program and generate non-human proof of concept data during the year and announce pre-clinical lead candidate in DMD in 2023
- Commercial:
    - o Revenue is expected to consist of sales from three marketed products: Hunterase® sales in non-reimbursed markets in China, sales of CAN108 in both China and Hong Kong under the Early Access Program (EAP), and sales of Nerlynx in both Taiwan and Hong Kong

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2021*

The following table sets forth the consolidated statement of profit or loss of the Company for the years indicated:

| | *Notes* | **2021** | 2020 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **REVENUE** | *4* | **31,161** | 12,032 |
| Cost of sales | | **(12,385)** | (5,154) |
| Gross profit | | **18,776** | 6,878 |
| Other income and gains | *4* | **13,402** | 1,359 |
| Selling and distribution expenses | | **(100,748)** | (51,008) |
| Administrative expenses | | **(145,517)** | (77,716) |
| Research and development expenses | | **(427,658)** | (109,642) |
| Fair value changes of convertible redeemable preferred shares | | **(462,436)** | (591,385) |
| Fair value changes of convertible loans | | **–** | 1,689 |
| Fair value changes of derivative financial instruments | | **34,454** | (20,746) |
| Finance costs | | **(3,079)** | (3,873) |
| Other expenses | | **(4,200)** | (1,599) |
| **LOSS BEFORE TAX** | | **(1,077,006)** | (846,043) |
| Income tax expense | *5* | **–** | – |
| **LOSS FOR THE YEAR** | | **(1,077,006)** | (846,043) |
| Attributable to: | | | |
| Owners of the parent | | **(1,077,006)** | (846,043) |
| **LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (EXPRESSED IN RMB PER SHARE)** | | | |
| – Basic and diluted | *7* | **(11.43)** | (12.33) |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2021*

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **LOSS FOR THE YEAR** | **(1,077,006)** | (846,043) |
| **OTHER COMPREHENSIVE INCOME** | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **16,461** | 45,307 |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | **16,461** | 45,307 |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of the Company | **29,424** | 29,001 |
| Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods | **29,424** | 29,001 |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | **45,885** | 74,308 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **(1,031,121)** | (771,735) |
| Attributable to: | | |
| Owners of the parent | **(1,031,121)** | (771,735) |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*31 December 2021*

| | *Notes* | **2021** | 2020 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **9,564** | 4,026 |
| Right-of-use assets | | **19,978** | 11,544 |
| Intangible assets | | **51,269** | 179,743 |
| Total non-current assets | | **80,811** | 195,313 |
| **CURRENT ASSETS** | | | |
| Inventories | | **13,448** | 553 |
| Trade receivables | *8* | **9,141** | 7,040 |
| Prepayments, other receivables and other assets | | **43,307** | 22,648 |
| Cash and cash equivalents | | **745,815** | 360,804 |
| Total current assets | | **811,711** | 391,045 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *9* | **43,607** | 46,713 |
| Other payables and accruals | | **103,423** | 33,557 |
| Interest-bearing bank and other borrowings | | **30,868** | 22,314 |
| Lease liabilities | | **7,882** | 5,519 |
| Total current liabilities | | **185,780** | 108,103 |
| **NET CURRENT ASSETS** | | **625,931** | 282,942 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **706,742** | 478,255 |
| **NON-CURRENT LIABILITIES** | | | |
| Convertible redeemable preferred shares | | **–** | 2,167,121 |
| Interest-bearing bank and other borrowings | | **–** | 11,645 |
| Lease liabilities | | **13,351** | 7,417 |
| Other non-current liabilities | | **–** | 1,456 |
| Derivative financial instruments | | **–** | 36,472 |
| Total non-current liabilities | | **13,351** | 2,224,111 |
| Net assets/(liabilities) | | **693,391** | (1,745,856) |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | | **28** | 5 |
| Reserves | | **693,363** | (1,745,861) |
| **Total equity/(deficit)** | | **693,391** | (1,745,856) |

## 1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 30 January 2018. The registered office address of the Company is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

The Company is an investment holding company. During the year, the Group was principally engaged in the research and development and commercialisation of medical products.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") effective from 10 December 2021.

## 2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

## 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | *Interest Rate Benchmark Reform-Phase 2* |
| Amendment to IFRS 16 | *Covid-19-Related Rent Concessions* |

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

During the year ended 31 December 2021, no lease of the Group has been reduced or waived by the lessors as a result of the covid-19 pandemic. The amendment did not have any impact on the financial position and performance of the Group.

## 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Type of goods** | | |
| Sale of medical products | **31,161** | 12,032 |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | **31,161** | 12,032 |

(b) Performance obligation

The performance obligation is satisfied upon delivery of the goods and invoice and payment is generally due within 30 to 90 days from the invoice date.

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Other income | | |
| Bank interest income | **2,607** | 964 |
| Government grants* | **405** | 395 |
| | **3,012** | 1,359 |
| Gains | | |
| Gain on disposal of an intangible asset | **9,727** | – |
| Foreign exchange gains, net | **633** | – |
| Others | **30** | – |
| | **10,390** | – |
| | **13,402** | 1,359 |

* Government grants have been received from the PRC local government authorities to support the subsidiaries' research and development activities. There are no unfulfilled conditions related to these government grants.

## 5. INCOME TAX

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

**Cayman Islands**

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

**Hong Kong**

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

**Taiwan**

The subsidiary incorporated in Taiwan is subject to income tax at a rate of 20% (2020: 20%) on the estimated assessable profits arising in Taiwan during the year.

**Mainland China**

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "**CIT Law**"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% (2020: 25%) on the taxable income.

**United States of America**

The subsidiary incorporated in Delaware, the United States was subject to statutory United States federal corporate income tax at a rate of 21% (2020: 21%) during the year.

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Loss before tax | **(1,077,006)** | (846,043) |
| Tax at the statutory tax rate of 25% | **(269,252)** | (211,511) |
| Effect of tax rate differences in other jurisdictions | **145,958** | 147,565 |
| Expenses not deductible for tax | **34,084** | 28,879 |
| Additional deductible allowance for qualified research and development costs | **(2,600)** | (152) |
| Tax losses not recognised | **91,810** | 48,213 |
| Utilisation of previously unrecognised tax losses | **–** | (12,994) |
| Tax charge at the Group's effective tax rate | **–** | – |

## 6. DIVIDENDS

No dividends have been declared and paid by the Company for the year ended 31 December 2021 (2020: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 94,241,487 (after adjusted for the effect of the Capitalisation issue) in issue during the year (2020: 68,595,669). The share subdivision was treated as having been in issue for the whole year and also included in the loss per share calculation of the comparative period presented so as to give a comparable result.

The calculation of the diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 as the impact of the convertible redeemable preferred shares, warrants, convertible loans and share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Loss** | | |
| Loss attributable to owners of the parent, used in the basic loss per share calculation: | **(1,077,006)** | (846,043) |

| | **Number of shares** | |
|---|---|---|
| | **2021** | 2020 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation | **94,241,487** | 68,595,669 |

## 8. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **9,141** | 7,040 |

## 9. TRADE PAYABLES

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 6 months | **43,607** | 46,713 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

We are a China-based, rare disease-focused biopharmaceutical company founded in 2012 that is committed to the research, development and commercialization of biotech therapies. As of December 31, 2021, we had developed a comprehensive pipeline of 13 drug assets with significant market potential targeting some of the most prevalent rare diseases as well as rare oncology indications, including three marketed products, four drug candidates at clinical stage, one at IND-enabling stage, two at preclinical stage, and three gene therapy programs at lead identification stage. CAN008, our Core Product, is a glycosylated CD95-Fc fusion protein being developed for the treatment of GBM. We are developing the other 12 of drug candidates in our pipeline as of December 31, 2021.

We are led by a management team with significant industry experience in rare diseases, spanning R&D, clinical development, regulatory affairs, business development and commercialization, supported by a pool of talent of 183 employees where 23 had a Ph.D. and/or M.D. degree, more than 78% of our employees had experience working at multinational biopharmaceutical companies as of December 31, 2021. Our management team collectively has a track record of successfully commercializing rare disease therapies across the key markets including China, the United States, Europe, Latin America, and Southeast Asia. Leveraging our management's expertise, we play an active role in advancing the rare disease industry and shaping the rare disease ecosystem in China. For example, our founder Dr. Xue is currently serving as the Deputy Director General of China's Alliance for Rare Disease (CHARD).

Since our inception in 2012, we have built a comprehensive portfolio targeting diseases with validated mechanisms of action with significant market potential, consisting of biologics, small molecules, and gene therapy solutions. We adopted an in-licensing business model and apart from our internal efforts in developing gene therapy solutions for neuromuscular disorders, all of our product pipeline as of December 31, 2021 have been in-licensed from our business partners. We will continue to enrich it via business partnerships and collaborations with academic institutions, together with in-house research and development.

- In the rare disease area, we have seven biologics and small molecules products and product candidates for the treatment of Hunter Syndrome (MPS II) and other lysosomal storage disorders (LSDs), complement mediated disorders, hemophilia A, metabolic disorders, and rare cholestatic liver diseases including ALGS, PFIC and BA. Among these, we obtained the marketing approval for Hunterase® (CAN101) for MPS II in mainland China in September 2020. We initiated a Phase 1 clinical trial in healthy volunteers for CAN106 in Singapore in February 2021; obtained the IND approval from the NMPA for PNH in July 2021 for a Phase 1 study in China; and reported positive top line CAN106 Phase 1 data in February 2022. Results suggest complete blockade of complement function. CAN106 was shown to be safe and well-tolerated. CAN108 NDA for ALGS was accepted and granted priority review by NMPA in January 2022.

- In the rare oncology area, we are developing CAN008 for the treatment of glioblastoma multiforme (GBM). In 2018, we completed a Phase 1 clinical trial for CAN008 in Taiwan, which has successfully bridged CAN008 to Asian patients with newly diagnosed GBM on the back of clinical data previously obtained in overseas trials. We have obtained IND approval from the NMPA to commence first-line Phase 2 clinical trial of CAN008 and dosed the first patient in a Phase 2 clinical trial of CAN008 for the first-line treatment of GBM patients in mainland China in October 2021. We also obtained marketing approval for two other oncology products, Caphosol™ (CAN002) in mainland China and Nerlynx® (CAN030) in Greater China.

In addition to biologics and small molecules, we are investing in next-generation technology for gene therapies. Gene therapies provide a potentially one-time, durable treatment for various rare genetic diseases with limited treatment options. As of December 31, 2021, we are using AAV sL65 capsid vector for the treatment of Fabry disease and Pompe disease licensed in from LogicBio Therapeutics to develop two gene therapy products, with options to develop two additional indications using the same vector, and a clinical-stage gene editing program for the treatment of methylmalonic acidemia (MMA) pursuant to our collaboration agreements with LogicBio Therapeutics. We are also working with University of Massachusetts Medical School, our research partner, on sponsored research programs to develop gene therapy solutions for neuromuscular disorders, with the exclusive option to license-in the assets for development. In addition, we are internally developing an adeno-associated virus (AAV) delivery platform targeting different tissues such as the central nervous system (CNS) and muscle.

**Market opportunities in the rare disease industry**

The global rare disease industry is a sector of biopharmaceutical market focusing on the discovery and commercialization of medicines for the treatment of diseases which affect a small number of people, as compared with other more prevalent diseases in the general population. Driven by its unique features, the rare disease industry is considered to be a highly efficient business model. According to Frost & Sullivan, most rare diseases are caused by genetic mutations with well-defined pathology, which leads to higher probability of technical and regulatory success ("**PTRS**") in the research & development ("**R&D**") of rare disease drugs. Certain rare disease patients are treated at a limited number of specialized hospitals and therefore sales efforts for rare disease drugs can be much more targeted. The unique nature of rare diseases has also led to a favorable regulatory environment in various countries, such as the Orphan Drug Act in the United States, which helps accelerate the development and commercialization process of rare disease drugs.

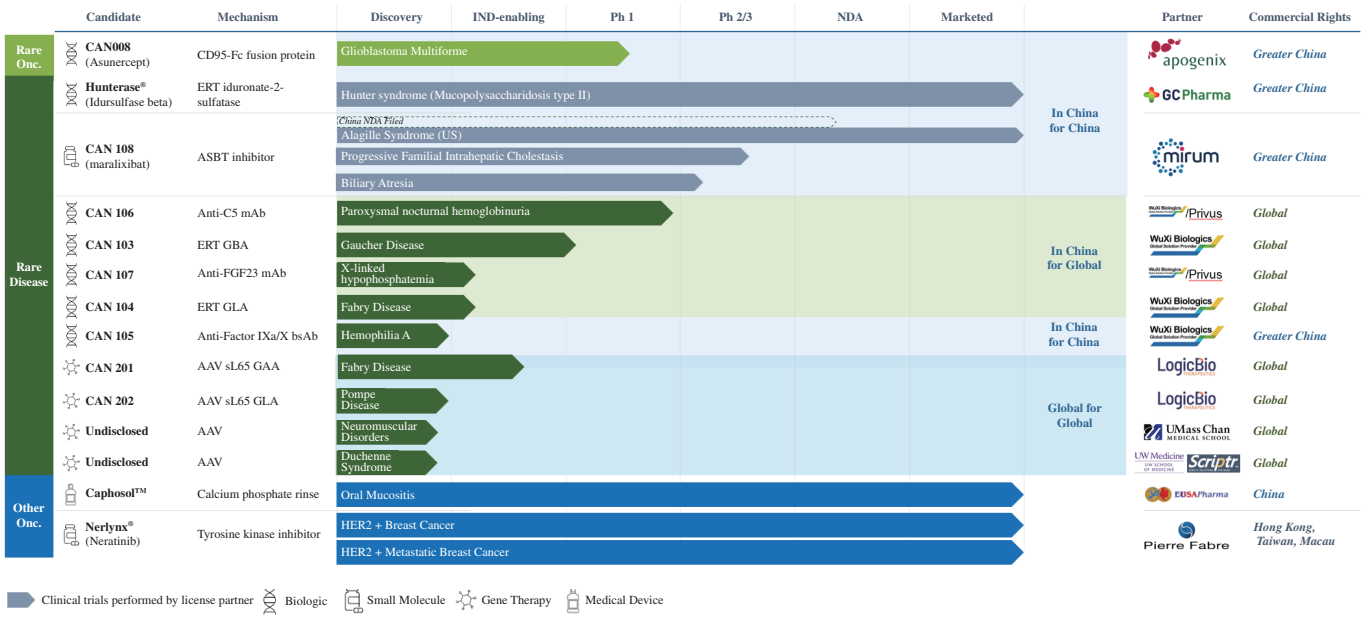
The global rare disease drug market has grown rapidly since 1983, when the Orphan Drug Act was first promulgated by the FDA, which set standards for regulatory pathways that have been followed by other jurisdictions. The size of global rare disease drug market grew from USD109.0 billion in 2016 to USD135.1 billion in 2020, representing a CAGR of 5.5%. It is estimated to further grow to USD383.3 billion in 2030 at a CAGR of 11.0% from 2020 to 2030. Growing awareness of rare disease has augmented the demand for special treatments, together with rising healthcare expenditure, positively impacting the rare disease treatment market growth. The U.S. and Europe remain the largest rare diseases markets globally.

The rare disease markets in developing countries are relatively underpenetrated due to limited access to diagnosis and treatments of rare diseases. The market size of rare disease drugs in China was only approximately USD1.3 billion in 2020, far below that in the U.S or Europe. Applying the definition of rare disease used by the FDA in the U.S., the prevalence of rare diseases in China in 2019 indicates a patient pool potentially over four times larger than the U.S. according to Frost & Sullivan. The discrepancy between patient population and market size suggests significant room for rare disease drug growth in China. According to Frost & Sullivan, the rare disease drug market in China is expected to grow dramatically from USD1.3 billion in 2020 to USD25.9 billion in 2030 at a CAGR of 34.5%, as compared to the market growth in the U.S. and the rest of the world in the same period at a CAGR of 10.5% and 10.0%, respectively. The China rare disease drug market accounted for 0.4% and 1.0% of the global rare disease market in 2016 and 2020, respectively, and is expected to account for 6.8% in 2030, indicating favorable rare disease market outlook. With a concentrated population of untreated patients larger than that of the U.S. and Europe, China offers great opportunities for rare disease pharmaceutical companies to capture a massive market at potentially lower costs than other disease areas. In response to such significant market opportunity, many leading pharmaceutical companies such as Sanofi have launched products in China and other developing countries. We believe that companies like CANbridge is uniquely positioned to bridge the gap and provide sustainable solutions to the medical needs of global patients in an efficient manner.

In addition, the rare disease industry in China is expected to benefit from various regulatory initiatives. In recognition of the urgency for the development of effective rare disease treatment and the unique clinical challenges associated with such development, authorities in the U.S. and Europe have provided regulatory incentives and adopted special regulatory frameworks to encourage development and commercialization of drugs to treat rare diseases and to support companies with a focus on rare disease treatment. In 2018, China published the first edition of the Rare Disease List that includes 121 rare diseases, hallmarking the transformational debut of the Chinese rare disease market. Similar to the U.S. and Europe, a high degree of regulatory flexibility has been introduced to rare disease drug approval process in China, including simplified application process, flexibility in clinical trial design, higher likelihood of clinical trial waiver on the basis of overseas clinical data and post-approval clinical trials. China has also moved towards a more favorable reimbursement environment for rare diseases. After years of efforts in providing insurance mechanism of rare diseases at local level, a dozen of provinces and cities have implemented insurance policies for rare disease with various reimbursement models. In 2021, the initiation of formulation of the second edition of the Rare Disease List was announced by the National Health Commission of the PRC and more rare disease drugs are expected to be included, according to Frost & Sullivan.

Enabled by new technologies, gene therapies have become an emerging solution for rare diseases. Approximate 80% of rare diseases result from genetic disorders, according to Frost & Sullivan. Gene therapies serve as a promising solution for a broad spectrum of rare diseases by fundamentally addressing the underlying cause of the diseases. Recent advances in genetic engineering and recombinant viral vector development have ignited interest in the field, with several gene therapy products gaining approvals. The success of several pioneering clinical trials in gene therapy validated its efficacy and safety, such as Zolgensma developed by Novartis, making targeted treatments available for spinal muscular atrophy (SMA), and thus marking the potential of gene therapies to provide solutions to rare diseases that currently have no specific therapeutic options.

## PIPELINE




## BUSINESS REVIEW

The Company was listed on the Stock Exchange on December 10, 2021. Since then, the Company has made significant progress with respect to its drug pipeline and business operations, including the following milestones and achievements.

### Hunterase® (CAN101)

- Hunterase® is the first ERT approved for the treatment of Hunter Syndrome (MPS II) in China. Given that ERT is the standard of care for Hunter Syndrome and there is currently no other drug treatment available in China, we believe there is a significant market opportunity for Hunterase® (CAN101).

- We successfully received the marketing approval from China's NMPA for Hunterase® (CAN101) in September 2020. Hunterase® (CAN101) is currently marketed in over 10 countries worldwide by GC Pharma. In a head-to-head Phase 1 study, Hunterase® (CAN101) demonstrated favorable efficacy as compared to Elaprase®, a drug commonly used to treat Hunter Syndrome globally.

- We commercially launched Hunterase® (CAN101) in China in May 2021 in a non-reimbursed market.

- The Company plans to expand its dedicated, in-house commercialization team and expects to assemble a full-fledged rare disease commercialization team in China, with over 300 members, in the next five years, with the ability to commercial multiple rare disease products.

**CAN008**

- CAN008 is an artificially engineered antibody-like fully human fusion protein for the treatment of GBM. It binds to CD95L and blocks its interaction with the CD95 receptor. As our Core Product, CAN008 has demonstrated robust efficacy and favorable safety profiles in both the completed and ongoing clinical trials, presenting a potentially effective option in the treatment of GBM. A Phase 2 pivotal trial conducted by Apogenix has shown statistically significant improvements by over 50% in 4-month to 6-month progression-free survival and quality of life as well as a positive trend in overall survival in patients with relapsed GBM.

- We completed the Phase 1 trial in Taiwan and results show CAN008 was generally well tolerated in patients with GBM. No dose-limiting toxicity was observed and no treatment-related serious adverse events were reported.

- We received the approval for a first-line Phase 2 trial in China on patients with GBM in April 2021 and dosed the first patient in a first line Phase 2 clinical trial for CAN008 on GBM patients in China in October 2021.

**CAN108 (maralixibat)**

- CAN108 is an oral, minimally absorbed reversible inhibitor of the ileal bile acid transporter (IBAT) and is under development to treat rare cholestatic liver diseases, including ALGS, PFIC and BA. Maralixibat possesses an extensive safety dataset, having been evaluated in more than 1,600 human subjects. Maralixibat has been studied in a number of completed and ongoing clinical trials in ALGS and PFIC with over 120 children treated and some on study for over seven years. In ICONIC, a Phase 2b placebo-controlled randomized clinical trial conducted for ALGS by Mirum, our collaboration partner in the U.S., patients receiving maralixibat experienced significant reductions in bile acids and pruritus compared to placebo, improvements in quality of life and xanthomas and accelerated long-term growth. In INDIGO, a Phase 2 study conducted for PFIC by Mirum, our collaboration partner in the U.S., patients who responded to maralixibat were shown to have significant improvement in transplant-free survival and experienced improvements across multiple parameters including normalization of liver enzyme and bilirubin levels, decreased pruritus, and improvements in growth. Mirum obtained FDA approval for maralixibat for ALGS in September 2021.

- Submitted in December 2021 a New Drug Application (NDA) for CAN108 for the treatment of cholestatic pruritus in patients with ALGS in mainland China based on data from global studies conducted by our collaboration partner, Mirum.

- CAN108 New Drug Application (NDA) for ALGS accepted and granted priority review by NMPA in January 2022.

- For BA, we are supporting the patient recruitment and clinical site management in China for a Phase 2 global multi-center clinical trial initiated in May 2021 by Mirum, our collaboration partner.

**CAN106**

- CAN106 is a humanized monoclonal antibody against complement C5 being developed for the treatment of complement-mediated diseases including paroxysmal nocturnal hemoglobinuria (PNH) and various other complement mediated diseases that are targeted by approved anti-C5 antibodies and other new potential indications. We have obtained global rights to develop, manufacture and commercialize this drug candidate from WuXi Biologics and Privus in 2019 and 2020 respectively. Based on preclinical data, CAN106 has demonstrated a favorable PK/PD profile and tolerability, indicating that CAN106 has the potential to effectively inhibit C5 in patients with PNH and potentially with reduced dosing frequency.

- We initiated a Phase 1 clinical trial in healthy volunteers for CAN106 in Singapore in February 2021 and obtained the IND approval from the NMPA for PNH in July 2021 for a Phase 1 study in China.

- Reported positive top line CAN106 Phase 1 data from Singapore trial in February 2022. Results suggest complete blockade of complement function. CAN106 was shown to be safe and well-tolerated.

**CAN103**

- In October 2021, we announced that the Investigational New Drug (IND) application for CAN103 has been approved by the NMPA. CAN103 is an enzyme replacement therapy (ERT) being developed by CANbridge as part of its rare disease partnership with WuXi Biologics (2269.HK) for the long-term treatment of adults and children with GD, Types I and III.

**Gene Therapy – CAN201 and CAN202**

- sL65 is a next generation liver-tropic AAV capsid platform for use in gene editing and gene therapy. At the American Society of Gene & Cell Therapy ("**ASGCT**") conference in May 2020, data was presented showing that the capsids delivered highly efficient functional transduction of human hepatocytes in a humanized mouse model and non-human primates. The data also showed the capsids exhibited improved manufacturability and more resistance to pre-existing neutralizing antibodies in human serum samples.

- We are devising preclinical strategies on CAN201 as we and LogicBio, our collaboration partner, conduct preclinical evaluations of this drug candidate. Our development plan on CAN202 is subject to the development status of CAN201 to de-risk the process.

- We obtained exclusive worldwide license rights in sL65 from LogicBio Therapeutics through a license agreement dated April 26, 2021 to develop and commercialize four gene therapy products in sL65, and an option to an exclusive license for LB-001 for the treatment of methylmalonic acidemia (MMA) in designated areas pursuant to the license agreement. LB-001 is an investigational in-vivo gene editing technology based on GeneRide™ platform, which is designed to precisely integrate corrective genes into albumin locus of the hepatocytes of patients to provide a durable therapeutic effect.

**WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND/OR MARKET OUR CORE PRODUCT CANDIDATE, OR ANY OF OUR PIPELINE PRODUCTS**

**Corporate Development**

- On April 26, 2021, we entered into a strategic collaboration and licensing agreement with LogicBio Therapeutics, Inc. ("**LogicBio**"), wherein LogicBio granted to us (i) a worldwide, royalty-bearing, sublicensable through multiple tiers (subject to certain conditions), exclusive license to certain LogicBio patents and know-how to develop, manufacture and commercialize gene therapy candidates for two targets for the treatment of Fabry and Pompe diseases, such LogicBio patents and know-how being inclusive of LogicBio's adeno-associated virus (AAV) sL65, a capsid produced from the LogicBio sAAVy™ platform; (ii) options for the development of AAV sL65-based treatments for two additional targets; and (iii) an option to obtain an exclusive, royalty-bearing, sublicensable through multiple tiers (subject to certain conditions) license to LogicBio patents and know-how to LB-001, an investigational in-vivo gene editing technology based on GeneRide™ platform for the potential treatment of methylmalonic acidemia (MMA), in Greater China (collectively, the "**LogicBio Licensed Products**").

- On April 28, 2021, we entered into a license agreement with Mirum, wherein Mirum granted to us an exclusive, royalty-bearing, sublicensable (subject to certain conditions) license to certain Mirum licensed know-how and patents to develop, manufacture and commercialize maralixibat, an investigational, orally administered medication, and pharmaceutical products containing maralixibat for development in several indications including ALGS, PFIC and BA, within the licensed territory of Greater China for ALGS, PFIC and BA.

- In October 2021, we entered into a research collaboration and license agreement with Scriptr Global, Inc., for the development of a gene therapy treatment targeting dystrophinopathies. CANbridge will gain exclusive worldwide rights to develop, manufacture and commercialize a gene therapy candidate for the treatment of dystrophinopathies, using Scriptr Global's Stitchr™ platform, a proprietary ribozyme-mediated RNA assembly technology. Scriptr Global will be responsible for research, while CANbridge will assume all responsibilities for development, manufacturing, regulatory, and commercialization.

- In November 2021, we entered into a two-year sponsored research agreement with the University of Washington School of Medicine, in Seattle, Washington, for gene therapy research in Duchenne muscular dystrophy (DMD), a rare neuromuscular disease. The program will be under the direction of Jeffrey Chamberlain, Ph.D., professor in the Departments of Neurology, Medicine and Biochemistry, the McCaw Endowed Chair in Muscular Dystrophy at the University of Washington School of Medicine, and Director of the Senator Paul D. Wellstone Muscular Dystrophy Specialized Research Center of Seattle. Guy Odom, Ph.D., Research Assistant Professor in the Department of Neurology at the University of Washington, will serve as the co-principal investigator.

- In December 2021, we signed a letter of intent collaboration on rare disease research agreement with the Peking Union Medical College Hospital. Under terms of the agreement, the two parties will leverage their respective strengths to collaborate on the research and development in drug innovation, translational medicine and clinical trials for rare diseases, further enhance the research and development of innovative drugs for rare diseases and facilitate the medical research, study and commercialization of rare disease treatment.

- Our collaboration with the distributor for Nerlynx® (CAN030) for mainland China was terminated by the end of March 2021. Our commercialization right of Nerlynx® (CAN030) in Greater China was granted by Puma Biotechnology, Inc. (Nasdaq: PBYI) ("**Puma**") under a collaboration and license agreement in January 2018. In February 2021, we have reached an agreement with Puma to terminate such license agreement and Puma has agreed with Pierre Fabre Médicament SAS ("**Pierre Fabre**") to transfer the exclusive commercialization right of Nerlynx® (CAN030) in Greater China to Pierre Fabre. We have simultaneously entered into a distribution agreement with Pierre Fabre pursuant to which Pierre Fabre appointed us as its distributor with exclusive rights to sell Nerlynx® (CAN030) for Pierre Fabre in Hong Kong, Macau, and Taiwan until December 31, 2022, with an option to renew.

**Manufacturing**

We have secured manufacturing capacity for selected in-licensed programs, including from third party collaboration partners such as WuXi Biologics, GC Pharma and LogicBio Therapeutics. We are also entitled to the transfer of all relevant manufacturing technologies with respect to the product for development by our third party partners, including but not limited to an upstream process and a downstream affinity purification process. We aim to balance cost-efficiency and control over quality of our drug products and will establish our in-house process development and manufacturing infrastructures. In an effort to scale up our gene therapy development, we are in the process of building our AAV process development lab in Greater Boston, which is expected to be opened in 2022, primarily for the manufacturing our gene therapy products. In addition, we plan to establish our manufacturing facilities in Suzhou, which is designed to comply with current Good Manufacture Practices (cGMP) with several production lines mainly for supporting the production of CAN008 and other pipeline products.

**Commercialization**

With our late-stage drug candidates entering into the commercialization stage, we have established our key operation hubs in both Beijing and Shanghai with offices in other locations in Greater China, and plan to expand to each of the key target provinces with local offices in mainland China. We have already set up a commercialization team dedicated to our late-stage drug candidates that can be quickly expanded in line with our business growth to over 300 members to cover the China market for rare diseases in the next five years, comprising three major functions including marketing and sales, medical affairs and patient advocacy and assistance, with the mission to execute medical engagement plan for key opinion leader (KOL) development, promote community awareness and explore industry insights for better drug development and marketing strategy.

## KEY EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, the Company has no key events after the Reporting Period that need to be brought to the attention of the shareholders of the Company.

## THE IMPACT OF COVID-19

The management of the Company expected that clinical trials in and outside mainland China will not be significantly affected by the outbreak of COVID-19. The Directors believe that, based on the information available as of the date of this announcement, the outbreak of COVID-19 would not result in a material disruption to the Group's business operations or a material impact on the financial position or financial performance of the Group. Due to the outbreak of COVID-19, we have taken various measures, including but not limited to reducing face-to-face meetings by means of telephone or video conferences; avoiding unnecessary travels and trips for interviews as well as providing face masks, hand sanitizers and other sanitation supplies.

## FINANCIAL REVIEW

### Overview

The following discussion is based on, and should be read in conjunction with, the financial information and notes included elsewhere in this announcement.

### Revenue

Our revenue increased by RMB19.2 million from RMB12.0 million for the year ended December 31, 2020 to RMB31.2 million for the year ended December 31, 2021, which was primarily attributable to the commercialization of Nerlynx® (CAN030) in mainland China in November 2020 and in Taiwan in December 2020. The revenue increase was also driven by the commercialization of Hunterase® (CAN101) in mainland China in May 2021.

### Cost of Sales

Our cost of sales increased by RMB7.2 million from RMB5.2 million for the year ended December 31, 2020 to RMB12.4 million for the year ended December 31, 2021, which was primarily attributable to the increase in sales of commercialized products.

### Gross Profit and Gross Profit Margin

Our Gross profit increased by RMB11.9 million from RMB6.9 million for the year ended December 31, 2020 to RMB18.8 million for the year ended December 31, 2021. Our gross profit margin for the year ended December 31, 2021 was 60.3% (2020: 57.2%).

### Other Income and Gains

Our other income and gains increased by RMB12.0 million from RMB1.4 million for the year ended December 31, 2020 to RMB13.4 million for the year ended December 31, 2021, which was primarily attributable to the gain on disposal of our license rights in Nerlynx® (CAN030) as we strategically shift our business focus to rare disease and rare oncology.

**Selling and Distribution Expenses**

Our selling and distribution expenses increased by RMB49.7 million from RMB51.0 million for the year ended December 31, 2020 to RMB100.7 million for the year ended December 31, 2021. Such increase was primarily attributable to (i) increased staff costs due to the expansion of commercial team; and (ii) our increased marketing expenses which was in line with increased marketing research and marketing activities for Hunterase® (CAN101) and other pipeline candidates and products.

**Administrative Expenses**

Our administrative expenses increased by RMB67.8 million from RMB77.7 million for the year ended December 31, 2020 to RMB145.5 million for the year ended December 31, 2021. Such increase was primarily attributable to (i) increased staff costs due to headcount increase and new grant of share options; (ii) increased professional service fees with regard to our financing activities and business development activities; and (iii) increased listing expenses from RMB8.6 million for the year ended December 31, 2020 to RMB37.2 million for the year ended December 31, 2021.

**Research and Development Expenses**

Our research and development expenses increased by RMB318.1 million from RMB109.6 million for the year ended December 31, 2020 to RMB427.7 million for the year ended December 31, 2021. Such increase was primarily due to (i) increased license fees from RMB24.0 million for the year ended December 31, 2020 to RMB213.8 million for the year ended December 31, 2021, (ii) increased staff costs from RMB29.0 million for the year ended December 31, 2020 to RMB53.2 million for the year ended December 31, 2021 as a result of increase in headcount and share option expenses, (iii) increased testing and clinical trial expenses from RMB39.2 million for the year ended December 31, 2020 to RMB136.8 million for the year ended December 31, 2021 due to more contract research organization (CRO) and Chemistry, Manufacturing, and Controls (CMC) activities carried out for our pipeline candidates in the year ended December 31, 2021 as compared with the year ended December 31, 2020.

**Fair Value Changes of Convertible Redeemable Preferred Shares**

Our fair value changes of convertible redeemable preferred shares decreased by RMB129.0 million from a loss of RMB591.4 million for the year ended December 31, 2020 to a loss of RMB462.4 million for the year ended December 31, 2021, which was in line with the changes in our Company's valuation.

Such loss on the fair value changes of convertible redeemable preferred shares was a non-cash and non-recurring adjustment recognised as of the Listing Date. As all the preferred shares were converted to ordinary shares upon the Listing Date, the Group will not incur any additional losses related to the fair value changes of the convertible redeemable preferred shares.

**Finance Costs**

Our finance costs decreased from RMB3.9 million for the year ended December 31, 2020 to RMB3.1 million for the year ended December 31, 2021. Such decrease was primarily in line with the decrease in our interest-bearing bank loans.

**Non-IFRS Measures**

In addition to the Group's consolidated financial statements, which are presented in accordance with IFRS, the Company also uses adjusted loss for the year as an additional financial measure, which is not required by, or presented in accordance with IFRS. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impacts of items that we do not consider indicative of our performance results. The Company believes that these adjusted measures provide additional information to investors and others, helping them to understand and evaluate our consolidated results of operations in the same manner as our management, and thus, facilitate comparisons of operating performance from period to period and company to company to the extent applicable.

We define adjusted loss for the year as loss for the year excluding the effect of share-based payment expenses, listing expenses and non-cash items and one-time events, namely fair value changes on convertible redeemable preferred shares and fair value changes of derivative financial instruments. The term adjusted loss for the year is not defined under the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS.

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

| | **For the year ended December 31,** | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| Loss for the year | **(1,077,006)** | (846,043) |
| Add: | | |
| Loss on fair value changes of convertible redeemable preferred shares | **462,436** | 591,385 |
| Loss/(gain) on fair value changes of derivative financial instruments | **(34,454)** | 20,746 |
| Share-based payment expenses | **30,510** | 14,655 |
| Listing expenses | **37,192** | 8,641 |
| Adjusted loss for the year | **(581,322)** | (210,616) |

## Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

## Liquidity and Financial Resources

On December 10, 2021, 56,251,000 shares of USD0.00001 each were issued at a price of HKD12.18 per share in connection with the Company's listing on the Main Board of the Stock Exchange. The proceeds of HKD4,386.46 representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD685,132,793.54, (before deduction of the legal and other professional fees in relation to the listing) were credited to the share premium account.

Our cash and cash equivalents as of December 31, 2021 were RMB745.8 million, of which RMB29.1 million, RMB368.5 million, RMB344.5 million and RMB3.7 million, were denominated in RMB, USD, HKD and TWD respectively, representing an increase of 106.7% as compared to RMB360.8 million as of December 31, 2020. The increase was primarily attributable to our pre-IPO financing in May 2021, the proceeds we received from our listing, and the proceeds from disposal of an intangible asset. Our primary uses of cash are to fund research and development efforts, milestone payments and working capital and other general corporate purposes.

## Funding and Treasury Policy

For the year ended December 31, 2021, we funded our operations primarily through equity and debt financing. Going forward, after successful commercialization of one or more of our drug candidates, we expect to fund our operations in part with revenue generated from sales of our drug products. However, with the continuing expansion of our business and development of new drug candidates, we may require further funding through public or private equity offerings, debt financing and other sources.

## Bank Loans and Other Borrowings

Our bank loans and other borrowings as of December 31, 2021 were RMB30.9 million (31 December 2020: RMB34.0 million), of which RMB17.1 million and RMB13.8 million, were denominated in RMB and USD respectively, and carried fixed nominal interest rates ranging from 5.50% to 6.50% per annum. The decrease in bank loans and other borrowings was primarily due to the repayment of bank loans and other borrowings.

## Current ratio

Current ratio (calculated by current assets divided by current liabilities) of the Group as at December 31, 2021 was 436.9% (31 December 2020: 361.7%).

**Gearing ratio**

The gearing ratio (calculated by total interest-bearing borrowings divided by total assets) of the Group as at December 31, 2021 was 3.5% (December 31, 2020: 5.8%).

**Foreign Currency Risk**

We have transactional currency exposures. Certain of our cash and bank balances, trade receivables and other receivables and trade and other payables are denominated in non-functional currencies and exposed to foreign currency risk.

We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

**Contingent Liabilities**

As of December 31, 2021, we did not have any material contingent liabilities.

**Capital Expenditure and Commitments**

The Group's capital expenditures in the year ended December 31, 2021 were primarily related to the purchase of property, plant and equipment and other intangible assets. In the year ended December 31, 2021, the Group incurred RMB8.5 million in relation to capital expenditures as compared to RMB153.5 million in the year ended December 31, 2020.

**Charges on Group Assets**

Pursuant to the agreements entered into by CANbridge Biomed Limited and CANbridge Care Pharma HongKong Limited, two subsidiaries of the Company, with SPD Silicon Valley Bank ("**SSVB**"), respectively, CANbridge Biomed Limited and CANbridge Care Pharma HongKong Limited have charged all of their assets in favour of SSVB by way of first fixed charge and floating charge as security for the payment of the bank borrowings from SSVB.

Saved as disclosed above, as of December 31, 2021, the Group did not have other charges over its assets.

**Significant Investment Held**

During the Reporting Period, the Group did not have any significant investments.

**Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures**

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

**Use of Proceeds from the Global Offering**

The shares of the Company were listed on the Stock Exchange on December 10, 2021 and the Company obtained net proceeds of RMB493.4 million (after deducting the underwriting commissions and other estimated expenses in connection with the exercise of the global offering).

For the period from the Listing Date up to December 31, 2021, the Company has not utilized any of the net proceeds raised from the global offering. The Company intends to use the net proceeds in the same matter and proportion as set out in the prospectus of the Company dated November 30, 2021 under the section headed "Future Plans and Use of Proceeds". For the details on the breakdown of the use of proceeds, please refer to the 2021 annual report of the Company to be published in April 2022.

**Share Options**

As at December 31, 2021, share options to acquire an aggregate of 46,345,180 shares of the Company, representing approximately 10.93% of the total issued share capital of the Company as at December 31, 2021, were outstanding under the 2019 equity incentive plan adopted by the Company.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

**Compliance with the Corporate Governance Code ("CG Code")**

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has adopted the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The CG Code has been applicable to the Company with effect from the Listing Date.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code during the period from the Listing Date to December 31, 2021, save for the deviation from the then code provision A.2.1 as disclosed below.

We have not separated the roles of the Chairman of the Board and the Chief Executive Officer. Dr. Xue has served as chairman of the board and general manager of CANbridge Life Sciences Ltd. since June 2012 and as Chairman of the Board, Director and Chief Executive Officer since the inception of our Company in January 2018. Dr. Xue is the founder of the Group and has extensive experience in the business operations and management of our Group. Our Board believes that, in view of his experience, personal profile and his roles in our Company, Dr. Xue is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our Chief Executive Officer. Our Board also believes that the combined role of Chairman of the Board and Chief Executive Officer can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Our Directors consider that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and three independent non-executive Directors.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

## Compliance with Model Code

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Specific enquiries have been made to all the Directors and they have confirmed that they have complied with the Model Code during the period from the Listing Date to December 31, 2021.

## Purchase, Sale or Redemption of the Company's Listed Securities

For the period from the Listing Date up to December 31, 2021, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## Employee and Remuneration Policy

As at December 31, 2021, the Group had 183 employees. The Group's employees' remuneration consists of salaries, bonuses, share-based incentive plans, an employees' provident fund, and social security contributions and other welfare payments. In accordance with applicable laws in China and other relevant jurisdictions, we have made contributions to social security insurance funds and housing funds for the employees of the Group.

We conduct new staff training regularly to guide new employees and help them adapt to the new working environment. In addition, we provide on-line and in-person formal and comprehensive company-level and department-level training to our employees in addition to on-the-job training. We also encourage our employees to attend external seminars and workshops to enrich their technical knowledge and develop competencies and skills.

During the Reporting Period, the total staff costs (including Director's emoluments) were approximately RMB148.3 million (for the same period in 2020: RMB84.4 million).

## FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2021.

## ANNUAL GENERAL MEETING

The forthcoming annual general meeting will be held on Friday, June 24, 2022 ("**AGM**") and its notice and all other relevant documents will be published and despatched to the Shareholders in April 2022.

## CLOSURE OF REGISTER OF MEMBERS

The register of member of the Company will be closed from Tuesday, June 21, 2022 to Friday, June 24, 2022 (both days inclusive), in order to determine the eligibility of the holders of shares to attend and vote at the AGM. The holder of shares whose names appear on the share register of members of the Company on Tuesday, June 21, 2022 will be entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Monday, June 20, 2022.

## SCOPE OF WORK OF ERNST & YOUNG

The financial information in respect of the announcement of the Group's results for the year ended December 31, 2021 have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the results announcement.

## AUDIT COMMITTEE REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has considered and reviewed the audited consolidated annual results of the Group for the year ended December 31, 2021 and the accounting principles and practices adopted by the Group, and has discussed with management on issues in relation to internal control, risk management and financial reporting. The Audit Committee is of the opinion that the audited consolidated annual results of the Group for the year ended December 31, 2021 are in compliance with the relevant accounting standards, laws and regulations.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website (www.canbridgepharma.com) and the website of the Stock Exchange (www.hkexnews.hk) .

The 2021 annual report of the Company containing all relevant information required under the Listing Rules will be published on the aforementioned websites and dispatched to the shareholders of the Company in April 2022.

By order of the Board
**CANbridge Pharmaceuticals Inc.**
**北海康成製藥有限公司**
**Dr. James Qun Xue**
*Chairman*

Hong Kong, March 23, 2022

*As at the date of this announcement, the Board of Directors of the Company comprises Dr. James Qun Xue as Chairman and executive Director, Dr. Kan Chen, Dr. Derek Paul Di Rocco and Mr. Xiao Le as non-executive Directors, and Dr. Richard James Gregory, Mr. James Arthur Geraghty, Mr. Peng Kuan Chan and Dr. Lan Hu as independent non-executive Directors.*