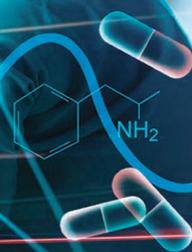
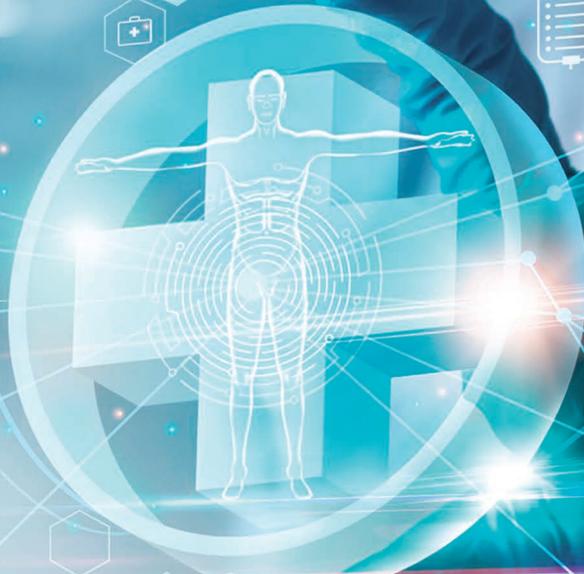




CANbridge Pharmaceuticals Inc.
北海康成製藥有限公司

(於開曼群島註冊成立的有限公司)
(Incorporated in the Cayman Islands with limited liability)
股份代號 Stock Code : 1228

Annual Report
2023





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DEFINITIONS

In this 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.

“AGM” or “Annual General Meeting”	the annual general meeting of the Company to be convened and held through online access (http://meetings.computershare.com/CANPAGM2024) on June 27, 2024 at 9 a.m. or any adjournment thereof
“Articles of Association” or “Articles”	the eleventh amended and restated articles of association of our Company adopted on June 24, 2022, as amended from time to time
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of directors of our Company
“CEO” or “Chief Executive Officer”	chief executive officer of our Company
“Chief Financial Officer”	chief financial officer of our Company
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“China” or “PRC”	People’s Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references in this report to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Company” or “Our Company”	CANbridge Pharmaceuticals Inc. (北海康成製藥有限公司), an exempted company incorporated in the Cayman Islands with limited liability on January 30, 2018
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Contractual Arrangement(s)”	the contractual arrangements entered into between the WFOE and the VIE



DEFINITIONS

“Core Product”	has the meaning ascribed thereto under Chapter 18A of the Listing Rules
“Director(s)”	the directors of the Company
“Dr. Xue”	Dr. James Qun Xue, the founder, Chairman of the Board, executive Director and Chief Executive Officer of our Company
“FDA”	The United States Food and Drug Administration, a federal agency of the Department of Health and Human Services
“Global Offering”	the Hong Kong public offering and the international offering of the Shares as described in the Prospectus
“Group”, “our Group”, “our”, “we” or “us”	the Company, its subsidiaries and consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries and consolidated affiliated entities, such subsidiaries and consolidated affiliated entities as if they were subsidiaries and consolidated affiliated entities of our Company at the relevant time
“HKD”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Listing”	the listing of the shares on the Main Board of the Stock Exchange
“Listing Date”	December 10, 2021
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Memorandum” or “Memorandum of Association”	the eleventh amended and restated memorandum of association of our Company adopted by special resolution on June 24, 2022, as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules



DEFINITIONS



“NMPA”	the National Medical Products Administration of China (中國國家藥品監督管理局)
“Nomination and Corporate Governance Committee”	the nomination and corporate governance committee of the Board
“Post-IPO RSU Scheme”	the RSU scheme adopted by our Company on November 18, 2021
“Post-IPO Share Option Scheme”	the share option scheme adopted by our Company on November 18, 2021
“Pre-IPO Equity Incentive Plan” or “2019 Equity Incentive Plan”	the 2019 equity incentive plan adopted by our Company on July 25, 2019, as amended on June 11, 2021
“Prospectus”	the prospectus of the Company dated November 30, 2021
“Registered Shareholder”	Mr. Xue Yintong (薛殷彤), an independent third party of the Group prior to the entering into of the Contractual Arrangements
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the year ended December 31, 2023
“RMB”	Renminbi, the lawful currency of China
“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 shares in the share capital of our Company with a nominal value of USD0.00001 each
“Shareholder(s)”	holder(s) of our Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“USD”	United States dollars, the lawful currency of the United States



DEFINITIONS

“VIE”	CANbridge Care Pharma (Suzhou) Biotechnology Co., Ltd (康成諾愛(蘇州)生物科技股份有限公司), a company incorporated in the PRC with limited liability and wholly-owned by the Registered Shareholder
“WFOE”	CANbridge (Suzhou) Bio-Pharma Co., Ltd (北海康成(蘇州)生物製藥有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“%”	per cent



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Dr. James Qun Xue
(Chairman and Chief Executive Officer)

Non-executive Directors

Dr. Kan Chen
Mr. Edward Hu
Dr. Derek Paul Di Rocco
(resigned on November 23, 2023)

Independent Non-executive Directors

Dr. Richard James Gregory
Mr. James Arthur Geraghty
Mr. Peng Kuan Chan
Dr. Lan Hu

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Unit 18, 6th Floor,
Building 21, No. 388 Xinping Street,
Suzhou Industrial Park,
Suzhou, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room B01, 20/F,
CITIC Tower,
1 Tim Mei Avenue,
Admiralty, Hong Kong

LEGAL ADVISER

As to Hong Kong law:
Linklaters
11th Floor, Alexandra House
Chater Road
Hong Kong SAR
China

REGISTERED OFFICE

89 Nexus Way
Camana Bay
Grand Cayman
KY1-9009
Cayman Islands

PRINCIPAL SHARE REGISTRAR

Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman
KY1-9009
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKS

In Hong Kong:
CMB Wing Lung Bank Limited

In the PRC:
China Merchants Bank Shanghai Branch

JOINT COMPANY SECRETARIES

Ms. Qian Ma
Mr. Wai Chiu Wong



CORPORATE INFORMATION

AUTHORIZED REPRESENTATIVES

Dr. James Qun Xue
Mr. Wai Chiu Wong

AUDIT COMMITTEE

Mr. Peng Kuan Chan (*Chairperson*)
Mr. James Arthur Geraghty
Dr. Kan Chen

REMUNERATION COMMITTEE

Dr. Richard James Gregory (*Chairperson*)
Dr. Lan Hu
Mr. Edward Hu

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Dr. James Qun Xue (*Chairperson*)
Dr. Richard James Gregory
Mr. James Arthur Geraghty
Mr. Peng Kuan Chan
Dr. Derek Paul Di Rocco
(ceased to be a member on November 23, 2023)

STOCK CODE

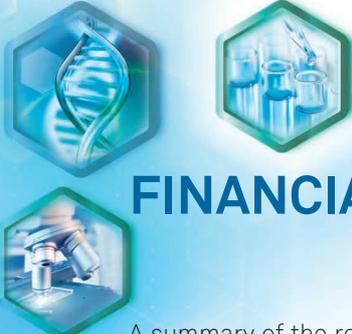
1228

AUDITOR

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

COMPANY WEBSITE

www.canbridgepharma.com



FINANCIAL HIGHLIGHTS

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial information and financial statements is set out below:

	Year ended December, 31				2023 RMB'000
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	
REVENUE	1,469	12,032	31,161	78,972	102,871
Cost of sales	(504)	(5,154)	(12,385)	(30,078)	(38,707)
Gross profit	965	6,878	18,776	48,894	64,164
Other income and gains	580	1,359	13,402	12,883	12,659
Selling and distribution expenses	(28,881)	(51,008)	(100,748)	(86,782)	(83,671)
Administrative expenses	(53,719)	(77,716)	(145,517)	(108,907)	(89,830)
Research and development expenses	(55,383)	(109,642)	(427,658)	(311,174)	(257,210)
Fair value changes of convertible redeemable preferred shares	(73,694)	(591,385)	(462,436)	–	–
Fair value changes of convertible loans	(1,584)	1,689	–	–	–
Fair value changes of derivative financial instruments	(17)	(20,746)	34,454	–	–
Finance costs	(2,275)	(3,873)	(3,079)	(6,863)	(8,948)
Other expenses	(3,667)	(1,599)	(4,200)	(31,526)	(16,001)
LOSS BEFORE TAX	(217,675)	(846,043)	(1,077,006)	(483,475)	(378,837)
Income tax expense	–	–	–	–	–
LOSS FOR THE YEAR	(217,675)	(846,043)	(1,077,006)	(483,475)	(378,837)
Total current assets	37,905	391,045	811,711	505,160	209,864
Total non-current assets	50,645	195,313	80,811	196,885	185,498
Total current liabilities	43,749	108,103	185,780	278,105	327,945
Total non-current liabilities	1,035,447	2,224,111	13,351	115,385	107,205
Total (deficit)/equity	(990,646)	(1,745,856)	693,391	308,555	(39,788)



FINANCIAL HIGHLIGHTS

- Our revenue increased by RMB23.9 million or 30.3%, from RMB79.0 million for the year ended December 31, 2022 to RMB102.9 million for the year ended December 31, 2023, which was mainly attributable to the increase of sales from Hunterase® and Livmarli®.
- Our research and development (“R&D”) expenses decreased by RMB54.0 million or 17.4%, from RMB311.2 million for the year ended December 31, 2022 to RMB257.2 million for the year ended December 31, 2023, which was primarily attributable to the decrease in upfront and milestone payments made to our licensing partners, the decrease in testing and clinical trial expenses, the decrease in the R&D employee costs and partially offset by the increase of depreciation and amortization costs.
- Loss for the year decreased by RMB104.7 million or 21.7% from RMB483.5 million for the year ended December 31, 2022 to RMB378.8 million for the year ended December 31, 2023, which was primarily attributable to the increase of our revenue and the decreases of R&D expenses and administrative expenses.
- The adjusted loss for the year decreased by RMB97.8 million, or 21.4%, from RMB456.7 million for the year ended December 31, 2022, to RMB358.9 million for the year ended December 31, 2023. The adjusted loss for the year was arrived at by adjusting the International Financial Reporting Standards (“IFRS”) loss for the year of RMB378.8 million (2022: RMB483.5 million) through excluding the effect of share-based payment expenses. Please refer to the section headed “Non-IFRS Measures” in the Management Discussion and Analysis of this report for details.



CHAIRMAN'S STATEMENT

Dear CANbridge Pharmaceuticals Shareholders:

Looking back at the year 2023, it was undoubtedly a challenging period marked by volatile capital markets and limited biotech funding. However, at CANbridge, we remained steadfast in our mission to make a profound impact on the lives of patients worldwide. In the face of such a market situation, CANbridge displayed resilience and determination by prioritizing key programs with significant milestones ahead. We streamlined our workforce to 100 dedicated full-time employees, ensuring optimal efficiency and focus. This strategic decision allowed us to allocate our resources effectively,

Moreover, I am pleased to share that 2023 proved to be a remarkably productive year for CANbridge. We celebrated multiple regulatory approvals and commercial milestones for our approved rare disease therapy, Livmarli, across various geographies, including mainland China, Hong Kong, and Taiwan. These achievements underscore our commitment to delivering innovative solutions that address unmet medical needs.

At CANbridge, our strategic focus is centered around addressing the needs of prevalent rare diseases and rare oncology indications, which offer significant market potential. Notably, we hold global patents for eight of these assets. Within our pipeline, we currently have three marketed products and three drug candidates in the late clinical stage. In 2023, we experienced remarkable growth, with a notable 30.3% increase in revenue from our marketed products, totaling RMB102.9 million. This impressive performance can be attributed to the strong sales of Hunterase® and Livmarli®.

Firstly for Livmarli® (maralixibat oral solution, formerly known as CAN108), I am delighted to announce we received marketing approval for the treatment of Alagille syndrome (ALGS) from the National Medical Products Administration of China in May 2023, from the Pharmacy & Poisons Board of Hong Kong in September 2023, and from Taiwan's TFDA in October 2023. These approvals make Livmarli® the first and only approved product marketed for the treatment of cholestatic pruritus in patients with ALGS in these regions. Livmarli® stands as a testament to our expertise in identifying low-risk products with substantial market potential and effectively navigating them through the clinical and regulatory pathways.

Besides, we are also very enthusiastic about Hunterase®. CANbridge commercially launched Hunterase® in China in May 2021 in a non-reimbursed market. Patient identification has accelerated since its launch, with 757 patients identified as of December 31, 2023. In 2023, we have implemented commercial insurance programs (Huiminbao) in 103 cities, covering a population of 500 million in China. We continue to strengthen the integrated commercialization team and enhance our ability to commercialize multiple rare disease products.

We've also reached a key milestone in the development of CAN106 (omoprubart), a novel, long-acting, monoclonal antibody directed against C5 complement that is being developed for the treatment of complement-mediated diseases, including paroxysmal nocturnal hemoglobinuria (PNH). CAN106 reported positive preliminary top-line data in June 2023 from the ongoing Phase 1b study of CAN106 being conducted in PNH patients in China. Results suggest complete blockade of complement function at safe and well-tolerated doses. The data also show a dose-dependent reduction of lactate dehydrogenase (LDH) and increased hemoglobin levels, demonstrating clinically meaningful hemolysis inhibition. Complement-mediated diseases amenable to treatment with an anti-C5 antibody remain an area of broad interest, demonstrating the potential for CAN106 in multiple indications beyond PNH. Currently, CAN106 is the only domestically-developed treatment for PNH that is actively being developed.



CHAIRMAN'S STATEMENT

Looking ahead, the rare disease industry in China is expected to benefit from various regulatory initiatives. China has simplified the rare disease treatment application process, streamlined the regulatory approval pathway by allowing the submission of clinical data from global trials, and is moving towards a more favorable reimbursement policy. The “Guiding Catalog for Industrial Structure Adjustment (2024 Edition)” released by the National Development and Reform Commission (NDRC) officially came into effect on February 1, 2024. Rare disease drugs, biocatalysts, and gene therapy drugs are included in the encouraged category of industries. In March 2024, Premier Li Qiang, on behalf of the State Council, delivered the “Government Work Report” at the Second Session of the Fourteenth National People’s Congress. Article ten of the report proposes “strengthening research, diagnosis, treatment services, and medication guarantee for rare diseases.”

We are dedicated to advancing our deep rare disease pipeline. Until the capital market condition significantly improves, we will continue to prioritize and optimize our programs and operations and financial durability. Our primary objective is to lead the way in developing rare disease products within China, while also expanding treatment options and accessibility for rare diseases on a global scale. We understand the importance of delivering favorable returns to our valued shareholders, and we are committed to driving innovation that not only benefits our business but also makes a lasting impact on the lives of patients worldwide.

Thank you, our shareholders, for helping build CANbridge, and for your commitment to making a difference in the lives of millions of patients and their families.

Sincerely,

Dr. James Qun Xue

Chairman

March 28, 2024



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Founded in 2012, CANbridge is a global biopharmaceutical company, with a foundation in China, committed to the research, development and commercialization of transformative therapies to treat rare diseases and oncology. As of December 31, 2023, we have a comprehensive pipeline of 14 drug assets targeting prevalent rare diseases and rare oncology indications that have high unmet needs and significant market potential. The robust pipelines include four marketed products and three drug candidates at the late clinical stage. Given the challenging macro environment, including volatile capital markets and limited biotech funding, CANbridge has further prioritized the key programs with significant development and regulatory milestones occurring in the coming year.

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. As of December 31, 2023, we have streamlined the workforce to 100 full-time employees, of which 13 have a Ph.D. and/or M.D. degree, and more than 70% of our employees have prior experience working at multinational biopharmaceutical companies. Our management team has a track record of successfully achieving approval and commercializing of rare disease therapies across the key markets, including China, the United States (U.S.), Europe, Latin America and Southeast Asia. We leverage this expertise to play an active role in advancing the rare disease industry and shaping the rare disease ecosystem in China. For example, our founder, Dr. James Qun Xue (“**Dr. Xue**”), Ph.D., 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 of therapeutics, consisting of biologics, small molecules and gene therapies that target diseases with validated mechanisms of action. We will continue to prioritize and optimize our pipeline through out-licensing, partnerships and collaborations with academic institutions, as well as with in-house R&D.

In the rare disease area, we have seven biologic and small molecule product candidates. These include MPS II (Hunter syndrome) and other lysosomal storage disorders (LSDs), complement-mediated disorders, hemophilia A, metabolic disorders and rare cholestatic liver diseases including ALGS and PFIC.. We received marketing approval for Hunterase® (CAN101) for the treatment of MPS II in mainland China in September 2020. We received marketing approval for Livmarli® for the treatment of ALGS from the National Medical Products Administration of China (“**NMPA**”) in May 2023, from the Pharmacy & Poisons Board of Hong Kong in September 2023, and from Taiwan’s TFDA in October 2023. We obtained the Investigational New Drug (IND) approval from NMPA for a CAN106 study in PNH in July 2021; positive top-line CAN106 Phase 1 data for the single ascending dose study in Singapore was reported in February 2022; and a positive preliminary CAN106 Phase 1b data for a multiple ascending dose study in PNH patients in China was reported in June 2023. Results showed promising efficacy and safety with a dose-dependent reduction of LDH levels and an increase in hemoglobin levels that demonstrate clinically meaningful hemolysis inhibition and improvement in transfusion-dependent anemia. Furthermore, the first patient was dosed in a Phase 1 trial of CAN103 in Gaucher disease in China in July 2022, and the first patient was dosed in a Phase 2 trial of Gaucher disease in China in January 2023. Enrollment for both trials has been completed.



MANAGEMENT DISCUSSION AND ANALYSIS

In addition to biologics and small molecules, we are investing in next-generation technology for gene therapy. Gene therapy provides a potentially one-time, durable treatment for rare genetic diseases with limited treatment options. As of December 31, 2023, we are using an AAV sL65 capsid vector for the development of treatments for Fabry disease and Pompe disease, which we licensed from LogicBio Therapeutics. The license is for the development of two gene therapy products. In January 2023, we announced that we exercised our option to secure the exclusive global rights to develop, manufacture and commercialize a novel second-generation gene therapy to treat SMA from UMass Chan Medical School. In addition, we are internally developing an 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 focuses on developing medicines for diseases affecting a small number of people. Rare diseases have unique characteristics that create an efficient market for therapeutic development. Most rare diseases are caused by genetic mutations that lead to a better understanding of the disease, increasing the chance of successful R&D. Sales efforts for rare disease drugs are more targeted due to the limited number of specialists and tertiary care hospitals treating these patients. A favorable regulatory environment, like the Orphan Drug Act and expedited approval pathways in the United States, helps to accelerate the development and commercialization of rare disease drugs.

The global rare disease drug market has grown rapidly since the enactment of the Orphan Drug Act in the United States in 1983. From USD109.0 billion in 2016, it reached USD135.1 billion in 2020 (at a CAGR of 5.5%). It is projected to reach USD383.3 billion by 2030, growing at a CAGR of 11.0% from 2020 to 2030. Rising awareness and healthcare expenditure have increased the demand for special treatments, positively impacting market growth. The U.S. and Europe are the largest rare disease markets globally.

The rare disease markets in developing countries are relatively underpenetrated, due to limited access to rare disease diagnosis and treatments.

The market size of rare disease drugs in China was approximately USD1.3 billion in 2020, significantly lower than in the U.S. and Europe. However, with a similar prevalence rate of rare diseases, the patient pool in China is potentially over four times greater than in the U.S. According to Frost & Sullivan, the rare disease drug market in China is expected to reach USD25.9 billion by 2030, at a CAGR of 34.5%, offering attractive commercial opportunities for pharmaceutical companies. Leading companies like Sanofi, AstraZeneca, and Roche have already launched products in China and other developing countries, recognizing their market potential. CANbridge is uniquely positioned to address the medical needs of global rare disease patients efficiently.



MANAGEMENT DISCUSSION AND ANALYSIS



The rare disease industry in China is expected to benefit from various regulatory initiatives. China has simplified the rare disease treatment application process, streamlined the regulatory approval pathway by allowing the submission of clinical data from global trials, and is moving towards a more favorable reimbursement policy. In 2018, China released the *First National List of Rare Diseases*, encompassing 121 rare conditions. In 2023, the second edition of the list was unveiled, incorporating 86 additional rare diseases. With this latest update, China's rare disease catalog now encompasses a total of 207 rare conditions across both editions.

Gene therapy is emerging as a promising therapeutic approach for rare diseases, with approximately 80% of rare diseases being genetic disorders, according to Frost & Sullivan. These therapies can address the root cause of the disease and offer curative potential. Recent advancements in genetic engineering and viral vector development have led to several approved gene therapy products, such as Zolgensma® for SMA developed by Novartis and Elevidys® for Duchenne muscular dystrophy (DMD) developed by Sarepta Therapeutics, Inc., validating their potential as a durable treatment for rare diseases.

On May 9, 2022, the NMPA issued the “Regulations for the Implementation of the Drug Administration Law of the People’s Republic of China (Revised Draft for Comment).” The draft proposes a market exclusivity period of up to 12 months for a first new pediatric drug and a market exclusivity period of up to seven years for new drugs addressing rare diseases, which provides the drug marketing license holders with continuous supply during this period.

Based on the two batches of national rare disease catalogs and the 2023 National Medical Insurance Drug Catalog, China has launched 165 rare disease drugs for 92 rare diseases, with 112 of them included in medical insurance, involving 64 rare diseases. From 2018 to 2022, 27 rare disease drugs (excluding new indications) were launched domestically, of which only 4 drugs were introduced or replicated by domestic companies. In 2023, a total of 45 rare disease drugs were approved for marketing domestically (excluding type 4 rare disease drugs for chemical drugs), of which 18 products were developed by Chinese companies, involving 13 rare diseases.¹

The “Guiding Catalog for Industrial Structure Adjustment (2024 Edition)” released by the National Development and Reform Commission (NDRC) officially came into effect on February 1, 2024. Rare disease drugs, biocatalysts, and gene therapy drugs are included in the encouraged category of industries.

In March 2024, Premier Li Qiang, on behalf of the State Council, delivered the “Government Work Report” at the Second Session of the Fourteenth National People’s Congress. Article ten of the report proposes “strengthening research, diagnosis, treatment services, and medication guarantee for rare diseases.”

¹ Beijing Disease Challenge Public Welfare Foundation and Frost & Sullivan jointly released “2024 China Rare Disease Industry Trends Observation Report”.

MANAGEMENT DISCUSSION AND ANALYSIS

PIPELINE

Our Comprehensive and Diversified Pipeline

CANbridge holds global rights to 8 out of 13 assets, spanning biologics, small molecules, and gene therapy, targeting most prevalent rare diseases and oncology indications, with proven mechanisms and significant market potential

	Candidate	Mechanism	Discovery	IND-enabling	Ph 1	Ph 2/3	NDA	Marketed	Dev Strategy	Partner	Commercial Rights
Rare Disease	Hunterase® (Idursulfase beta)	ERT IDS	Hunter Syndrome (Mucopolysaccharidosis Type II)						In China for China	GC Pharma	Greater China
	Livmarli® (CAN 108)	IBAT inhibitor	Alagille Syndrome Progressive Familial Intrahepatic Cholestasis						In China for China	mirum	Greater China
	CAN 106	Anti-C5 mAb	Paroxysmal Nocturnal Hemoglobinuria						In China for Global	WuXi Biologics / Privos	Global
	CAN 103	ERT GBA	Gaucher Disease					WuXi Biologics		Global	
	CAN 107	Anti-FGF23 mAb	XLH						WuXi Biologics / Privos	Global	
	CAN 104	ERT GLA	Fabry Disease						WuXi Biologics	Global	
	CAN 105	Anti-Factor IXa/X bsAb	Hemophilia A						In China for China	WuXi Biologics	Greater China
	CAN 201	AAV sL65 GLA	Fabry Disease						Global for Global	AstraZeneca / LogixBio	Global
	CAN 202	AAV sL65 GAA	Pompe Disease					UMass Chan		Global	
	CAN 203	AAV SMN1	SMA						UMass Chan	Global	
	Undisclosed	AAV	DMD						LW Medicine / Scriptr	Global	
	Other Onc.	Nerlynx® (Neratinib)	Tyrosine kinase inhibitor	HER2+ Breast Cancer						Pierre Fabre	Taiwan
	Rare Onc.	CAN008* (Asunercept)	CD95-Fc fusion protein	Glioblastoma Multiforme						In China for China	apogenix

▶ Clinical trials performed by license partner
 ▶ Biologic
 ▶ Small Molecule
 ▶ Gene Therapy
 ▶ Medical Device

* The Company decided to discontinue the development and further trials of CAN008 in the field of GBM in April 2024. For details, please refer to the company's announcement

BUSINESS REVIEW

The Company was listed on The Stock Exchange of Hong Kong Limited (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® (IDURSULFASE BETA, FORMERLY KNOWN AS 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 that there is currently no other drug treatment available in China, we believe there is a significant market opportunity for Hunterase®.
- CANbridge received the marketing approval from the NMPA for Hunterase® in September 2020 as the first and the only treatment for MPS II in China. Hunterase® is currently marketed in over 10 countries worldwide by GC Pharma. In a head-to-head Phase 1/2 study, Hunterase® demonstrated favorable efficacy as compared to Elaprase®, a drug commonly used to treat Hunter syndrome globally. In a Phase III clinical trial in Chinese MPS II patients, Hunterase® demonstrated favorable efficacy compared to placebo over a period of up to two years with no specific safety concerns.
- CANbridge commercially launched Hunterase® in China in May 2021 in a non-reimbursed market. Patient identification has accelerated since launch, with 757 patients identified as of December 31, 2023. As of December 31, 2023, we have implemented commercial insurance programs (Huiminbao) in 103 cities, covering a population of 500 million in China.



MANAGEMENT DISCUSSION AND ANALYSIS

- The Company continues to strengthen integrated commercialization team and with the ability to commercialize multiple rare disease products.

LIVMARLI® (MARALIXIBAT ORAL SOLUTION, FORMERLY KNOWN AS CAN108)

- Livmarli® is an oral, minimally-absorbed, reversible IBAT inhibitor and is under development to treat rare cholestatic liver diseases, including ALGS (approved by FDA) and PFIC. Livmarli® possesses an extensive safety dataset, having been evaluated in more than 1,700 human subjects. Livmarli® has been studied in a number of completed and ongoing clinical trials in ALGS and PFIC with over 200 children treated and some on study for over seven years. A Phase 2b placebo-controlled randomized withdrawal period clinical trial with an open-label extension in children (aged 1-18 years) conducted for ALGS by Mirum Pharmaceuticals, Inc. (“**Mirum**”), our collaboration partner in the U.S., shows that patients receiving Livmarli® experienced significant reductions in serum bile acids and pruritus compared to placebo, improvements in quality of life and xanthomas and accelerated long-term growth. In addition, Mirum has completed a Phase 3 study of Livmarli® in PFIC, which is the largest randomized, placebo-controlled study with 93 patients across a range of genetic PFIC subtypes, including PFIC1, PFIC2, PFIC3, PFIC4, PFIC6 and unidentified mutational status. The results of this Phase 3 study demonstrated that Livmarli-treated patients had statistically significant improvements in pruritus, serum bile acids, bilirubin and growth as measured by weight z-score in the cohort evaluating the combined genetic subtypes.
- CANbridge and Mirum have an exclusive license agreement for the development, commercialization and manufacturing, under certain conditions, of Livmarli® in Greater China.
- In 2023, CANbridge received multiple marketing approvals for Livmarli® in mainland China, Hong Kong, and Taiwan. The broad marketing approvals make Livmarli® the first and only approved product marketed for the treatment of cholestatic pruritus in patients with ALGS in these regions.
- Mirum received FDA approval for Livmarli® for ALGS in September 2021 and EU marketing approval in December 2022. Mirum also received FDA approval for Livmarli® for PFIC in March 2024.

CAN106 (OMOPRUBART)

- CAN106 is a novel, long-acting, monoclonal antibody directed against C5 complement that is being developed for the treatment of complement-mediated diseases, including PNH and MG among other approved and new potential indications. Based on clinical data, CAN106 has demonstrated a favorable PK/PD profile, safety and tolerability, indicating that CAN106 has the potential to effectively inhibit C5 in patients with PNH with a convenient four-week dosing frequency.
- CANbridge obtained global rights to develop, manufacture and commercialize CAN106 in PNH, as well as for other complement-mediated diseases that involve activation of the C5 protein, from WuXi Biologics Ireland Limited and Privus Biologics, LLC in 2019 and 2020, respectively.



MANAGEMENT DISCUSSION AND ANALYSIS

- CAN106 has received Orphan Drug Designation from the FDA for the treatment of MG, an autoimmune neuromuscular disease that causes muscle weakness. CAN106 is eligible to receive the benefits provided under the Orphan Drug Act, including 50% tax credit for qualifying clinical trials, waivers for regulatory submission fees, eligibility to receive federal research grants, and upon marketing authorization for MG, 7 years of market exclusivity.
- In June 2023, CANbridge announced positive preliminary results from the ongoing Phase 1b study of CAN106 being conducted in China for PNH. The trial is being conducted under the direction of principal investigator, Dr. Bing Han, MD, PhD, Chief Physician and Professor in the Department of Hematology at Peking Union Medical College Hospital in Beijing, China. CAN106 showed dose-proportional exposure and rapid, dose-dependent reductions in free C5 levels within 24 hours, with all subjects in Cohort 3 maintaining values below 0.5 ug/mL, a historical threshold for complete C5 inhibition. CAN106 was safe and well-tolerated at all doses, and all drug-related adverse events were mild or moderate and transient, and none led to discontinuation from the study. There were no drug-related serious adverse events, and no cases of anaphylaxis or meningococcal infection. Currently, CAN106 is the only domestically-developed treatment for PNH that is actively being developed.
- Complement-mediated diseases amenable to treatment with an anti-C5 antibody remain an area of broad interest, demonstrating potential for CAN106 in multiple indications beyond PNH.

CAN008 (ASUNERCEPT)

- CAN008 is a recombinant, antibody-like, fully-human CD95-Fc fusion protein that is being developed as a first-line treatment for patients with newly diagnosed glioblastoma multiforme (GBM). Acting as a soluble receptor, CAN008 binds to the endogenous CD95L on tumor cells and blocks its interaction with the endogenous CD95 receptor, thereby preventing tumor cell growth and metastasis. CAN008 also blocks the interaction between CD95L and CD95 on T cells, thereby preventing apoptosis and restoring immune function.
- CAN008 has been granted FDA Orphan Drug Designation and Orphan Medicinal Product Designation by the European Medicines Agency (EMA) for GBM. It has also been accepted into the EMA's PRIME (Priority Medicines) program, which provides support to medicines that could address unmet medical needs. In China, CAN008 has been classified as a Class 1 New Drug by the National Medical Products Administration. CANbridge holds the rights to develop and commercialize CAN008 for any indication in Greater China.
- As our core product, CAN008 has demonstrated promising efficacy and a favorable safety profile in completed and ongoing clinical trials, providing a new potential first-line treatment option for GBM. We completed a Phase 1 dose comparison (200 vs 400 mg) trial in patients with newly diagnosed GBM in Taiwan, and the results showed that CAN008 was generally safe and well tolerated. No dose-limiting toxicity was observed, and no treatment-related serious adverse events were reported. The 400 mg dose was associated with 57% (4/7) progression-free survival (PFS) at 12 months and was selected as the recommended Phase 2 dose. A Phase 2 pivotal trial conducted by Apogenix in patients with relapsed GBM showed statistically significant and clinically meaningful improvements of more than 50% in 4-month to 6-month PFS and quality of life as well as a positive trend in overall survival.



MANAGEMENT DISCUSSION AND ANALYSIS



- In June 2023, an independent data monitoring committee reviewed the interim analysis of the ongoing Phase 2 study of CAN008 being conducted in China in patients with newly diagnosed GBM and recommended that the study continue without any changes to the current trial design. The Phase 2 double-blind study enrolled 119 subjects who were randomized 2:1 to receive intravenous CAN008 400 mg or placebo, in addition to standard-of-care chemoradiotherapy. All subjects underwent surgical excision of the GBM tumor prior to study treatment. The primary endpoint is PFS, and the secondary endpoint is overall survival (OS).
- In April 2024 (i.e., after the date of the audited financial statements of the Company for the Reporting Period), the Company announced that according to the top-line data of CAN008 Phase II clinical trial in patients with newly diagnosed GBM, CAN008 did not provide additional benefit in progression-free survival or overall survival over placebo in patients receiving standard of care with temozolomide and radiotherapy. After due and careful consideration, the Company decided to discontinue the development and further trials of CAN008 in the field of GBM.

CAN103

- CAN103, a recombinant, human glucocerebrosidase (acid β -glucosidase), an ERT for the treatment of GD. CANbridge holds global proprietary rights to develop and commercialize the product.
- CAN103 is the first ERT for Gaucher disease in the clinical development stage trial in China.
- The first patient was dosed in the CAN103 Phase 1/2 trial, which is being developed for the treatment of patients with GD Types I and III in China. Bing Han MD, Ph.D., Chief Physician and Professor in the Department of Hematology at Peking Union Medical College Hospital in Beijing, China, is the principal investigator for the trial. GD, a lysosomal storage disorder, is caused by a genetic enzyme deficiency leading to the accumulation of a cellular sphingolipid called glucocerebroside in macrophages residing in liver, spleen, and bone marrow, resulting in hepatosplenomegaly, anemia, thrombocytopenia, and skeletal disease (infarction, osteoporosis, and pain). In GD Type III, glucocerebroside also accumulates in the central nervous system, causing chronic neurodegeneration and premature death. CAN103 is an ERT under development by CANbridge, as part of its rare disease partnership with WuXi Biologics (Cayman) Inc. (stock code: 2269.HK), for the long-term treatment of adults and children with Gaucher disease Types I and III. Many GD patients in China do not have access to approved treatments due to cost barriers.
- In October 2023, the Company announced that the core part of the ongoing CAN103 Phase 2 trial, in treatment-naïve patients aged 12 or above with GD Types I and III, completed enrollment. The randomized, double-blind, dose comparison Phase 2 study is designed to evaluate the efficacy, safety and pharmacokinetics of CAN103 in newly treated GD patients over 9 months, followed by a long-term extension period. This trial will serve as a potential registrational trial for CAN103.
- We expect to submit NDA in the second half of 2024.



MANAGEMENT DISCUSSION AND ANALYSIS

GENE THERAPY

- CANbridge has a fully operational in-house gene therapy R&D laboratory at their Burlington, MA U.S. site.
- The Company announced a license from the UMass Chan Medical School for the global development and commercialization rights to a novel second-generation scAAV gene therapy, expressing hSMN1 under the control of an endogenous hSMN1 promoter, for the treatment of SMA.
- The Company, in collaboration with the Horae Gene Therapy Center at the UMass Chan Medical School, presented preclinical data in May 2023 on CAN203 at the 2023 ASGCT Annual Meeting. These data support continued development of this second-generation vector as a potential best-in-class gene therapy for SMA. This next-generation gene therapy leverages advances in the gene therapy field that have occurred since the first gene therapy for SMA was developed over a decade ago. Data shared at ASGCT highlights the potential of this novel, second-generation vector that expresses a codon-optimized hSMN1 transgene under the control of an endogenous hSMN1 promoter, to treat SMA. The data demonstrated that low-dose intracerebroventricular delivery of the gene therapy was able to achieve superior potency, efficacy and safety in mice with SMA, compared to the benchmark vector, which is similar in design to the FDA-approved gene therapy vector for SMA.
- Presented preclinical data in October 2023 on CAN201, a potential gene therapy for the treatment of patients with Fabry disease, at the ESGCT 30th Annual Congress. CAN201 utilizes a liver-targeting AAV capsid sL65 to produce in the liver the key enzyme, α -GAL, that is deficient in patients with Fabry disease. In preclinical studies involving Fabry mice and a PXB mouse model containing a humanized liver, CAN201 showed a dose-dependent increase in α -GAL enzyme levels across various tissues with a corresponding reduction in disease-causing Gb3 lipid levels. The gene therapy was well tolerated with no significant adverse effects observed in Fabry mice.
- In February 2024, our pioneering work, in collaboration with the Horae Gene Therapy Center at the UMass Chan Medical School, on developing a novel AAV-based gene therapy for SMA was published in the prestigious EMBO Molecular Medicine journal, accompanied by a commentary highlighting its scientific significance. Compared to the benchmark vector with an identical design to the vector used in the FDA-approved gene therapy for treating SMA that drove high, ubiquitous tissue expression of SMN, this second-generation vector restored SMN expression close to physiological levels in the central nervous system and major systemic organs of a severe SMA mouse model. Remarkably, it demonstrated superior safety without liver toxicity seen with the benchmark vector and markedly improved therapeutic efficacy over the benchmark vector. Compared to the benchmark vector, it prolonged longer survival, more efficiently rescued motor function and neuromuscular junction integrity, more effectively rescued heart and respiratory function and reduced peripheral tissue disease manifestations. This body of work is the basis of our CAN203 gene therapy program.



MANAGEMENT DISCUSSION AND ANALYSIS



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

Manufacturing

We have secured manufacturing capacity for selected in-licensed programs, including from third party collaboration partners such as WuXi Biologics, GC Pharma and Mirum. We aim to balance cost-efficiency and quality control of our drug products and/or candidates. In an effort to advance our gene therapy pipelines, we are exploring manufacturing strategy for gene therapy that can help us to achieve high quality and capital efficiency anticipate to use CDMO to enable the further development of our gene therapy products.

Commercialization

With multiple products currently approved for marketing in multiple geographies, we have established our key operation hubs in both Beijing and Shanghai, with offices in other locations in Greater China. We have set up a commercialization team dedicated to our approved products and late-stage drug candidates that can be quickly expanded in line with our business growth, comprising three major functions, including marketing and sales, medical affairs and patient advocacy assistance and market access, with the mission to execute medical engagement plans for key opinion leader (KOL) development, promote community awareness and explore industry insights for better drug development and marketing strategy.

The management continues to monitor the market to develop the most cost-effective strategy for commercializing these upcoming pipeline products.

KEY EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, 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 “Shareholders”).



MANAGEMENT DISCUSSION AND ANALYSIS

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 report.

Revenue

Our revenue increased by RMB23.9 million or 30.3%, from RMB79.0 million for the year ended December 31, 2022 to RMB102.9 million for the year ended December 31, 2023, which was mainly attributable to the increase of sales from Hunterase® and Livmarli®.

Cost of Sales

Our cost of sales increased by RMB8.6 million from RMB30.1 million for the year ended December 31, 2022 to RMB38.7 million for the year ended December 31, 2023, which was primarily attributable to the increase in costs incurred as a result of the increased sales of commercialized products.

Gross Profit and Gross Profit Margin

Our gross profit increased by RMB15.3 million from RMB48.9 million for the year ended December 31, 2022 to RMB64.2 million for the year ended December 31, 2023. Our gross profit margin for the year ended December 31, 2023 was 62.4% (2022: 61.9%).

Other Income and Gains

Our other income and gains decreased by RMB0.2 million from RMB12.9 million for the year ended December 31, 2022 to RMB12.7 million for the year ended December 31, 2023, which was primarily attributable to the increase of the bank interest income which was partially offset by the decrease of subsidies received from local government during the year.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by RMB3.1 million from RMB86.8 million for the year ended December 31, 2022 to RMB83.7 million for the year ended December 31, 2023, which was primarily due to the decrease in employee costs as a result of the increased effectiveness in sales activities and partially offset by the increase of marketing and promotion expenses.

Administrative Expenses

Our administrative expenses decreased by RMB19.1 million from RMB108.9 million for the year ended December 31, 2022 to RMB89.8 million for the year ended December 31, 2023. Such decrease was primarily attributable to the decrease in the administrative employee costs and partially offset by the increase of office expenses.



MANAGEMENT DISCUSSION AND ANALYSIS



Research and Development Expenses

Our research and development expenses decreased by RMB54.0 million from RMB311.2 million for the year ended December 31, 2022 to RMB257.2 million for the year ended December 31, 2023. Such decrease was primarily attributable to the decrease in upfront and milestone payments made to our licensing partners, the decrease in testing and clinical trial expenses, the decrease in the R&D employee costs and partially offset by the increase of depreciation and amortization costs.

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Research and development expenses		
Staff costs	47,261	54,244
Testing and clinical trial expenses	169,034	174,305
License fees	11,149	59,488
Depreciation and amortization	12,777	7,342
Other expenses	16,989	15,795
Total	257,210	311,174

Finance Costs

Our finance costs increased from RMB6.9 million for the year ended December 31, 2022 to RMB8.9 million for the year ended December 31, 2023. Such increase was primarily due to increase in interest on lease liabilities.

Non-IFRS Measures

In addition to the Group's consolidated financial statements, which are presented in accordance with IFRSs, the Company also uses adjusted loss for the year as an additional financial measure, which is not required by, or presented in accordance with IFRSs. 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.



MANAGEMENT DISCUSSION AND ANALYSIS

We define adjusted loss for the year as loss for the year excluding the effect of share-based payment expenses. The term adjusted loss for the year is not defined under the IFRSs. 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 IFRSs.

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

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Loss for the year	(378,837)	(483,475)
Add:		
Share-based payment expenses	19,917	26,822
Adjusted loss for the year	(358,920)	(456,653)

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. There is no material seasonality of borrowing requirements for the Group.

Liquidity and Financial Resources

Our cash and bank balances as of December 31, 2023 were RMB137.5 million, of which RMB48.3 million, RMB82.2 million, RMB1.5 million and RMB5.5 million, were denominated in RMB, USD, HKD and TWD, respectively. As compared to RMB463.1 million as of December 31, 2022, the decrease of cash and bank balances was primarily attributable to the net cash outflows used in operations. Our primary uses of cash are to fund research and development efforts, milestone payments and working capital and for other general corporate purposes.



MANAGEMENT DISCUSSION AND ANALYSIS



Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy, aiming to maintain an optimal financial position and minimal financial risks. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its business operations as well as its research and development, business operation and expansion plans. For the year ended December 31, 2023, we funded our operations primarily through revenue generated from sales of commercialized products, net proceeds raised from the Global Offering as set out in the Prospectus and debt financing. We closely monitor the uses of cash and cash equivalents to ensure that our financial resources have been used in the most cost-effective and efficient way. We also consider and endeavor to seek various funding sources depending on the Group's funding needs.

Bank Loans and Other Borrowings

Our bank loans and other borrowings as of December 31, 2023 were RMB30.3 million (December 31, 2022: RMB37.6 million), of which RMB23.7 million and RMB6.6 million, were denominated in RMB and USD, respectively and carried fixed nominal interest rates ranging from 3.35% to 4.00% per annum.

Current ratio

Current ratio (calculated by current assets divided by current liabilities) of the Group as of December 31, 2023 was 64.0% (December 31, 2022: 181.6%). The decrease in current ratio was primarily due to the decrease in cash and bank balances, and the increase in trade payables as of December 31, 2023.

Gearing ratio

The gearing ratio (calculated by total interest-bearing borrowings divided by total assets) of the Group as of December 31, 2023 was 7.7% (December 31, 2022: 5.4%).

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, 2023, we did not have any material contingent liabilities.



MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure and Commitments

The Group's capital expenditures in the year ended December 31, 2023 were primarily related to the purchase of property, plant and equipment and intangible assets. In the year ended December 31, 2023, the Group incurred RMB38.7 million in relation to capital expenditures.

Charges on Group Assets

As of December 31, 2023, CANbridge Biomed Limited and CANbridge Care Pharma HongKong Limited, two subsidiaries of the Company, have charged all of their assets in favour of a commercial bank incorporated in the PRC (the "**Bank**") by way of first fixed charge and floating charge as security for the payment of the bank borrowings from the Bank. As of December 31, 2023, the Group pledged deposits of RMB12.6 million in commercial banks held as collateral for issuance of letters of credit for lease. Save as disclosed above, as of 31 December 2023, the Group did not have other charges over its assets.

Significant Investment Held

As of December 31, 2023, the Group did not have any significant investments.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period. Save as otherwise disclosed in the Prospectus, the Group does not have any specific future plans on material investments or capital assets as of the date of this report.

Share Schemes

Pre-IPO Equity Incentive Plan

The Company adopted the 2019 equity incentive plan (the "**Pre-IPO Equity Incentive Plan**") on July 25, 2019 and amended it on June 11, 2021.

The maximum number of Shares that may be subject to the awards granted and sold under the Pre-IPO Equity Incentive Plan is 54,549,230 Shares and share options (including those have subsequently lapse or been fully exercised) to subscribe for 55,708,000 Shares thereof had been granted. No share options were granted under the Pre-IPO Equity Incentive Plan after the Company's listing.

During the year ended December 31, 2023, 150,200 options were exercised, and 1,392,731 options were forfeited. As of December 31, 2023, the Company had 38,986,855 options outstanding.



MANAGEMENT DISCUSSION AND ANALYSIS



Post-IPO RSU Scheme

The Company has conditionally adopted the post-IPO RSU scheme by Shareholders' resolution dated November 18, 2021 (the "**Post-IPO RSU Scheme**").

The aggregate number of Shares underlying all grants made pursuant to the Post-IPO RSU Scheme (excluding awards which have been forfeited in accordance with the Post-IPO RSU Scheme) will not exceed 5% of the issued share capital of the Company as of the date of the approval of the Post-IPO RSU Scheme and further subject to an annual limit of 5% of the total number of issued share capital of the Company at the relevant time.

During the Reporting Period, no RSUs were granted by the Company under the Post-IPO RSU Scheme.

During the year ended December 31, 2023, 752,250 RSUs were vested, and 285,000 RSUs were forfeited. As of December 31, 2023, the Company had 4,612,750 RSUs outstanding.

Post-IPO Share Option Scheme

The Company has conditionally adopted the post-IPO share option scheme by Shareholders' resolution dated November 18, 2021 (the "**Post-IPO Share Option Scheme**").

The maximum number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme when aggregated with the maximum number of Shares in respect of which options may be granted under any other option scheme over Shares shall not exceed 10% of the issued share capital of the same class of the Company as of the date of approval of the Post-IPO Share Option Scheme.

During the Reporting Period, no share options were granted by the Company under the Post-IPO Share Option Scheme.

During the year ended December 31, 2023, no share options were exercised, and 1,318,000 share options were forfeited. As of December 31, 2023, the Company has 9,622,000 share options outstanding.

For further details of the Pre-IPO Equity Incentive Plan, Post-IPO RSU Scheme and Post-IPO Share Option Scheme, please refer to the section headed "Report of Directors – Share Schemes" of this report.



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Dr. James Qun Xue, Ph.D., M.B.A., aged 54, has served as Chairman of the Board, Director and Chief Executive Officer since the inception of our Company in January 2018 and was re-designated as an executive Director on June 21, 2021 and is a chairperson of Nomination and Corporate Governance Committee of the Company. Dr. Xue is the founder of our Company and has been actively involved in the business, strategy and operational management of our Group since its establishment.

Dr. Xue has over 24 years of experience in medical and pharmaceutical companies. Dr. Xue began his career as a scientist at Kosan Biosciences, Inc. from May 1998 to August 2000, where he dedicated himself to research in bioengineering. In 2002, Dr. Xue joined Genzyme Corporation, where he served in various positions with increasing responsibilities including, among others, the general manager of Genzyme China and senior director of business excellence, and accumulated extensive management experience there until 2011. Since June 2012, Dr. Xue has served as venture partner at Tullis Health Investors where he was principally responsible for providing advice on portfolio company investments and maintaining and enhancing company's brand and market position.

Dr. Xue is deputy director general of the China Alliance for Rare Disease (中國罕見病聯盟), deputy director of the Shanghai Foundation for Rare Disease. He has been the vice chair of the R&D committee of the China Pharmaceutical Innovation and Research Development Association (PhIRDA) since May 2016 and a member of the Leadership Council of the Joint Institute of Peking University Health Science Center and University of Michigan Medical School since August 2017. Dr. Xue has also been a member of BayHelix Group, a non-profit organization of business leaders with a mission to shape the growth of the life sciences and healthcare industry and a mentor of the Termeer Foundation, a nonprofit organization focused on connecting life science innovators and catalyzing the creation of new medicines.

Dr. Xue obtained his Bachelor of Science degree in pharmaceutical chemistry from Peking University School of Pharmacy in July 1992. He further obtained his Ph.D. in bioorganic chemistry from Brown University in April 1997. In addition, Dr. Xue received his postdoctoral degree in pharmaceutical chemistry and biochemistry from University of California in April 1998 and his Master of Business Administration from Darden School of Business, University of Virginia in May 2002.

NON-EXECUTIVE DIRECTORS

Dr. Kan Chen (陳侃), Ph.D., aged 42, was appointed as a Director in December 2020 and re-designated as a non-executive Director on June 21, 2021 and is a member of Audit Committee of the Company. Dr. Chen is responsible for participating in formulating our Company's corporate and business strategies.

Dr. Chen has been as a non-executive director of Antengene Corporation Limited (HKEX: 6996) since March 2021 and a non-executive director of Connect Biopharma Holdings Limited (NASDAQ: CNTB) since December 2020. Dr. Chen has also been serving as a director of Jiangsu Yahong Pharmaceutical Technology Co., Ltd. (江蘇亞虹醫藥科技股份有限公司) (SSE STAR MARKET: 688176), a company principally engaged in drug innovation with a focus on urinary system tumors and other serious diseases, and Abbisko Cayman Limited, a company principally engaged in research of small molecule new drugs, from October 2020 to December 2023 and from February 2020 to June 2021, respectively. Dr. Chen has also been serving as associate and vice president and then as principal of Qiming Venture Partners, focusing on healthcare



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT



management, since February 2016. From September 2014 to January 2016, Dr. Chen had been the senior scientist of Janssen, Pharmaceutical Companies of Johnson & Johnson, responsible for drug discovery. From November 2012 to August 2014, he served as group leader of Jiangsu Hengrui Medicine Co., Ltd. (SHA: 600276) responsible for drug discovery. From September 2009 to October 2012, he served as research fellow of immunology research at Brigham and Women's Hospital of Harvard Medical School.

Dr. Chen received his Bachelor of Science degree in biological sciences from Fudan University in July 2004 and his Ph. D. degree in cell biology from Case Western Reserve University in January 2009.

Mr. Edward Hu (胡正國), aged 62, was appointed as a non-executive Director on July 5, 2022 and is a member of Remuneration Committee of the Company. Mr. Hu is responsible for participating in formulating our Company's corporate and business strategies.

Mr. Hu is currently the Vice Chairman, Global Chief Investment Officer, Executive Director and Strategy Committee Member of WuXi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司) ("**Wuxi AppTec**"), a company listed on Shanghai Stock Exchange (stock code: 603259) and the Stock Exchange (stock code: 2359). Before his current position, he served as a Co-Chief Executive Officer of WuXi AppTec from August 2018 to May 2020, and as the Chief Financial Officer of WuXi AppTec from March 2016 to January 2019. Mr. Hu has been serving as an Executive Director of WuXi AppTec since March 2017. Previously, Mr. Hu served as the Chief Financial Officer and Chief Operating Officer of WuXi PharmaTech (Cayman) Inc., a company previously listed on the New York Stock Exchange, and was responsible for the financial and operational management between August 2007 to December 2015.

Prior to his roles at WuXi, Mr. Hu held multiple senior management roles in other companies. From October 2000 to July 2007, he served on various roles to become a Senior Vice President and Chief Operating Officer of Tanox Inc., a biopharmaceutical company previously listed on NASDAQ (stock code: TNOX, acquired by Genentech Inc. in August 2007) and primarily engaged in discovering and developing antibody therapeutic drugs, and was responsible for company operations, quality control, finance and information technology. From April 1998 to October 2000, he served as a business planning manager of Biogen Inc., a global biotechnology company listed on NASDAQ (stock code: BIIB) and primarily engaged in developing, marketing and sales of biopharmaceuticals for neurologic and immune diseases, and was responsible for business planning and budget management of its research and development division. From May 1996 to December 1998, he served as a senior financial analyst of Merck, and was responsible for financial planning and analysis.

Mr. Hu has been serving as a non-executive director of CStone Pharmaceuticals (基石藥業), a company listed on the Main Board of the Stock Exchange (stock code: 2616) since July 2021. He also served as a non-executive director of WuXi Biologics (Cayman) Inc., a company listed on the Main Board of the Stock Exchange (stock code: 2269) from February 2014 to June 2021, as a director of Ambrx Biopharma Inc. from July 2022 to February 2023, a company listed on NADAQ (stock code: AMAN) and acquired by Johnson & Johnson in March 2024, and as a director of Viela Bio Inc., a company listed on NASDAQ (stock code: VIE), from May 2018 to March 2021.

Mr. Hu obtained a bachelor's degree in physics from Hangzhou University, currently known as Zhejiang University (浙江大學) in the PRC in July 1983. He also obtained a master degree in chemistry and a master' degree of business administration from Carnegie Mellon University in the United States in May 1993 and May 1996, respectively.



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. James Arthur Geraghty, aged 69, was appointed as an independent non-executive Director on July 18, 2018 and is a member of each of Audit Committee and Nomination and Corporate Governance Committee of the Company. Mr. Geraghty is responsible for supervising and providing independent judgment to our Board.

Mr. Geraghty has approximately 32 years' management experience in business development, strategy and operations. Mr. Geraghty was an entrepreneur in residence of Third Rock Ventures from May 2013 to December 2016, where he was responsible for company formation and governance. Prior to this, Mr. Geraghty served as the senior vice president responsible for strategy and business development at Sanofi S.A. between April 2011 and December 2012. Mr. Geraghty worked with Genzyme Corporation from 1992 to 2011, with his last position being the senior vice president responsible for international development. From 1993 to 2007, Mr. Geraghty served as the chairman of board and the chief executive officer for Genzyme Transgenics Corporation. Prior to that, Mr. Geraghty started his career at Bain Capital, responsible for healthcare strategy consulting. Mr. Geraghty has been the chairman of the board of Orchard Therapeutics (NASDAQ: ORTX) and Pieris Pharmaceuticals (NASDAQ: PIRS) since May 2018 to March 2023 and since November 2017, respectively. Mr. Geraghty has also served as an independent non-employee Director of Fulcrum Therapeutics (NASDAQ: PIRS) since October 2016, Voyager Therapeutics (NASDAQ: VYGR) since January 2014 and Aceragen, Inc. (NASDAQ: ACGN) (former name: Idera Pharmaceuticals (NASDAQ: IDRA)) from July 2013 to March 2023, respectively.

Mr. Geraghty received his bachelor's degree in psychology from Georgetown University and received his Juris Doctor degree from Yale University Law School in May 1980.

Dr. Richard James Gregory, Ph.D., aged 66, was appointed as an independent non-executive Director in April 2020 and is a chairperson of Remuneration Committee and member of Nomination and Corporate Governance Committee of the Company. Dr. Gregory is responsible for supervising and providing independent judgment to our Board.

Dr. Gregory has over 32 years' experience in research and development. Dr. Gregory has served as an independent non-employee director of Homology Medicines (NASDAQ: FIXX) and an independent director of ProMIS Neurosciences (TSX: PMN) until June 2023. Dr. Gregory was the executive vice president and the chief scientific officer of ImmunoGen Inc. from January 2015 to August 2019. Prior to that, since February 1989, Dr. Gregory had spent 25 years at Genzyme Corporation (NASDAQ: GENZ) in roles of increasing responsibility, including Vice President and senior Vice President, with his last position being the Head of Research and Development for Genzyme Sanofi. In early 1990s, he also worked with Canji, Inc., focusing on the field of molecular biology. In 1989, Dr. Gregory served as a postdoctoral fellow of the Worcester Foundation for Experimental Biology.

Dr. Gregory received his bachelor's degree in Science in Biochemistry from Virginia Polytechnic Institute and State University in June 1980 and his Ph.D. degree from University of Massachusetts Amherst in January 1986. Dr. Gregory has been a fellow of the American Institute for Medical and Biological Engineering since February 2010.



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Peng Kuan Chan (陳炳鈞), aged 60, was appointed as an independent non-executive Director of the Company on June 11, 2021 and is a chairperson of Audit Committee and a member of Nomination and Corporate Governance Committee of the Company. Mr. Chan is responsible for supervising and providing independent judgment to our Board.

Mr. Chan has over 27 years of experience in corporate financing, investment banking, initial public offering, mergers and acquisitions as well as financial management. Mr. Chan has been serving as an independent non-executive director of Yincheng International Holding Co., Ltd. (HKEX: 1902) since February 2019 and an independent non-executive director of Yonghe Medical Group Co., Ltd. (雍禾醫療集團有限公司) (HKEX: 2279) since June 2021.

From October 2017 to May 2019, Mr. Chan was the chief financial officer of Elegance Optical International Holdings Ltd (HKEX: 0907), where he was responsible for corporate finance and financial management. Prior to this, from January 2012 to September 2017, Mr. Chan served as the chief operating officer of CITIC Merchant Co., Limited, responsible for formulating business strategies and executing business plans of the company.

Between January 2011 and November 2011, Mr. Chan served as Head of Asia CIG and Cleantech of Piper Jaffray Asia Limited. Mr. Chan served as the managing director of corporate finance – Great China coverage department, and an executive director of corporate finance department of BNP Paribas Capital (Asia Pacific) Limited from July 2006 to January 2011 and from March 2005 to June 2006, respectively. Between August 2000 and December 2004, Mr. Chan served as an executive director of Sanyuan Group Limited (三元集團有限公司), a company delisted from the Stock Exchange in December 2009 (stock code: 140) which principally engaged in property investment and bio-pharmaceuticals, with the mission of restructuring its business activities and materialising its debt restructuring plan. He served BNP Prime Peregrine Capital Limited from May 1994 to August 2000 where his last position was an executive director.

Mr. Chan received his bachelor's degree in commerce from University of Canterbury in May 1989 and received his master's degree in applied finance from Macquarie University in November 1998. He has been a Chartered Accountant of Chartered Accountants Australia and New Zealand since November 1992. He has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants ("HKICPA") since July 1993.

Dr. Lan Hu (胡瀾), aged 55, was appointed as an independent non-executive Director of the Company on February 16, 2022 and is a member of Remuneration Committee of the Company. Dr. Hu is responsible for supervising and providing independent judgment to our Board.

Dr. Hu has over 21 years of experience in healthcare investment, operations and administrative management. She served as the investment manager of JP Morgan Chase Bank from August 2002 to March 2004. She founded Beijing Amcare Women's & Children's Hospital Co., Ltd. (北京美中宜和婦兒醫院有限公司) in June 2004 and has been its director, chairman of the board and general manager. Since 2013, she has been the member of the 12th and 13th Beijing Municipal Committee of the Chinese People's Political Consultative Conference. She is currently serving as the chairman of the board and general manager of Beijing Amcare Medical Management Co., Ltd. (北京美中宜和醫療管理(集團)有限公司), the chairman of the board of Beijing Meizhong Airui Tumor Hospital Co., Ltd. (北京美中愛瑞腫瘤醫院有限公司), the independent director of Beijing Yida Shidai Technology Development Co., Ltd. (北京醫大時代科技發展有限公司) and the executive director and general manager of Beijing Xuanhe Yazhi Management Consulting Co., Ltd. (北京軒和雅致管理諮詢有限公司).



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Hu obtained a bachelor's degree in medicine from Peking University in 1993. She further obtained a Ph.D. in medical sciences from Northeast Ohio Medical University in 2000 and a master's degree in business administration from University of Michigan in 2002.

FORMER NON-EXECUTIVE DIRECTOR

Dr. Derek Paul Di Rocco, Ph.D., aged 43, was appointed as a Director in March 2020 and was re-designated as a non-executive Director on June 21, 2021 and a member of Nomination and Corporate Governance Committee of the Company. With effect from November 23, 2023, he resigned as a non-executive Director and a member of Nomination and Corporate Governance Committee of the Company.

Dr. Di Rocco has served as the partner of RA Capital Management, L.P., or RA Capital, a multi-stage investment manager dedicated to evidence-based investing in healthcare and life sciences, since 2020 and was previously a principal from 2017 to 2020 and joined RA Capital in 2013. As representative of RA Capital, Dr. Di Rocco has served as a non-executive director for Achilles Therapeutics plc (NASDAQ: ACHL) from September 2019 to May 2022, Werewolf Therapeutics, Inc. (NASDAQ: HOWL) since December 2020, Connect Biopharma Holdings Limited (NASDAQ: CNTB) from August 2020 to October 2023, iTeos Therapeutics, Inc. (NASDAQ: ITOS) since March 2020 and of 89bio, Inc. (NASDAQ: ETNB) since March 2018, respectively.

Dr. Di Rocco received his bachelor's degree in biology from College of the Holy Cross in May 2002 and his Ph.D. degree in pharmacology from University of Washington in August 2009.

SENIOR MANAGEMENT

Dr. James Qun Xue, aged 54, has served as Chairman of the Board, Director and Chief Executive Officer since the inception of our Company in January 2018 and was re-designated as an executive Director on June 21, 2021. Please see his biography under the paragraphs headed “– Executive Director” in this section.

Mr. Glenn Hassan, aged 46, was appointed as our Chief Financial Officer in April 2019. Mr. Hassan is responsible for overseeing the management of the Group's finances.

Before joining our Company, Mr. Hassan served as director, healthcare investment banking at China Renaissance Securities Inc. since August 2018, where he advised various cross-border healthcare investments and capital raising activities. Prior to this, he was a public market healthcare investor, serving as portfolio manager and senior analyst at Leerink Capital Partners from March 2016 to January 2018 and working at Citadel LLC's Surveyor Capital from June 2014 to February 2016. Mr Hassan started his investing career at Fidelity Management & Research Company where he served with increasing responsibilities from April 2008 to May 2014.

Mr. Hassan received his bachelor's degree of science in business with finance concentration from Indiana University in May 2002. Mr. Hassan further obtained his master's degree of science in global financial analysis and graduated with high distinction from McCallum Graduate School of Business, Bentley College in May 2004.



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT



Dr. Gerald Cox, aged 65, was appointed as Chief Development Strategist & Interim Chief Medical Officer of CANbridge in July 2019.

Prior to his work with CANbridge, Dr. Cox was Chief Medical Officer for Editas Medicine, in Cambridge, MA, from 2016 to 2018. Dr. Cox also had a long stint at Sanofi Genzyme, also in Cambridge, culminating as Vice President, Rare Disease Clinical Development, from 2008 to 2016 where he oversaw multiple global rare disease clinical development programs, including Cerdelga®; Xenpozyme®; Hectoral®; Cerezyme®, Aldurazyme®, and Elaprase® in Asia, among others. Before then, Dr. Cox held several senior medical R&D positions at Genzyme and was the company's first clinical geneticist recruited to oversee human clinical development programs for rare genetic diseases.

Dr. Cox is a board-certified clinical geneticist and pediatrician who trained at Boston Children's Hospital from 1989 to 1997 where he remains on staff and continues to see patients with genetic diseases till now. He earned an MD and PhD in Biology from the University of California at San Diego in 1989 and a Bachelor of Arts in Biology, from Harvard College in 1980. He holds multiple patents and awards and has authored scores of peer-reviewed publications, presentations, and book chapters.



REPORT OF DIRECTORS

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

PRINCIPAL ACTIVITIES

The Group is a China-based, rare disease-focused biopharmaceutical company founded in 2012 that is committed to the research, development and commercialization of biotech therapies.

There were no significant changes in the nature of the Group's principal activities during the year ended December 31, 2023. Please refer to note 1 to the financial statements for details of the principal activities of the principal subsidiaries of the Group. An analysis of the Group's revenue and operating results for the year ended December 31, 2023 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and note 5 to the financial statements.

BUSINESS REVIEW

A review of the Group's business during the year ended December 31, 2023, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year ended December 31, 2023, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this Directors' report.

RESULTS AND DIVIDEND

The consolidated results of the Group for the Reporting Period are presented in the consolidated statement of profit or loss and consolidate statement of comprehensive income on page 95 and 96 of this annual report.

The Board does not recommend the payment of a final dividend in respect of the year ended December 31, 2023. (2022: nil)

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

FINANCIAL SUMMARY

The Company's Shares were listed on the Stock Exchange on December 10, 2021. A summary of the published results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial information and financial statements, is set out on page 8 of this report.



REPORT OF DIRECTORS



PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the financial statements of this annual report.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that various stakeholders including employees, customers, suppliers and others are key to the Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationships with them.

The Group believes that it is vital to attract, recruit and retain quality employees. The Group conducts new staff training regularly to guide new employees and help them adapt to the new working environment. In addition, the Group provides on-line and in-person formal and comprehensive company-level and department-level training to our employees periodically in addition to on-the-job training. The Group also encourages its employees to attend external seminars and workshops to enrich their technical knowledge and develop competencies and skills. The Group also provides training and development programs and external training sessions to our employees from time to time to improve their technical skills and ensure their awareness and compliance with our various policies and procedures.

For details of an account of the Company's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company is set out in the environmental, social and governance report of the Company for the Reporting Period.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including environmental protection, health and safety, workplace conditions, employment and the environment.

The Group has implemented company-wide environmental, health and safety manuals, policies and standard operating procedures that include management systems and procedures relating to emissions of air, water and other media; waste water generation and treatment; process safety management; handling, use, storage, treatment and disposal of hazardous substances; worker health and safety requirements; third party safety management; emergency planning and response; and product stewardship.

Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the Reporting Period to be published in due course.



REPORT OF DIRECTORS

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in note 25 to the financial statements of this annual report.

RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 99 of this annual report. Details of the movement in the reserves of the Company during the Reporting Period is set out in note 35 to the financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2023, the Company's reserves available for distribution from share premium less accumulated losses, calculated in accordance with the provisions of Companies Law of the Cayman Islands, amounted to approximately RMB138.0 million (2022: RMB2,124.0 million).

The Company may pay dividends out of the share premium account, retained earnings and any other reserves provided that immediately following the payment of such dividends, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to December 31, 2023.

PRE-EMPTIVE RIGHTS

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



REPORT OF DIRECTORS



ISSUE OF EQUITY SECURITIES

The Company was listed by way of an initial public offering on the Hong Kong Stock Exchange on December 10, 2021. 56,251,000 ordinary shares of the Company were issued at a final offer price of HK\$12.18 per Share. For details of the Listing, please refer to the Prospectus and the announcement titled “Announcement of Allotment Results” of the Company dated December 9, 2021. There has been no issue for cash of equity securities by the Company from the Listing Date to the end of the Reporting Period.

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 HKD604.0 million (after deducting the underwriting fees, commissions and estimated expenses payable by the Company in connection with the Global Offering). According to the plan on use of proceeds as set out in the Prospectus, the Company intends to use the net proceeds in the same matter and proportion as set out below:

- Approximately 45.4% will be allocated to fund the ongoing and future R&D (including planned clinical trials, preparation of registration filings and milestone fees), and CMC development and manufacturing of our Core Product candidate CAN008;
- Approximately 24.0% will be allocated to fund our major products and product candidates in our pipeline;
 - Approximately 4.3% is expected to fund the ongoing commercialization, post-approval study and milestone fees of Hunterase® (CAN101);
 - Approximately 12.6% is expected to fund the ongoing and future R&D (including ongoing and planned clinical trials in Singapore and China, preparation of registration filings and milestone fees) of CAN106, targeting paroxysmal nocturnal hemoglobinuria (PNH) and various other complement mediated diseases that are targeted by approved anti-C5 antibodies;
 - Approximately 3.6% is expected to fund the ongoing and future R&D (including ongoing and planned clinical trials, preparation of registration filings and milestone fees) of CAN103;
 - Approximately 3.5% is expected to fund the ongoing and future R&D (including ongoing and planned clinical trials, preparation of registration filings and milestone fees) and future commercial launches (including sales and marketing) of CAN108;



REPORT OF DIRECTORS

- Approximately 1.8% will be allocated to fund ongoing and future R&D (including ongoing and planned clinical trials, preparation of registration filings and milestone fees) of other non-gene therapy products and product candidates in our pipeline;
- Approximately 12.0% is expected to fund the ongoing and future R&D (including ongoing and planned clinical trials, preparation of registration filings and milestone fees) of CAN201, CAN202 and our other gene therapy programs;
- The remaining 16.8% of the net proceeds will be allocated to fund the R&D and other general business purposes
 - Approximately 7.2% will be allocated to develop our R&D and manufacturing facilities in both China and the U.S. for all our products and drug candidates, and potential office and site expansion and upgrade in China and the U.S.
 - Approximately 1.3% will be allocated to our other R&D activities including employment costs in both China and the U.S.;
 - Approximately 3.0% will be allocated for potential strategic acquisitions, investments, in-licensing or collaborations. We do not have any concrete acquisition target but plan to explore drug candidates in the rare disease and gene therapy area which may be complimentary to our current drug portfolio;
 - Approximately 1.0% will be used for our commercialization activities, including expanding our sales and marketing team; and
 - Approximately 4.3% will be used for our working capital and general corporate purposes.



REPORT OF DIRECTORS



The table below sets forth a detailed breakdown and description of the utilization of net proceeds as at December 31, 2023:

Purpose	Percentage of total amount of net proceeds	Amount of net proceeds HKD in million	Net proceeds unutilized as at January 1, 2023 HKD in million	Actual use of proceeds during the Reporting Period HKD in million	Net proceeds unutilized as at December 31, 2023 HKD in million
Fund ongoing and future R&D (including planned clinical trials, preparation of registration filings and milestone fees), and CMC development and manufacturing of our Core Product candidate CAN008	45.4%	274.2	166.6	89.7	76.9
Fund our major products and product candidates in our pipeline	24.0%	144.9	45.0	43.4	1.6
Fund ongoing and future R&D (including ongoing and planned clinical trials, preparation of registration filings and milestone fees) of other non-gene therapy products and product candidates in our pipeline	1.8%	10.9	8.1	4.0	4.1
Fund the ongoing and future R&D (including ongoing and planned clinical trials, preparation of registration filings and milestone fees) of CAN201, CAN202 and our other gene therapy programs	12.0%	72.5	25.8	25.8	–
Fund the R&D and other general business purposes	16.8%	101.5	40.9	40.9	–
Total	100%	604.0	286.4	203.8	82.6

Note:

It is expected that the Company will fully utilize the net proceeds raised from the Global Offering by the end of 2024.



REPORT OF DIRECTORS

DIRECTORS

As at the date of this report, the Board consisted of the following 7 Directors:

Executive Director

Dr. James Qun Xue (*Chairman and Chief Executive Officer*)

Non-executive Directors

Dr. Kan Chen

Mr. Edward Hu

Independent Non-executive Directors

Dr. Richard James Gregory

Mr. James Arthur Geraghty

Mr. Peng Kuan Chan

Dr. Lan Hu

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out in the section headed “Biographies of Directors and Senior Management” of this annual report.

CHANGE OF INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

(i) Change in Directors and Composition of Board Committees

During the Reporting Period, Dr. Derek Paul Di Rocco resigned as a non-executive Director and a member of the Nomination and Corporate Governance Committee, with effect from November 23, 2023.

(ii) Change in Biographies of Directors

Saved as disclosed in this report and as at the date of this report, There are no other changes to the Directors’ and Senior Management’s information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



REPORT OF DIRECTORS



DIRECTORS' SERVICE CONTRACTS

The executive Director and each of the non-executive Directors has entered into a service contract with the Company under which the initial term of their respective service contract shall commence from the date of their appointment until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than three months' prior notice. Each of the independent non-executive Directors has entered into an appointment letter with the Company effective from the date of the Prospectus, being November 30, 2021, except that Dr. Lan Hu has entered into an appointment letter with the Company effective from February 16, 2022. The initial term of their appointment letters shall commence from the date of their appointment for a period of three years (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

Save as disclosed above, none of the Directors has entered into any service contract with the Company or any of its subsidiaries not determinable by the Company within one year without payment of compensation, other than statutory compensation.

CONTRACT WITH SUBSTANTIAL SHAREHOLDERS

No contract of significance was entered into between the Company or any of its subsidiaries and the substantial shareholders or any of its subsidiaries as at December 31, 2023 or subsisted at December 31, 2023 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 as at December 31, 2023 or subsisted at December 31, 2023.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at December 31, 2023 or at any time as at December 31, 2023.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management receive compensation in the form of fees, salaries, bonuses, other allowances, benefits in kind, contribution to the pension scheme and other share-based compensation. The compensation of Directors and senior management is determined based on each Director and senior management's responsibilities, qualification, position and seniority. Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in note 8 and note 9 to the financial statements of this annual report.



REPORT OF DIRECTORS

For the Reporting Period, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended December 31, 2023.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at December 31, 2023, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a Director of the Company and/or its subsidiaries.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

NON-COMPETITION ARRANGEMENTS

No non-competition agreements or arrangement has been provided by the substantial shareholders as at December 31, 2023 or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

Other than the Directors and senior managements' 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 December 31, 2023 or at any time as at December 31, 2023.

EQUITY-LINKED AGREEMENTS

Apart from the Pre-IPO Equity Incentive Plan, Post-IPO RSU Scheme and Post-IPO Share Option Scheme, the Company has not entered into any equity-linked agreement during the Reporting Period.

PRE-IPO EQUITY INCENTIVE PLAN

In April 2016, the board of directors of CANbridge Life Sciences Ltd. (the "CANbridge Life Sciences") approved an equity incentive plan, under which 1,250,000 shares of CANbridge Life Sciences were reserved for granting options to its employees (the "CANbridge Beijing Equity Incentive Plan").



REPORT OF DIRECTORS

Pursuant to a resolution passed by the Board on July 25, 2019, the 2019 equity incentive plan (the “**Pre-IPO Equity Incentive Plan**”) was adopted to inherit and replace the CANbridge Beijing Equity Incentive Plan and Shares were granted under the Pre-IPO Equity Incentive Plan to replace the shares of CANbridge Life Sciences previously granted.

The following is a summary of the principal terms of the Pre-IPO Equity Incentive Plan.

(a) Summary of terms

Purpose. The purpose of the Pre-IPO Equity Incentive Plan is to provide incentives to Directors and employees of the Company or any other third party that the Board considers as contributed or will contribute to the Company. The Pre-IPO Equity Incentive Plan allow our Company to provide such persons with opportunities to (i) acquire Shares of the Company pursuant to options granted, (ii) receive restricted share units and (iii) purchase restricted shares (collectively, the “**Awards**”).

Eligible Participants. Any Director and employee of the Company, or any advisor, consultant, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner, service provider or other third parties who the Board considers, in its sole discretion, has contributed or will contribute to the Company are eligible to participate in the Pre-IPO Equity Incentive Plan. Reference factors for the selection of participants include: (i) the Company’s long-term development strategy; (ii) the status of the Company’s business development; (iii) the Company’s human resources strategy; (iv) the functional characteristics of the participant’s position; (v) the length of service of the participant; and (vi) the job performance of the participant.

Duration. Unless terminated sooner in accordance with the terms of the Pre-IPO Equity Incentive Plan, the Pre-IPO Equity Incentive Plan will continue in effect, with regard to the making of Awards, for a term of ten years from their respective effective date. Awards granted during the term of the Pre-IPO Equity Incentive Plan may continue to be valid and exercisable in accordance with their terms of grant.

Maximum Number of Shares. As at the Listing Date, the maximum number of Shares that may be subject to the Awards granted and sold under the 2019 Equity Incentive Plan is 54,549,230 Shares and Share Options (including those have subsequently forfeited or been fully exercised) to subscribe for 55,708,000 Shares thereof had been granted. No Share Options were granted for the Reporting Period and no grant was made under the Pre-IPO Equity Incentive Plan which requires review by the Remuneration Committee for the Reporting Period. During the year ended December 31, 2023, Share Options corresponding to 150,200 Shares were exercised and Share Options corresponding to 1,392,731 Shares had forfeited. As at December 31, 2023, (i) Share Options to subscribe for 9,610,895 Shares were forfeited in accordance with the Pre-IPO Equity Incentive Plan; (ii) no Share Options had been cancelled; (iii) Share Options corresponding to 7,110,250 Shares had been exercised; and (iv) Share Options corresponding to the remaining 38,986,855 Shares were outstanding. No Shares or Award remain available for grant under the Pre-IPO Equity Incentive Plan as at December 31, 2023. At all times during the term of the Pre-IPO Equity Incentive Plan and while any Awards are outstanding, the Company will retain as authorized and unissued Shares at least the number of Shares from time to time required to satisfy the terms of the Pre-IPO Equity Incentive Plan and such Awards, or otherwise assure itself of its ability to perform its obligations thereunder.



REPORT OF DIRECTORS

As at the date of this report, 34,192,066 Shares underlying outstanding Awards granted under the Pre-IPO Equity Incentive Plan are available for issue. This represented approximately 8.05% of the total number of Shares in issue as at the date of this report.

The Pre-IPO Equity incentive Plan has no maximum entitlement of each individual participant nor service provider sublimit under Chapter 17 of the Listing Rules.

Administration. The Pre-IPO Equity Incentive Plan will be administered by the Board. The Board will be responsible for the approval, amendment to and termination of the Pre-IPO Equity Incentive Plan, as well as other major decisions such as determining the types of Awards to be granted, determining the number of Shares or restricted share units to be covered by each Award granted, approving the forms of Award agreements, determining the performance review targets for the eligible participants and determining the terms and conditions of any Award. A committee will be appointed by the Board to be responsible for the actual implementation of the Pre-IPO Equity Incentive Plan.

Awards. Grant of Awards shall be made in accordance with the Pre-IPO Equity Incentive Plan and in compliance with applicable laws and regulations. Each recipient of an Award shall enter into an Award agreement and any other agreements as determined by the Board. The date of grant of an Award shall be determined by the Company and the recipient at the execution of the Award agreement. The term of each option, restricted share unit or other Award will be stated in the Award agreement.

(i) Options. Subject to terms stating otherwise in the relevant Award agreement or as otherwise determined by the Board, the exercise price for Shares to be issued upon exercise of an option granted under the Pre-IPO Equity Incentive Plan is as below:

For the pool of 1,250,000 Shares reserved under the 2019 Equity Incentive Plan to substitute the shares of CANbridge Life Sciences previously granted under the CANbridge Beijing Equity Incentive Plan

Time of Grant	Exercise Price
Within 2014	RMB1 or fair market value or otherwise determined by the Board
Within 2015	RMB1.5 or fair market value or otherwise determined by the Board
Within 2016	No less than the corresponding portion of the Company's net asset by the end of 2015 or fair market value or otherwise determined by the Board
Within 2017	No less than the corresponding portion of the Company's net asset by the end of 2016 or fair market value or otherwise determined by the Board
Within 2018	No less than the corresponding portion of the Company's net asset by the end of 2017 or fair market value or otherwise determined by the Board
Within 2019 or onwards	No less than the corresponding portion of the Company's net asset by the end of 2018 or fair market value or otherwise determined by the Board



REPORT OF DIRECTORS

For the remaining pool of 4,204,923 Shares under the 2019 Equity Incentive Plan

Time of Grant	Exercise Price
Within 2019 or onwards	No less than 50% of the last round financing of the Company or fair market value or otherwise determined by the Board

(ii) Restricted share units and restricted shares. Under the 2019 Equity Incentive Plan, unless otherwise determined by the Board, for awards or restricted share units and restricted shares made within 2019 or onwards, the price to be paid for the granting of restricted share units and the purchase price of restricted shares will be no less than 50% of the last round financing of the Company or fair market value or otherwise determined by the Board.

The consideration to be paid for Shares to be issued upon exercise of an option granted, the granting of a restricted share unit, or the purchase of restricted shares, including the method of payment, will be determined by the Board.

Vesting. Options granted will become vested and exercisable, any restricted share units granted will vest and be settled, and any restricted shares issued pursuant to the Pre-IPO Equity Incentive Plan will be released and no longer be subject to forfeiture or a right of repurchase by the Company, according to the terms set out in the Pre-IPO Equity Incentive Plan, and under such conditions as determined by the Board and set forth in an Award agreement.

(b) Outstanding Share Options granted under the Pre-IPO Equity Incentive Plan

As at the Listing Date, our Company had granted Share Options under the Pre-IPO Equity Incentive Plan to 172 grantees to subscribe for an aggregate of 55,708,000 Shares (including grantees whose Shares Options have subsequently forfeited or been exercised). No Share Options were granted for the Reporting Period. During the Reporting Period, Share Options corresponding to 150,200 Shares were exercised and Share Options corresponding to 1,392,731 Shares had forfeited. As at December 31, 2023, Share Options to subscribe for 9,610,895 Shares were forfeited in accordance with the Pre-IPO Equity Incentive Plan and Share Options corresponding to 7,110,250 Shares had been exercised. No Share Options had been cancelled as at December 31, 2023. Accordingly, as of December 31, 2023, Share Options to acquire an aggregate of 38,986,855 Shares, representing approximately 9.18% of the total issued share capital of the Company, were outstanding under the Pre-IPO Equity Incentive Plan.

As of December 31, 2023, the grantees of outstanding Share Options under the Pre-IPO Equity Incentive Plan include Dr. Xue as our CEO and 3 other Directors, 8 consultants and 127 other employees of our Group. Below is a list of grantees of outstanding Share Options (excluding forfeited and exercised Share Options) under the Pre-IPO Equity Incentive Plan. No Share Option under the Pre-IPO Equity Incentive Plan has been granted to other connected persons of the Company and no consideration was paid for the Share Options granted.

REPORT OF DIRECTORS



Name of grantee	Position held within our Group	Exercise price (per share)	Number of Shares underlying the outstanding Share Options as of January 1, 2023	Date of grant ^(Note 4)	Vesting period ^(Note 2)	Exercise period	Number of Shares underlying the outstanding Share Options as of December 31, 2023	Number of Share Options exercised from January 1, 2023 to December 31, 2023	Number of Share Options cancelled from January 1, 2023 to December 31, 2023	Number of Share Options lapsed/forfeited from January 1, 2023 to December 31, 2023	Number of Shares underlying the outstanding Share Options as of December 31, 2023
DIRECTORS											
James Qun Xue	Chairman of the Board, executive Director and Chief Executive Officer	USD0.185	620,280	October 17, 2018	(Note 1)	January 1, 2023 to December 31, 2023	620,280	-	-	-	620,280
		USD0.52	3,861,140	October 17, 2018	(Note 1)	(Note 5)	3,861,140	-	-	-	3,861,140
		USD1.179	5,000,000	June 11, 2021	(Note 1)	(Note 5)	5,000,000	-	-	-	5,000,000
James Arthur Geraghty	Independent non-executive Director	RMB0.589	1,000,000	July 25, 2019	(Note 1)	(Note 5)	1,000,000	-	-	-	1,000,000
		USD1.179	250,000	June 11, 2021	(Note 1)	(Note 5)	250,000	-	-	-	250,000
Richard James Gregory	Independent non-executive Director	USD0.706	300,000	April 7, 2020	(Note 2)	(Note 5)	300,000	-	-	-	300,000
Peng Kuan Chan	Independent non-executive Director	USD0.753	250,000	June 11, 2021	(Note 1)	(Note 5)	250,000	-	-	-	250,000
8 CONSULTANTS											
		0-USD1.179	3,213,553	May 1, 2013 - November 8, 2021	(Note 1)	(Note 5)	3,213,553	-	-	-	3,213,553
127 OTHER EMPLOYEES OF THE GROUP											
		RMB0.1 - USD1.179	26,034,813	August 7, 2013 - November 8, 2021	Six months from date of grant to five years from date of grant	(Note 5)	24,491,882	150,200	1,392,731	1,392,731	24,491,882
Total:			40,529,786				150,200 (Note 6)		1,392,731		38,986,855



REPORT OF DIRECTORS



Notes:

1. The vesting schedule for these options is: (i) 25% to be vested one year from the date of grant and (ii) 75% to be vested in equal monthly installments over the subsequent 36 months thereafter.
2. The vesting schedule for these options is: 100% to be vested in equal monthly installments over the 36 months from the date of grant.
3. The vesting period refers to the period that the share options are vested.
4. The share closing price immediately before the date of grant of the Share options are not applicable as the Share Options were granted before the Listing Date.
5. The exercise period for these options is within 10 years from the relevant vesting date.
6. One of the grantees exercised 150,000 Share Options in December 2023, but Shares were only issued in January 2024. Therefore, in this table, the Company has included these 150,000 Share Options as remaining outstanding as at 31 December 2023.

(c) Restricted share units and restricted shares

As at the December 31, 2023, no restricted share units or restricted shares have been granted under the Pre-IPO Equity Incentive Plan.

(d) General

Given that during the Reporting Period, the Company did not grant any Awards under the Pre-IPO Equity Incentive Plan, no share may be issued in respect of any Awards under the Pre-IPO Equity Incentive Plan during the Reporting Period and as such, the disclosure requirement under Rule 17.07(3) of the Listing Rules is not applicable.

Further details of the Pre-IPO Equity Incentive Plan are set out in the Prospectus.

POST-IPO RSU SCHEME

The Company has conditionally adopted the Post-IPO RSU Scheme by Shareholders' resolutions dated November 18, 2021. The Company may appoint a trustee (the "**RSU Trustee**") to administer the Post-IPO RSU Scheme with respect to the grant of any Award (as defined below), by way of restricted share unit(s) ("**RSU(s)**"), which may vest in the form of Shares (the "**Award Shares**") or the actual selling price of the Award Shares in cash in accordance with the Post-IPO RSU Scheme.

1. Eligible Persons to the Post-IPO RSU Scheme

Any individual, being an employee, director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant or advisor of any member of the Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them) who the Board considers, in its sole discretion, to have contributed or will contribute to the Group or any affiliate is eligible to receive an award granted by the Board (an "**Award**") (an "**Eligible Person**" and, collectively "**Eligible Persons**", for the purpose of this section), by way of RSUs, which may vest in the form of Award Shares or the actual selling price of the Award Shares of RSUs in cash in accordance with the Post-IPO RSU Scheme.



REPORT OF DIRECTORS

2. Purpose of the Post-IPO RSU Scheme

The purpose of the Post-IPO RSU Scheme is to align the interests of Eligible Persons with those of our Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of our Group.

3. Awards

An Award gives a selected participant a conditional right, when the RSU vests, to obtain the Award Share or, if in the absolute discretion of the Board, it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Award Shares. For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by our Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

No consideration is payable for the application or acceptance of an Award.

4. Maximum Number of Shares to be Granted

The aggregate number of Shares underlying all grants made pursuant to the Post-IPO RSU Scheme (excluding Award which have been forfeited in accordance with the Post-IPO RSU Scheme) will not exceed 5% of the issued share capital of the Company as of the date of approval of the Post-IPO RSU Scheme (i.e. 18,397,046) without Shareholders' approval (the "**Post-IPO RSU Scheme Limit**"), further subject to an annual limit of 5% of the total number of issued share capital of the Company at the relevant time.

Save as prescribed in the Post-IPO RSU Scheme or as otherwise restricted by the Listing Rules, for any 12-month period, the aggregate number of Shares granted to any selected participant shall not exceed 1% of the total number of the issued Shares at the relevant time, without Shareholders' approval.

During the Reporting Period, no RSU had been granted under the Post-IPO RSU Scheme. Accordingly, taking into account of the RSUs that have lapsed during the Reporting Period, the number of RSUs available for grant under the Post-IPO RSU Scheme as of January 1, 2023 and December 31, 2023 was 12,747,046 and 13,032,046, representing approximately 3.00% and 3.07% of the total number of Shares in issue as of January 1, 2023 and December 31, 2023, respectively.

As at the date of this report, 17,596,046 Shares are available for issue under the Post-IPO RSU Scheme (i.e. Shares underlying (i) RSUs available for grant and (ii) outstanding RSUs under the Post-IPO RSU Scheme), representing approximately 4.14% of the total number of Shares in issue as at the date of this report.

The Post-IPO RSU Scheme has no service provider sublimit under Chapter 17 of the Listing Rules.



REPORT OF DIRECTORS



5. Vesting of Awards

The Board may from time to time while the Post-IPO RSU Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested. If the vesting date is not a business day, the vesting date shall, subject to any trading halt or suspension in the Shares, be the business day immediately thereafter. No other purchase price is payable by the Eligible Person for the Shares awarded under the RSUs.

6. Termination

The Post-IPO RSU Scheme shall be valid and effective for the period of ten years commencing on the date when the Post-IPO RSU Scheme becomes unconditional (i.e. December 10, 2021) (subject to any early termination below) with a remaining life of approximately 7 years and 9 months as of the date of this report. The Post-IPO RSU Scheme shall terminate on the earlier of:

- (i) the end of the period of ten years commencing on the date on which this scheme is adopted except in respect of any non-vested Award Shares granted hereunder prior to the expiration of the Post-IPO RSU Scheme, for the purpose of giving effect to the vesting of such Award Shares or otherwise as may be required in accordance with the provisions of the Post-IPO RSU Scheme; and
- (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the Post-IPO RSU Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the Award Shares already granted to a selected participant.

7. Administration of the Post-IPO RSU Scheme

The Post-IPO RSU Scheme shall be subject to the administration of the Board in accordance with the Post-IPO RSU Scheme and, where applicable, the Trust Deed. The authority to administer the Post-IPO RSU Scheme may be delegated by the Board to a committee of the Board or any person(s) as deemed appropriate at the sole discretion of the Board. A decision of the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall be final and binding on all persons affected thereby. The Remuneration Committee is responsible for reviewing and approving matters relating to share schemes under Chapter 17 of the Listing Rules, including but not limited to the Post-IPO RSU Scheme.

REPORT OF DIRECTORS



8. General

As of January 1, 2023, (i.e. the beginning of the Reporting Period), there was 5,650,000 RSU granted (excluding Award which have been forfeited in accordance with the Post-IPO RSU Scheme) under the Post-IPO RSU Scheme. During the Reporting Period, no RSU had been granted under the Post-IPO RSU Scheme. Accordingly, the disclosure requirement under Rule 17.07(3) of the Listing Rules is not applicable. The details of the changes in the RSUs granted under the Post IPO RSU Scheme during the Reporting Period are set out below:

Name of Participant or Category of Participant	Date of grant	Closing price of shares immediately before the date on which the RSUs were granted and fair value of RSUs at the date of grant (Note 3)	outstanding as of January 1, 2023	granted during the Reporting Period	vested during the Reporting Period	lapsed/ forfeited during the Reporting Period	cancelled during the Reporting Period	exercised during the Reporting Period	outstanding as of December 31, 2023	Vesting period	Performance targets	the weighted average closing price of the shares immediately before the dates on which the RSUs were vested
Directors or chief executive and their associates												
James Qun Xue	November 11, 2022	-	1,000,000	-	81,250	-	-	-	918,750	4 years	Notes 1 and 2	HKD1.36
Other employee participants												
	November 11, 2022	-	3,188,000	-	671,000	120,000	-	-	2,397,000	4 years	Note 1	HKD1.40
	November 11, 2022	-	1,462,000	-	-	165,000	-	-	1,297,000	4 years	Note 2	-
Total:			5,650,000		752,250	285,000			4,612,750			

Notes:

1. The vesting of the RSUs granted are subject to the individual performance review as set out in the respective grant documents.
2. The vesting of the RSUs granted are subject to certain milestones or performance targets relating to the business development of the Group.
3. Given that no RSU was granted during the Reporting Period, the disclosure requirement under Rule 17.07(1)(c) of the Listing Rules is not applicable.

As no grant was made under the Post-IPO RSU Scheme during the Reporting Period, nothing in relation to the Post-IPO RSU Scheme would require review by the Remuneration Committee for the year ended December 31, 2023.



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Further details of the Post-IPO RSU Scheme are set out in the Prospectus.

POST-IPO SHARE OPTION SCHEME

A summary of the principal terms of the Post-IPO Share Option Scheme conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by resolutions of our Shareholders on November 18, 2021 is as follows.

1. Purpose

The purpose of the Post-IPO Share Option Scheme is to align the interests of Eligible Persons with those of our Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of our Group.

2. Grantees

Any individual, being an employee, director (including executive directors, non-executive directors and independent non-executive directors), officer, consultant or advisor of any member of our Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them) who the Board may in its absolute discretion select to grant a right to subscribe for such number of Shares (an “**Option**”) as the Board may determine at the Subscription Price (as defined below) (“**Eligible Person**”, for the purpose of this section), who accepts the offer or grant of an Option in accordance with the terms of the Post-IPO Share Option Scheme.

3. Maximum number of Shares

The maximum number of Shares in respect of which Options may be granted under the Post-IPO Share Option Scheme when aggregated with the maximum number of Shares in respect of which Options may be granted under any other option scheme over Shares shall not exceed 10% of the issued share capital of the same class of the Company as of the date of approval of the Post-IPO Share Option Scheme (or of the refreshing of the 10% limit) by the shareholders of the Company. Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme shall not be counted for the purpose of calculating the 10% limit. Within the aforesaid 10% limit (or alternatively subject to the approval of shareholders of the Company in general meeting), the maximum number of Shares to be issued upon exercise of all outstanding Options under this Post-IPO Share Option Scheme may be increased by increments as determined by the Board, provided that the total number of Shares to be issued upon exercise of all outstanding Options under the Post-IPO Share Option Scheme and all other schemes of the Company granted and yet to be exercised does not exceed 30% of all the Shares of the same class in issue from time to time. No Option may be granted under the Post-IPO Share Option Scheme if this will result in the limit being exceeded.

REPORT OF DIRECTORS



The maximum number of Shares shall be adjusted, in such manner as the auditor of the Company shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of the Company whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction to which the Company is a party.

As of the date of this report, the number of Shares available to be issued underlying the outstanding Options granted under the Post-IPO Share Option Scheme is 19,189,000 Shares, representing approximately 4.52% of the total number of Shares in issue as at the date of this report. As at the date of this report, 36,794,092 Shares are available for issue under the Post-IPO Share Option Scheme (i.e. Shares underlying (i) Options available for grant and (ii) outstanding Options under the Post-IPO Share Option Scheme), representing approximately 8.66% of the total number of Shares in issue as at the date of this report.

During the Reporting Period, no Option had been granted under the Post-IPO Share Option Scheme. Accordingly, taking into account of the Options that have lapsed during the Reporting Period, the number of Options available for grant under the Post-IPO Share Option Scheme as of January 1, 2023 and December 31, 2023 was 25,854,092 and 27,172,092, representing approximately 6.09% and 6.40% of the total number of Shares in issue as of both January 1, 2023 and December 31, 2023, respectively.

The Post-IPO Share Option Scheme has no service provider sublimit under Chapter 17 of the Listing Rules.

4. Maximum entitlement of a grantee

Except with the approval of shareholders in general meeting with the prospective Grantee and his associates abstaining from voting, no Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options and any other Option over the Shares (including exercised, cancelled and outstanding Options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time. The Company shall send a circular to its shareholders containing the information required under the Listing Rules. The number and terms of the Options to be granted to such prospective Grantee shall be fixed before the shareholders' approval of the grant of such Options and the date of Board meeting for proposing such further grant should be taken as the Offer Date for the purpose of calculating the Subscription Price.

5. Vesting of Options

Subject to the Post-IPO Share Option Scheme, the Listing Rules and any applicable law and regulations, any Options will become vested and exercisable and no longer be subject to forfeiture or repurchase right of the Company, according to the terms of the Post-IPO Share Option Scheme at such times and under such conditions as determined by the Board and set forth in the letter containing the offer or grant of the relevant Option. For the avoidance of doubt, any non-statutory long leave of absence, as the Board may determine, shall be deducted from period of service for the purpose of counting vesting period.



REPORT OF DIRECTORS



6. Subscription price

No consideration is payable on application or acceptance of the Option granted under the Post-IPO Share Option Scheme. The amount payable for each Share to be subscribed for under an Option (“**Subscription Price**”) in the event of the Option being exercised shall be determined by the Board at its absolute discretion, but shall be not less than the highest of:

- (i) the nominal value of a Share on the date of grant;
- (ii) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant which must be a business day; and
- (iii) the average closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant,

provided that, for the purpose of determining the Subscription Price where the Shares have been listed on the Stock Exchange for less than five business days, the issue price of the Shares in the Company’s Global Offering of the Shares shall be used as the closing price of the Shares for any business day falling within the period before the listing of the Shares on the Stock Exchange.

7. Time of exercise of an Option

Subject as provided in the Post-IPO Share Option Scheme and any conditions specified by the Board, an Option may, subject to the terms and conditions upon which such Option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as the Board may from time to time determine stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised.

8. Lapse of Option

Any Option shall elapse automatically and not be exercisable on the earliest of:

- (a) the expiry of the Option Period or other applicable exercisable periods under the Post-IPO Share Option Scheme;
- (b) the date of the commencement of the winding-up of the Company;
- (c) the date on which the Grantee ceases to be an Eligible Person of the Company by reason of the summary termination of his employment, office or service on any one or more of the grounds that he has been guilty of gross misconduct, or has been convicted of any criminal offense involving his integrity or honesty that seriously impair the interests or benefits of the relevant company in the Group or (if so determined by the Board in its absolute discretion) on any other ground on which the relevant company in the Group would be entitled to terminate his employment or office summarily at common law or pursuant to any applicable laws or under the Grantee’s service contract with relevant company in the Group;

REPORT OF DIRECTORS



- (d) where the Grantee is an Eligible Person of a subsidiary or a consolidated affiliated entity of the Company, the date on which such subsidiary or consolidated affiliated entity of the Company ceases to be a member of the Group;
- (e) the date on which the Option is cancelled by the Board;
- (f) the date on which the Grantee commits a breach of relevant clauses that rights are personal to the Grantees; or
- (g) the occurrence or non-occurrence of any event, expiry of any period, or nonsatisfaction of any condition, as specified in the letter containing the offer or grant of the relevant Option.

9. Duration

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date when the Post-IPO Share Option Scheme becomes unconditional (i.e. December 10, 2021), after which period no further Options will be granted by the provisions of the Post-IPO Share Option Scheme, but the provisions of this Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. The Post-IPO Share Option Scheme has a remaining life of approximately 7 years and 9 months as of the date of this report.

10. Termination

The Company by an ordinary resolution in general meeting or the Board may at any time terminate the operation of the Post-IPO Share Option Scheme and in such event no further Options will be offered but the provisions of the Post-IPO Share Option Scheme shall remain in full force in all other respects. All Options granted but unexercised prior to such termination shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Post-IPO Share Option Scheme.

11. Value of Option

Our Directors consider it inappropriate to disclose the value of Options which may be granted under the Post-IPO Share Option Scheme as if they had been granted as of the December 31, 2023. Any such valuation will have to be made on the basis of a certain Option pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no Option has been granted, certain variables are not available for calculating the value of Options. Our Directors believe that any calculation of the value of options granted as of December 31, 2023 would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

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12. Administration of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be subject to the administration of the Board who may delegate all or part of such administration to a committee or any other authorised agent(s) as deemed appropriate at the sole discretion of the Board. The Remuneration Committee is responsible for reviewing and approving matters relating to share schemes under Chapter 17 of the Listing Rules, including but not limited to the Post-IPO Share Option Scheme.

13. General

As of January 1, 2023 (i.e. the beginning of the Reporting Period), there were 10,940,000 outstanding Options granted under the Post-IPO Share Option Scheme. During the Reporting Period, no Options had been granted under the Post-IPO Share Option Scheme. Accordingly, the disclosure requirement under Rule 17.07(3) of the Listing Rules is not applicable. The details of the changes in the Options granted under the Post-IPO Share Option Scheme during the Reporting Period are set out below:

Name of Participant or Category of Participant	Date of grant	Closing price of shares immediately before the date on which the Options were granted and fair value of Options at the date of grant		outstanding as of January 1, 2023	granted during the Reporting Period	vested during the Reporting Period (Note 4)	lapsed/ forfeited during the Reporting Period	cancelled during the Reporting Period	exercised during the Reporting Period	outstanding as of December 31, 2023	Vesting period	Performance targets	the weighted average closing price of the shares immediately before the dates on which the Options were exercised	Exercise Period
		(Note 3)	2023											
Directors or chief executive and their associates														
James Qun Xue	November 11, 2022	-	1,000,000	-	-	-	-	-	-	1,000,000	4 years	Notes 1 and 2	-	Note 5
Other employee participants														
	June 27, 2022	-	3,735,000	-	-	738,000	-	-	-	2,997,000	4 years	Note 1	-	Note 5
	November 11, 2022	-	4,945,000	-	-	430,000	-	-	-	4,515,000	4 years	Note 1	-	Note 5
	November 11, 2022	-	1,260,000	-	-	150,000	-	-	-	1,110,000	4 years	Note 2	-	Note 5
Total:			10,940,000			1,318,000				9,622,000				



REPORT OF DIRECTORS

Notes:

1. The vesting of the Options granted are subject to the individual performance review as set out in the respective grant documents.
2. The vesting of the Options granted are subject to certain milestones or performance targets relating to the business development of the Group.
3. Given that no Option was granted during the Reporting Period, the disclosure requirement under Rule 17.07(1)(c) of the Listing Rules is not applicable.
4. Not applicable pursuant to Rule 17.07(1)(d) of the Listing Rules for the Post-IPO Share Option Scheme.
5. The grantees may exercise the Options in whole or in part since the Options become vested and exercisable until the tenth anniversary of the date of grant so long as the grantee remains an eligible grantee.

As no grant was made under the Post-IPO Share Option Scheme during the Reporting Period, nothing in relation to the Post-IPO Share Option Scheme would require review by the Remuneration Committee for the year ended December 31, 2023.

Further details of the Post-IPO Share Option Scheme are set out in the Prospectus.

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

As at December 31, 2023, interests or short positions of Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are registered in the register that the Company must keep in accordance with the section 352 of the SFO; or which shall be separately notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:



REPORT OF DIRECTORS



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

Long Position in the Shares

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of shareholding in the total Shares in issue of the Company*
James Qun Xue	Interest in controlled corporation ⁽¹⁾	26,042,380	6.13%
	Founder of a discretionary trust ⁽²⁾	15,000,000	3.53%
	Beneficial interest ⁽³⁾	12,190,622	2.87%
James Arthur Geraghty	Beneficial interest ⁽⁴⁾	1,950,000	0.46%
Richard James Gregory	Beneficial interest ⁽⁵⁾	300,000	0.07%
Peng Kuan Chan	Beneficial interest ⁽⁶⁾	250,000	0.06%

Notes:

* The calculation is based on the total number of 424,562,120 Shares issued as at December 31, 2023.

- (1) CTX Pharma Holdings Limited directly held 26,042,380 Shares and is wholly-owned by Dr. Xue.
- (2) 15,000,000 Shares of our Company are held by JQX 2021 Gift Trust (a trust set up by Dr. Xue as settlor, the spouse of Dr. Xue as trustee and Dr. Xue's family members as the beneficiaries, the "Family Trust"). Under the terms of the Family Trust, Dr. Xue has the power to exercise all the voting rights attached to the Shares of our Company. Accordingly, Dr. Xue is deemed interested in the Shares held by the Family Trust.
- (3) Dr. Xue beneficially holds 733,050 Shares of our Company under his own name and 57,402 Shares of our Company via a nominee which were derived from the exercising of Share Options under Pre-IPO Equity Incentive Plan and the settlement of RSUs under Post-IPO RSU Scheme respectively. As at December 31, 2023, Dr. Xue held the following outstanding options and RSUs: (i) Share Options that represent 9,481,420 Shares as adjusted after the Share Subdivision, under the Pre-IPO Equity Incentive Plan; (ii) 1,000,000 share options under the Post-IPO Share Option Scheme; and (iii) 918,750 RSUs under the Post-IPO RSU Scheme.
- (4) Mr. James Arthur Geraghty beneficially holds 700,000 Shares of our Company under his own name which were derived from the exercising of Share Options under Pre-IPO Equity Incentive Plan. Pursuant to the Pre-IPO Equity Incentive Plan, Mr. James Arthur Geraghty was granted with Shares Options that represent 1,250,000 Shares.
- (5) Pursuant to the Pre-IPO Equity Incentive Plan, Mr. Richard James Gregory was granted with Shares Options that represent 300,000 Shares.
- (6) Pursuant to the Pre-IPO Equity Incentive Plan, Mr. Peng Kuan Chan was granted with Shares Options of 250,000 Shares.

Save as disclosed above, so far as the Directors are aware, as at the December 31, 2023 none of our Directors or chief executives has any interest and/or short position in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

REPORT OF DIRECTORS



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

So far as the Directors or chief executive of the Company are aware, as at December 31, 2023, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in 5% or more of the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long Position in the Shares

Name of Shareholder	Nature of Interest	Number of Shares	Approximate percentage of shareholding in the total Shares in issue of the Company*
CTX Pharma Holdings Limited ⁽¹⁾	Beneficial interest	26,042,380	6.13%
WuXi AppTech Co., Ltd. (無錫藥明康德新藥開發股份有限公司) ("Wuxi AppTech") ⁽²⁾	Interest in controlled corporation	40,346,960	9.50%
Athos Capital Limited ⁽³⁾	Interest in controlled corporation	56,021,590	13.20%
Athos Asia Event Driven Master Fund ⁽³⁾	Beneficial interest	41,891,816	9.87%
Friedrich Bela Schulte-Hillen ⁽³⁾	Interest in controlled corporation	56,021,590	13.20%
Matthew Love Moskey ⁽³⁾	Interest in controlled corporation	56,021,590	13.20%
Qiming Corporate GP IV, Ltd. ⁽⁴⁾	Interest in controlled corporation	32,829,330	7.74%
Qiming GP IV, L.P. ⁽⁴⁾	Interest in controlled corporation	31,824,490	7.50%
Qiming Venture Partners IV, L.P. ⁽⁴⁾	Beneficial interest	31,824,490	7.50%

Notes:

- * The calculation is based on the total number of 424,562,120 Shares issued as at the December 31, 2023.
- (1) CTX Pharma Holdings Limited is an exempted company with limited liability incorporated in the British Virgin Islands and holds 26,042,380 Shares in our Company. CTX Pharma Holdings Limited is wholly-owned by Dr. Xue.
- (2) WuXi AppTec (HongKong) Limited, company incorporated in Hong Kong on March 26, 2012 holding 20,554,860 Shares of our Company, is a wholly-owned subsidiary of WuXi AppTec. Moreover, WuXi PharmaTech Healthcare Fund I L.P. is an exempted limited partnership established in the Cayman Islands directly holding 19,792,100 Shares in our Company. All limited partnership interests of WuXi PharmaTech Healthcare Fund I L.P. are held by Wuxi Apptec and the general partner of WuXi PharmaTech Healthcare Fund I L.P. is a wholly-owned subsidiary of WuXi AppTec. Accordingly, Wuxi Apptec is deemed interested in the Shares held by each of WuXi AppTec (HongKong) Limited and WuXi PharmaTech Healthcare Fund I L.P..



REPORT OF DIRECTORS



- (3) Athos Capital Limited, a company incorporated in Hong Kong, serves as investment manager of Athos Asia Event Driven Master Fund, an exempted limited partnership established in Cayman Islands, directly holding 41,891,816 Shares in our Company, FMAP ACL Limited, a limited company established in Cayman Islands, directly holding 8,490,000 Shares in our Company, KLS Athos Event Driven Fund, an exempted limited partnership established in Cayman Islands, directly holding 282,198 Shares in our Company, and New Holland Tactical Alpha Fund LP, an exempted limited partnership incorporated in Cayman Islands, holding 5,357,576 Shares in our Company. Based on the disclosure of interests forms submitted by the shareholders, Mr. Moskey Matthew Love has 66% of the interest in Athos Capital Limited. Mr. Schulte-Hillen Friedrich Bela has 34% of the interest in Athos Capital Limited.
- (4) Qiming Venture Partners IV, L.P. and Qiming Managing Directors Fund IV, L.P. are venture capital funds operated under Qiming Venture Partners and registered as exempted limited partnerships in the Cayman Islands. Qiming GP IV, L.P. is the general partner of Qiming Venture Partners IV, L.P., and Qiming Corporate GP IV, Ltd. is the general partner of Qiming GP IV, L.P. Accordingly, each of Qiming GP IV, L.P. and Qiming Corporate GP IV, Ltd. is deemed to be interested in the Shares held by Qiming Venture Partners IV, L.P. Moreover, Qiming Managing Directors Fund IV, L.P. holds 1,004,840 Shares of our Company. Qiming Corporate GP IV, Ltd. is the general partner of Qiming Managing Directors Fund IV, L.P. and is deemed to be interested in the Shares held by Qiming Managing Directors Fund IV, L.P..

Except as disclosed in this section, as far as the Directors are aware, as at December 31, 2023, no person owns interests and short positions in the Shares and underlying Shares which shall be disclosed in accordance with Divisions 2 and 3 of Part XV of the SFO, or interests or short positions in 5% or above of relevant class of Shares that the Company must record in the register according to section 336 of the SFO.

ARRANGEMENTS FOR PURCHASE OF SHARES OR DEBENTURES

During the Reporting Period, Computershare Hong Kong Trustees Limited, the trustee of the Post-IPO RSU Scheme, purchased existing Shares from the market for settlement of RSUs granted to Dr. Xue under the Post-IPO RSU Scheme. Save for this, none of the Company, its holding company or any of its subsidiaries has entered into any arrangement at any time from January 1, 2023, to the date of this report, so that the Directors would benefit from the purchase of Shares or debt securities (including debentures) of the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

In the Reporting Period, revenue from the Group's largest customer accounted for 44.5% of the Group's total revenue. Revenue from the Group's five largest customers accounted for 63.6% of the Group's total revenue.

In the Reporting Period, purchase from the Group's largest supplier accounted for 31.0% of the Group's total purchase. Purchase from the Group's five largest suppliers accounted for 54.6% of the Group's total purchase.

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



REPORT OF DIRECTORS

The top five largest customers consist of hospitals and medical products trade companies, and their length of business relationship with the Company range from one to three years. We do not rely on one single major customer. While our top five largest customers contributed to over 63.6% of our total revenue over the Reporting Period, the credit terms granted to our top five major customers are in line with those granted to other customers. When determining the credit term of a customer or a distributor, we consider a number of factors, including its cash flow conditions and creditworthiness as well as the local medical care policy and market environment. We have policies to monitor and manage the settlement of trade receivables and our subsequent settlement of trade receivables with our top five major customers have been in line with those with our other customers and no provisions are necessary. To monitor the settlement of our trade receivables, we conduct annual review of each customer's or distributor's financial performance, which is primarily based on the amount and aging of the trade receivables due from such customer or distributor in the respective period. Pursuant to our distribution agreement, when our distributor fails to make a payment within the credit term, we may, at our discretion, terminate the distribution arrangement or take certain other measures as appropriate.

There are no significant concentrations of credit risk within our Group as the customer bases of our trade receivables are spread out. Nevertheless, in order to minimise any such credit risk, the Group reviews the recoverable amount of each individual trade receivable periodically and management has monitoring procedures to ensure follow-up action is taken to recover overdue receivables.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

As at the date of this annual report, the Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their holding of the Company's securities.

HUMAN RESOURCES

The Group had 100 full-time employees as at December 31, 2023, of which the number of male and female employees are 38 and 62, respectively (accounted for 38% and 62% respectively), the overall headcount of the Company remained stable.

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 (including pension plans, unemployment insurance, work-related injury insurance, medical insurance and maternity insurance) 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 periodically 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. We also provide training and development programs and external training sessions to our employees from time to time to improve their technical skills and ensure their awareness and compliance with our various policies and procedures.



REPORT OF DIRECTORS



RETIREMENT BENEFITS SCHEME

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

During the Reporting Period, (i) there were no contributions forfeited by the Group on behalf of its employees who leave the plan prior to vesting fully in such contribution, (ii) there had been no utilization of such forfeited contributions to reduce future contributions, and (iii) no forfeited contributions had been used by the Group to reduce the existing level of contributions.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in note 30 to the financial statements contained herein.

Save as disclosed in this report, the related party transactions disclosed in note 30 were not regarded as connected transactions or continuing connected transactions in Chapter 14A to the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

CONTRACTUAL ARRANGEMENTS AND CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

The Group entered into a series of Contractual Arrangements which constitute non-exempt continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

Background

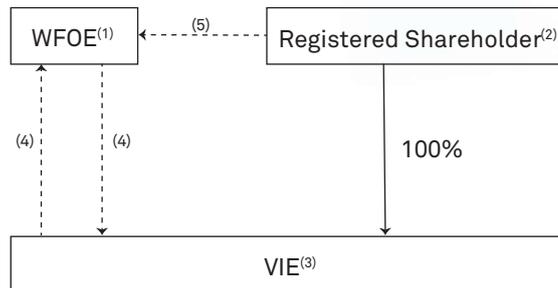
As advised by the Company's PRC legal adviser, the development and application of gene therapeutic technologies and products falls into the scope of the "prohibited" category of the Special Administrative Measures (Negative List) for the Access of Foreign Investment 《外商投資准入特別管理措施 ((負面清單))》 and the Catalog of Industries for Encouraged Foreign Investment (2022 Version) 《鼓勵外商投資產業目錄 ((2022 年版))》 according to the Foreign Investment Law (the "FIL"). As such, foreign investment is prohibited in the development and application of human stem cells and genes diagnosis and treatment technologies.

In order to comply with the relevant PRC laws and regulations while achieving the commercial intention of the parties, the contractual arrangements were entered into among the WFOE, the VIE and the Registered Shareholder (the "**Contractual Arrangements**"), pursuant to which the WFOE shall have effective control over the finance and operations of the VIE and enjoy the entire economic interests and benefits generated by the VIE despite the lack of registered equity ownership.

REPORT OF DIRECTORS



The following simplified diagram illustrates the flow of economic benefits from the VIE and its future subsidiaries (if any) to the Group under the Contractual Arrangements:



“ ——— ” Denotes legal and beneficial ownership in the equity interest

“ - - - - - ” Denotes the Contractual Arrangements

Notes:

- (1) As of the date of this report, the WFOE is wholly-owned by Cambridge Care Pharma Hongkong Limited, which is in turn wholly-owned by the Company.
- (2) As of the date of this report, the VIE is wholly-owned by Registered Shareholder.
- (3) As of the date of this report, the VIE has no subsidiary.
- (4) The WFOE shall provide consultancy, technology and other services in exchange for service fees from the VIE under the Exclusive Business Cooperation Agreement. The Registered Shareholder executed the Exclusive Option Agreement in favour of the WFOE for the acquisition of 100% equity interests and/or assets in the VIE.
- (5) The Registered Shareholder pledged as first charge all of his equity interests in the VIE to the WFOE as security for his performance and the performance of the VIE under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, and Power of Attorney, as applicable. The Registered Shareholder executed the Power of Attorney in favour of the WFOE in respect of its rights as the shareholder of the VIE.

Summary of the Contractual Arrangements

A brief description of each of the specific agreements that comprise the Contractual Arrangements entered into by the WFOE, the VIE and the Registered Shareholder, is set out as follows:



REPORT OF DIRECTORS



(a) *Exclusive Business Cooperation Agreement*

The WFOE entered into the exclusive business cooperation agreement with the VIE and the Registered Shareholder on June 10, 2022 (the “**Exclusive Business Cooperation Agreement**”), pursuant to which the VIE shall engage the WFOE as its exclusive service provider of technology consultation, technical services and other related services, including but not limited to, consulting service in relation to asset management and business operation, debt management, mergers and acquisition, drug development, technical support and technology development, technology transfer and technical support, and/or other services that are negotiated by the WFOE and the VIE from time to time according to business needs and ability to provide such services. Without the prior consent of the WFOE, the VIE and its future subsidiaries (if any) shall not directly or indirectly accept any same or similar service provided by any third party and shall not establish same or similar cooperative relationships with any third party, except for the service provided by third parties in the ordinary course of business. The WFOE has the exclusive proprietary rights and interests in any and all intellectual property rights created or developed by the VIE and its future subsidiaries (if any) during the performance of the Exclusive Business Cooperation Agreement.

The service fee shall be paid to the WFOE and shall consist of 100% of the total consolidated profit of the VIE and its future subsidiaries (if any) after deduction of any accumulated deficit in respect of the preceding financial year(s), taxes, the profits obtained by the VIE in accordance with the arm’s length principle and dividends gained from the VIE in any financial year.

The Exclusive Business Cooperation Agreement shall remain effective from the execution date until it is terminated by the WFOE, the VIE and the Registered Shareholder unanimously or the WFOE is allowed to conduct the development and application of gene therapeutic technologies and products in accordance with PRC laws and regulations pursuant to the terms of the Exclusive Business Cooperation Agreement.

(b) *Exclusive Option Agreement*

The VIE and its Registered Shareholder entered into the exclusive option agreement with the WFOE on June 10, 2022 (the “**Exclusive Option Agreement**”), pursuant to which the WFOE (or the nominee) was granted an irrevocable and exclusive right to acquire 100% of the equity interest in and/or assets of the VIE, in whole or in part at the sole and absolute discretion of the WFOE (the “**Exclusive Option**”), to the extent permitted under the PRC laws and regulations. The purchase price shall be at nil consideration or the lowest price permitted by applicable PRC laws and regulations and the Registered Shareholder shall, subject to the relevant PRC laws and regulations, return to the VIE or the WFOE or the nominee(s) any consideration received in full.

The Exclusive Option Agreement shall remain effective from the execution date until all of the equity interest in and the assets of the VIE have been transferred to the WFOE (or the nominee), or it is terminated by the WFOE at any time with 30 days’ advance written notice.

REPORT OF DIRECTORS



(c) *Share Pledge Agreement*

The VIE and its Registered Shareholder entered into the share pledge agreement with the WFOE on June 10, 2022 (the “**Share Pledge Agreement**”), pursuant to which the Registered Shareholder agreed to pledge all of his equity interests in the VIE to secure his performance and the performance of the VIE under the Exclusive Business Cooperation Agreement, Exclusive Option Agreement and Power of Attorney. The Registered Shareholder agreed that the rights of the WFOE with respect to the pledge thereunder shall not be interrupted or impacted by the Registered Shareholder or its successors, heirs or representatives, or any other persons through any legal proceedings. If the VIE declares any dividend during the term of the pledge, the WFOE is entitled to receive all such dividends distributed on the pledged equity interest, if any. Pursuant to the Share Pledge Agreement, the Registered Shareholder has undertaken to the WFOE, among other things, not to transfer or encumber its equity interest in the VIE without the prior written consent of the WFOE.

The share pledge takes effect upon the completion of registration with the relevant administration for market regulation and shall remain valid until all the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney have been fully performed, or becomes invalid or expired, or terminated (whichever is later) pursuant to the terms of the Share Pledge Agreement.

(d) *Power of Attorney*

Pursuant to the power of attorney dated June 10, 2022 (the “**Power of Attorney**”), the Registered Shareholder irrevocably and exclusively shall grant the WFOE or its nominee(s) (including but not limited to the directors of the offshore parent company of the WFOE but except for any persons who may have conflicts of interest) the power to exercise all rights of the shareholders as set out in the then valid articles of association of the VIE and relevant laws and regulations, including but not limited to, the rights to execute any documents as the shareholder of the VIE and to file any required documents to relevant government authorities, to exercise all the shareholder’s rights and shareholder’s voting rights pursuant to the relevant PRC laws and regulations and the then effective articles of association of the VIE, to act on behalf of the shareholder of the VIE in submission or registration of any required documents with governmental authorities, and to receive dividend, to sell or transfer the equity interest in and/or assets of the VIE, in whole or in part, to deal with the asset of the VIE.

The Power of Attorney shall remain effective from the execution date and shall have the same validity term as that of Exclusive Business Cooperation Agreement pursuant to the terms of the Power of Attorney.

(e) *Spouse Undertakings*

Pursuant to the spouse undertakings dated June 10, 2022, the spouse of Registered Shareholder being an individual shall irrevocably agree that all the equity interest held by the Registered Shareholder in the VIE and all the benefits generated from these equity interest do not form part of his or her matrimonial property and he/she as the spouse has no rights thereto.



REPORT OF DIRECTORS



Reasons for Adoption of the Contractual Arrangements

The Company has a track record of successfully developing and commercializing rare disease therapies across the key markets including China. Enabled by new technologies, gene therapies have become an emerging solution for rare diseases and serve as a promising solution for a broad spectrum of rare diseases by fundamentally addressing the underlying cause of the diseases.

The Company has been developing its strategic layout and has been investing in its expansion into gene therapies, and expects to conduct gene therapy related activities. The research, development and commercialization of each of the gene therapy and related products, including in particular, the CAN201, CAN202 and CAN203, are subject to foreign ownership restriction imposed by the relevant PRC laws and regulations, the Company therefore operates the research, development and commercialization of gene therapy and related products (the “**Relevant Business**”) through the Contractual Arrangements.

The Company will adjust or unwind (as the case may be) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Business to the extent permissible and will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations which allow the Relevant Business to be conducted and operated by our subsidiaries without such arrangements in place.

Risks relating to the Contractual Arrangements

There are certain risks that are associated with the Contractual Arrangements, including:

- There is no assurance that the Contractual Arrangements could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the Contractual Arrangements do not comply with applicable regulations.
- It is uncertain whether the Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations.
- It is uncertain whether the Contractual Arrangements will be found or deemed to be in violation of the foreign investment access requirements and how the Contractual Arrangements will be handled in such scenario. Therefore, it may be possible that the Contractual Arrangements and the VIE’s business will be adversely affected in the future due to the development and changes in PRC laws and regulations.
- The Contractual Arrangements may not be as effective as direct ownership in providing control over the VIE.
- The Registered Shareholder may potentially have a conflict of interests with the Group.
- The Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed.

REPORT OF DIRECTORS



- The Group's financial results and financial position may be adversely affected by the worsening financial performance of the Target Group and the need to provide financial support to it.
- Substantial amount of other costs (if any) and time may be involved in acquiring and transferring the ownership of the VIE, which may have a material adverse impact on the WFOE and/or the VIE's businesses, prospects and profitability.
- Certain terms of the Contractual Arrangements may not be enforceable under the PRC laws.
- The Company does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder.

The Contractual Arrangements contain certain provisions in order to exercise effective control over and to safeguard the assets of the VIE. In addition to the internal control measures as provided in the Contractual Arrangements, it is the intention of the Company, to implement, through the WFOE, additional internal control measures against the VIE as appropriate, having regard to the internal control measures adopted by the Group from time to time, which may include but not limited to:

- (i) as part of the internal control measures, major issues arising from the implementation of and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on a continuous basis;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports and interim reports to update the Shareholders and potential investors;
- (iv) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding (a) our status of compliance with the FIL, and (b) the latest regulatory development in relation with the FIL;
- (v) our Company will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the implementation of the Contractual Arrangements and both legal and compliance issues in relation to the WFOE and the VIE and its future subsidiaries (if any) in order to deal with specific issues or matters arising from the Contractual Arrangements; and
- (vi) our Group will adjust or unwind (as the case may be) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Business to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations which allow the Relevant Business to be conducted and operated by our subsidiaries without such arrangements in place.



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Listing Rules Implications and Waivers from the Stock Exchange

As a result of the Contractual Arrangements, the Registered Shareholder, as sole shareholder of the VIE (a subsidiary of the Company), became a connected person of the Company at subsidiary level. As such, the transactions contemplated under the Contractual Arrangements will constitute continuing connected transactions under Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements but are exempt from the circular, independent financial adviser and shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) fixing the term of the Contractual Arrangements for a period of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules; and (ii) setting a maximum aggregate annual cap for the fees payable by the VIE to the WFOE under the Contractual Arrangements pursuant to Rule 14A.53 of the Listing Rules, subject to the following conditions:

- (a) no change without independent non-executive Directors' approval;
- (b) no change without independent Shareholders' approval;
- (c) the Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by the VIE and its future subsidiaries (if any);
- (d) on the basis that the Contractual Arrangements provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding, on the one hand, and the VIE, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business in the PRC as that of the VIE which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements; and
- (e) we will disclose details relating to the Contractual Arrangements on an on-going basis.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been and will be entered into (i) in the ordinary and usual course of business of our Group, (ii) according to the Contractual Arrangements and (iii) are on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and our Company's internal control procedures are adequate and effective to ensure that transactions are so conducted. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules.



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For further details of the waivers granted by the Stock Exchange, please refer to the announcement of the Company dated July 8, 2022 (the “**VIE Announcement**”).

Confirmations

Since the date of the VIE Announcement and up to the date of this report, there has been no update on the FIL and the Company is not aware of any non-compliance of the Contractual Arrangements with the relevant PRC laws, rules and regulations (including but not limited to the FIL). The Company will continue to monitor the developments of the relevant laws, decision, regulations, rules and administration measures in this regard, and will make further announcements in respect thereof in accordance with the Listing Rules as and when necessary.

As of the date of this report, the Group has not commenced the business of gene therapy solutions in the PRC and therefore no transaction was carried out during the year ended December 31, 2023 under the Contractual Arrangements. No service fee was paid or payable by the VIE to WFOE pursuant to the Exclusive Business Cooperation Agreement for the year ended December 31, 2023. The VIE had not generated any revenue and profit under the Contractual Arrangements during the year ended December 31, 2023. The total assets and total liabilities of the VIE subject to the Contractual Arrangements is nil as at 31 December 2023, respectively.

Our independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) no transaction has been carried out for the year ended December 31, 2023 which have not been entered into in accordance with the relevant provisions of the Contractual Arrangements; (ii) no dividends or other distributions have been made by the VIE to the Relevant Shareholder which are not otherwise subsequently assigned or transferred to our Group; (iii) no new contract has been entered into, renewed or reproduced between our Group and the VIE for the year ended December 31, 2023; and (iv) the Contractual Arrangements had been entered into in the ordinary and usual course of business of our Group, and are on normal commercial terms and are fair and reasonable so far as our Group is concerned, and in the interest of our Company and its Shareholders as a whole.

Confirmation from the Company's Independent Auditor

Ernst & Young, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 revised “Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in connection with the Contractual Arrangements for the year ended December 31, 2023 in accordance with Rule 14A.56 of the Listing Rules, and nothing has come to its attention that cause it to believe that the disclosed continuing connected transactions under the Contractual Arrangements: (i) have not been approved by the Company's Board; (ii) were not entered into, in all material respects, in accordance with the terms of the relevant agreements under the Contractual Arrangements governing such transactions.



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SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

INDEMNITY OF DIRECTORS

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices, other than by reason of such person's fraud, dishonesty or recklessness. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group since the Listing Date.

CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the CG Code.

As at December 31, 2023, the Company has complied with the principles and all the applicable code provisions in the CG Code, save for the deviation from code provision C.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 since June 2012 and as chairman of the Board, Director and Chief Executive Officer since the inception of the Company in January 2018. Dr. Xue is the founder of the Group and has extensive experience in the business operations and management of the Group. The Board believes that, in view of his experience, personal profile and his roles in the Company, Dr. Xue is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of the Group's business as Chief Executive Officer. The 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. The 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 the independent non-executive Directors.

In order to maintain high standards of corporate governance, the Board will continuously review and monitor the Company's corporate governance code. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report of this annual report.

DONATIONS

During the Reporting Period, the Company made a donation of approximately RMB718,000 to various PRC charity projects or organisations.



REPORT OF DIRECTORS

AUDITOR

The shares were only listed on the Stock Exchange on December 10, 2021, and there has been no change in auditors since the Listing Date. The financial statements for the Reporting Period have been audited by Ernst & Young, Certified Public Accountants, who are proposed for reappointment at the AGM.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has compliance policies and procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those that have a significant impact on it, including the requirements under the Companies Ordinance, the Listing Rules, the SFO and the CG Code for, among other things, the disclosure of information and corporate governance. For the Reporting Period, the Company is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Company.

MATERIAL LEGAL PROCEEDINGS

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

KEY RISKS AND UNCERTAINTIES

There are certain key risks and uncertainties involved in our operations, some of which are beyond our control. Set out below are the material risks and uncertainties that we face:

- The actual market size of our drug candidates might be smaller than expected and our future approved drug candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success.
- 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 relevant regulatory approvals or achieve their commercialization, or if we experience significant delays in any of the foregoing, our business and profitability may be adversely affected.



REPORT OF DIRECTORS



- We may not be able to identify, discover or in-license new drug candidates, and may allocate our limited resources to pursue a particular candidate or indication and fail to capitalize drug candidates or indications that may later prove to be more profitable, or for which there is a greater likelihood of success. Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials and non-head-to-head analyses may not be predictive of future trial results. As such, we may not be able to successfully expand our drug portfolio, which could materially and adversely affect our future growth and prospects.
- If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.
- We have incurred significant net losses and net operating cash outflows since our inception, and expect to continue to incur net losses and net operating cash outflows for the foreseeable future and may not be able to generate sufficient revenue to achieve or maintain profitability. Potential investors are at risk of losing substantially all of their investments in our Shares.
- Our rights to develop and commercialize some of our drug candidates are subject to the terms and conditions of licenses granted to us by others.
- Even if we are able to commercialize any approved drug candidates, the drugs may become subject to national or other third-party reimbursement practices or unfavorable pricing regulations, which could materially and adversely affect our business.
- All material aspects of the research, development, manufacturing and commercialization of pharmaceutical products are heavily regulated and the approval process is usually lengthy, costly and inherently unpredictable. Any failure to comply with existing or future regulations and industry standards or any adverse actions by the drug-approval authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects.
- We may need additional capital to meet our operating cash requirements, and financing may not be available on terms acceptable to us, or at all.
- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

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



REPORT OF DIRECTORS

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM will be held on June 27, 2024.

The register of member of the Company will be closed from June 24, 2024 to June 27, 2024 (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 June 27, 2024 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 June 21, 2024.

On behalf of the Board

Dr. James Qun Xue

Chairman

Hong Kong, March 28, 2024



CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report in this annual report (the “**Corporate Governance Report**”) for the year ended December 31, 2023.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company’s corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operations are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders.

The Company’s corporate governance practices are based on the principles as set out in the CG Code contained in Appendix C1 to the Listing Rules.

The Board is of the view that throughout the year ended December 31, 2023, the Company has complied with all the code provisions as set out in the CG Code, except for code provision C.2.1 of the CG Code which provides that the roles of Chairman of the Board and Chief Executive Officer should be separated and should not be performed by the same individual, details of which are set out under the section headed “Board of Directors – Chairman and Chief Executive Officer” of this Corporate Governance Report.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has devised its own code of conduct for the trading of securities by its directors and members of senior management of the Group (who are likely to possess inside information about the securities of the Company due to their offices or employments in the Group) on terms that no less exacting than the required standard set out in the Model Code. Having made specific enquiry by the Company, all directors and members of senior management of the Group have confirmed that they have complied with the required standard set out in the Model Code throughout the period from the Listing Date to December 31, 2023. The Company continues and will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group’s businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

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



CORPORATE GOVERNANCE REPORT

Board Composition

As at the date of this report, the Board comprised seven Directors, consisting of one executive Director, two non-executive Directors and four independent non-executive Directors as follows:

Executive Director

Dr. James Qun Xue (*Chairman and Chief Executive Officer*)

Non-executive Directors

Dr. Kan Chen

Mr. Edward Hu

Dr. Derek Paul Di Rocco (*resigned on November 23, 2023*)

Independent Non-executive Directors

Dr. Richard James Gregory

Mr. James Arthur Geraghty

Mr. Peng Kuan Chan

Dr. Lan Hu

The biographical information of the Directors is set out in the section headed “Biographies of Directors and Senior Management” of this annual report.

There is no relationship (including financial, business, family or other material/relevant relationship(s)) among the Board members.

Chairman and Chief Executive Officer

Code provision C.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

We do not have separate chairman of the Board and Chief Executive Officer. Dr. Xue has served as chairman of the board and general manager of CANbridge Life Sciences 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 independent non-executive Directors.



CORPORATE GOVERNANCE REPORT



Independent Non-executive Directors

Throughout the year ended December 31, 2023, the Board at all times fulfilled 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.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years and are eligible for re-election upon expiry of their term of office in accordance with the Articles of Association.

According to the Articles of Association, Directors shall be elected or replaced at general meetings and their term of office shall be three years. Directors are eligible for re-election upon expiry of their term of office. Without violating the relevant laws, regulations and regulatory rules of the locality where the Company's shares are listed, a person newly appointed as director by the Board to fill a casual vacancy or as an addition to the existing Board shall serve until the first shareholders' general meeting of the Company after his/her appointment or until the next annual general meeting of the Company, respectively, at which time the said person is eligible for re-election.

Responsibilities of the Directors

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.



CORPORATE GOVERNANCE REPORT

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, 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' and senior officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

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 formal, comprehensive and tailored 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 Reporting Period, all Directors attended training sessions on the respective obligations of the Directors and senior management. In addition, relevant reading materials including legal and regulatory update have been provided to the Directors for their reference and studying.



CORPORATE GOVERNANCE REPORT

The record of continuous professional development relating to Director's duties and regulatory and business development that have been received by the Directors during the Reporting Period and up to the date of this report is summarized as follows:

Directors	Type of Training ^{Note}
<i>Executive Director</i>	
Dr. James Qun Xue	B
<i>Non-Executive Directors</i>	
Dr. Kan Chen	B
Mr. Edward Hu	B
Dr. Derek Paul Di Rocco (resigned on November 23, 2023)	B
<i>Independent Non-Executive Directors</i>	
Dr. Richard James Gregory	B
Mr. James Arthur Geraghty	B
Mr. Peng Kuan Chan	B
Dr. Lan Hu	B

Note:

Types of Training

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

Board Diversity Policy

We are committed to promote diversity in our Company to the extent practicable by taking into consideration a number of factors in respect of our corporate governance structure.

We have adopted a Board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, nationality, cultural and education background, ethnicity and length of service. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of biotechnology, clinical research, life science, business management, finance, investment and accounting. They obtained degrees in various areas including pharmaceutical chemistry and biochemistry, chemical and biomolecular engineering, life science, clinical research, business administration and accounting. Our board diversity policy is well implemented as evidenced by the fact that there are Directors with both male and female ranging from 42 years old to 69 years old with different nationalities and experience from different industries and sectors. Our Board believes that based on our existing business model and specific needs, the background of our Directors and the composition of our Board satisfies the principles under the Board diversity policy.



CORPORATE GOVERNANCE REPORT

We are also committed to adopting a similar approach to promote diversity within the management (including but not limited to the senior management) of our Company to enhance the effectiveness of corporate governance of our Company as a whole.

The Board endeavors to achieve gender diversity at Board level with at least one member of female Director. The Board currently has one female Director and as such has achieved gender diversity in respect of the Board. We will continue to strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to the Shareholders' expectation and international and local recommended best practices. We will also ensure that there is gender diversity when recruiting staff at mid to senior level and we are committed to provide career development opportunities for female staff so that we will have a pipeline of female senior management and potential successors to our Board in near future.

As at December 31, 2023, the Company had 100 full-time employees, of which the number of male and female employees are 38 and 62, respectively (accounted for 38% and 62% respectively).

The Company plans to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development.

Nomination Policy

The primary duties of the Nomination and Corporate Governance Committee include, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board of Directors on matters relating to the appointment of Directors.

The Company has adopted Director Nomination Policy which sets out the objectives, selection criteria and nomination procedures for identifying and recommending candidates for appointment or reappointment of Directors.

BOARD COMMITTEES

The Board has established 3 committees, namely, the Audit Committee, the Remuneration Committee and the Nomination and Corporate Governance 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 Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.



CORPORATE GOVERNANCE REPORT



Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system of the company, oversee the audit process, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board.

The Audit Committee consists of two independent non-executive Directors, namely Mr. Peng Kuan Chan and Mr. James Arthur Geraghty, and one non-executive Director, namely Dr. Kan Chen. The chairman of the Audit Committee is Mr. Peng Kuan Chan who possesses appropriate accounting and related financial management expertise.

The main duties of the Audit Committee include but are not limited to:

- making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- reviewing the Company's financial controls and, unless expressly addressed by a separate Board risk committee or by the Board itself, reviewing the Company's risk management and internal control systems;
- monitoring integrity of financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;
- reviewing the Group's financial and accounting policies and practices; and
- considering any other topics, as defined by the Board.

The Audit Committee held 2 meetings during the year ended December 31, 2023 to review, among others, the draft audited consolidated financial statements, the letter of representation by the management of the Company addressed to Ernst & Young, the draft annual results announcement, the draft annual report, the efficiency of risk management and internal control systems.

The Audit Committee also met the external auditors one time without the presence of the executive Director.

The attendance records of the Audit Committee are set out under "Attendance Record of Directors and Committee Members".



CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee are to establish, review and make recommendations to the Directors on our policy and structure concerning remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives.

The Remuneration Committee consists of one non-executive Director, namely Mr. Edward Hu and two independent non-executive Directors, namely Dr. Richard James Gregory and Dr. Lan Hu. Dr. Richard James Gregory is the chairperson of the Remuneration Committee.

The main duties of the Remuneration Committee include but are not limited to:

- making recommendations to the Board on the Company's policy and structure for all Directors' and Senior Management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- reviewing and approve management's remuneration proposals with reference to the Board's goals and objectives;
- making recommendations to the Board on the remuneration of Non-executive Directors;
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration;
- considering salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;
- reviewing and approving the compensation payable to executive Directors and Senior Management for any loss or termination of office or appointment in order to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive; and
- reviewing the Group's policy on expense reimbursements for the Directors and Senior Management.

During the year ended December 31, 2023, the Remuneration Committee held 1 meeting to discuss and review, among others, the service agreement, appointment letter and remuneration packages of Directors and senior management, and the matters related to share schemes.

Details of the remuneration of the senior management by band are set out in note 9 in the Notes to the Financial Statements for the year ended December 31, 2023.



CORPORATE GOVERNANCE REPORT

The attendance records of the Remuneration Committee are set out under “Attendance Records of Directors and Committee Members”.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee consists of one executive Director, namely Dr. James Qun Xue and three independent non-executive Directors, namely Mr. Peng Kuan Chan, Mr. James Arthur Geraghty and Dr. Richard James Gregory. Dr. James Qun Xue is the chairperson of the Nomination and Corporate Governance Committee.

The main duties of the Nomination and Corporate Governance Committee include but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board annually and making recommendations on any proposed changes to the Board to complement the issuer’s corporate strategy;
- making recommendations to the board on the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive;
- identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorship;
- assessing the independence of independent non-executive Directors;
- keeping under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace; and
- keeping up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.

In assessing the Board composition, the Nomination and Corporate Governance Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company’s board diversity policy, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Nomination and Corporate Governance Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination and Corporate Governance Committee would consider the candidate’s character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.



CORPORATE GOVERNANCE REPORT

The Nomination and Corporate Governance 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, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination and Corporate Governance Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

During the year ended December 31, 2023, the Nomination and Corporate Governance Committee held 1 meeting to review, among others, the structure, size and composition of the Board, the independence of the independent non-executive Directors, the re-election of retiring Directors at the AGM and succession planning for Directors, effectiveness of the board diversity policy (including gender diversity), effectiveness of the mechanism to ensure independent view and input are available to the Board and effectiveness of the corporate governance or compliance affairs and practices of the Company.

The attendance records of the Nomination and Corporate Governance Committee are set out under “Attendance Record of Directors and Committee Members”.

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 year ended December 31, 2023, the Board had reviewed the Company’s corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company’s policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and written employee guidelines, and the Company’s compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

Pursuant to code provision C.5.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarter-ly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. During the year ended December 31, 2023, the Board has convened 9 Board meetings and the Company has convened an annual general meeting. The Company has not held any other general meetings during the year ended December 31, 2023.

The chairman held meetings with the independent non-executive Directors without the presence of other Directors during the year ended December 31, 2023 in accordance with code provision C.2.7 of the CG Code.



CORPORATE GOVERNANCE REPORT

The attendance record of each Director during their tenure of office at the Board and Board Committee meetings and the general meeting of the Company held during the year ended December 31, 2023 is set out in the table below:

Name of Director	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination and Corporate Governance Committee	Annual General Meeting
Dr. James Qun Xue	9/9	N/A	N/A	1/1	1/1
Dr. Kan Chen	9/9	2/2	N/A	N/A	1/1
Mr. Edward Hu	8/9	N/A	1/1	N/A	0/1
Dr. Derek Paul Di Rocco (resigned as a non-executive Director, and ceased to be a member of the Nomination and Corporate Governance Committee with effect from November 23, 2023)	8/9	N/A	N/A	1/1	1/1
Dr. Richard James Gregory	9/9	N/A	1/1	1/1	1/1
Mr. James Arthur Geraghty	9/9	2/2	N/A	1/1	1/1
Mr. Peng Kuan Chan	9/9	2/2	N/A	1/1	1/1
Dr. Lan Hu	9/9	N/A	1/1	N/A	1/1

Note:

According to Article 62 of the Articles of Association, an annual general meeting of the Company shall be held in each financial year.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We recognize that risk management is critical to the success of our business operations. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the PRC and global pharmaceutical markets, our ability to develop, manufacture and commercialize our drug candidates, and our ability to compete with other peer pharmaceutical companies. We also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business.



CORPORATE GOVERNANCE REPORT

The following key principles outline our Group's approach to risk management and internal control:

- Our Audit Committee oversees and manages the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy to ensure that it is consistent with our corporate objectives; (ii) monitoring the most significant risks associated with our business operations and our management's handling of such risks; and (iii) ensuring the appropriate application of our risk management framework across our Group.
- The relevant departments, including but not limited to the business operations, finance, legal and compliance and general administration departments, are responsible for developing and implementing our risk management policy and carrying out our day-to-day risk management practice, such as assessing risks on key business operations, advising risk responses and optimizing risk management policies. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, evaluation, prioritization, and categorization of all key risks that could potentially affect their objectives; (iii) continuously monitor the key risks relating to their operations or functions; (iv) implement appropriate risk responses where necessary; and (v) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

The Company consider that its Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

Internal Control

The Board is responsible for establishing and maintaining appropriate and effective internal control system to safeguard our Shareholders' investment at all times. Our internal control policies set out a framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis.

The Group has adopted various measures and procedures regarding our business operations, and we provide training about these measures and procedures to employees. We also constantly regularly monitor the implementation of these measures and procedures.

We maintain strict anti-corruption policies on personnel with external communication functions. We will also ensure that our commercialization team complies with applicable promotion and advertising requirements, which include our code of interaction with health care professionals, patients and the public, restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities.



CORPORATE GOVERNANCE REPORT



Our Directors (who are responsible for monitoring the corporate governance of our Group), with help from our Compliance Officer, will also periodically review our compliance status with all relevant laws and regulations.

The Audit Committee shall (i) make recommendations to our Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting, as well as (iii) oversee the financial reporting system and internal control and risk management systems of our Group.

As at the date of this report, the Company has set up an internal audit function which aims at helping the Company to accomplish its objectives by applying a systematic, disciplined approach to evaluate and improve the effectiveness of the Group's risk management and internal control systems and to resolve material internal control defects.

During the Reporting Period, we have regularly reviewed and enhanced our risk management and internal control systems. We believe that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control. The Board has reviewed the effectiveness of the risk management and the internal control system of the Group, including the adequacy of resources, qualifications and experience of staff in the aforementioned systems and of the Company's accounting and financial reporting functions and the adequacy of their training programs and budget. The Board, through a review covering all material controls, including financial, operational and compliance controls, considered that the risk management and internal control system of the Group was effective and adequate during the Reporting Period, and the risk management and internal control systems of the Group 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.

In addition, control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules.

Moreover, the Company upholds business integrity, openness and honesty as our core values in conducting business. We have zero tolerance for any forms of corruption, bribery, extortion, money-laundering and other fraudulent activities, and require all staff to uphold their personal and professional conduct.

The Company has also established and circulated guidelines and provisions, including "Anti-Corruption Guideline Policy", "Anti-Money Laundering Compliance Provisions", "Anti-Monopoly and Fair Competition Compliance Policy" and "Whistleblowing and Anti-Fraud Policy" to ensure staff awareness and compliance with the requirements at all times. For further details, please see the environmental, social and governance report of the Company for the Reporting Period to be published in due course.



CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The following statement, which sets out the responsibilities of the Directors regarding financial statements, should be read in conjunction with, but understood separately from, the auditor's statement of their responsibilities as set out in the Independent Auditor's Report contained in this annual report. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2023.

As disclosed in note 2.1 to the consolidated financial statements, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern, in view of the circumstance that the Group incurred a net loss of RMB378,837,000 during the year ended December 31, 2023 and the Group had net liabilities of RMB39,788,000 as of December 31, 2023.

The board of directors have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from December 31, 2023. They are of the opinion that, taking into account the plans and measures mentioned in note 2.1 to the consolidated financial statements, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from December 31, 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Company's external auditor, Ernst & Young, has issued an unmodified opinion with a "Material Uncertainty related to Going Concern" section in the "Independent Auditor's Report" (the "**Auditor's Opinion**"). Please refer to the "Independent Auditor's Report" from page 90 of this annual report for details.

The Audit Committee had critically reviewed the Auditor's Opinion, the management's position concerning the Auditor's Opinion (the "**Management's Position**") and measures taken by the Group for addressing the Auditor's Opinion. The Audit Committee agreed with the Management's Position having considered the factors, plans and measures set forth in note 2.1 to the consolidated financial statements.

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

AUDITORS' REMUNERATION

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



CORPORATE GOVERNANCE REPORT

The remuneration paid or payable to the Company's external auditors of the Group 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	2,000
Non-audit Services	777
	2,777

Note:

(1) The remuneration for non-audit services includes the interim work/other service.

JOINT COMPANY SECRETARIES

During the year ended December 31, 2023, Ms. Qian Ma ("**Ms. Ma**"), a joint company secretary of the Company, has been responsible for advising the Board on corporate governance matters and ensuring that the Board's policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engaged Mr. Wai Chiu Wong ("**Mr. Wong**") as the other joint company secretary of the Company to assist Ms. Ma to discharge her duties as company secretary of the Company. Mr. Wong is the Associate Director of SWCS Corporate Services Group (Hong Kong) Limited and has extensive experience in compliance and listed companies secretarial work. Ms. Ma was designated as the primary contact person at the Company who would work and communicate with Mr. Wong on the Company's corporate governance and secretarial and administrative matters.

The joint company secretaries have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

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

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. 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.

Convening Shareholders' General Meetings

A shareholders' annual general meeting is required to be held once every year within six months following the end of the previous financial year.



CORPORATE GOVERNANCE REPORT

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

Putting Forward Proposals at General Meetings

There are no provisions under the Articles of Association or the Companies Law of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as a Director.

Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such requisition. The contents of such proposals shall fall within the functions and powers of the general meeting, shall feature definite topics and specific issues for resolution, and shall be in compliance with relevant requirements of laws, administrative regulations, listing rules for stock exchanges where the Company's shares are listed and the Articles of Association.

For proposal of a person for election as Director, pursuant to Article 114 of the Articles of Association, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director signed by a Shareholder and notice in writing signed by that person of his willingness to be elected shall have been lodged at the Company's principal place of business in Hong Kong: Room B01, 20/F, CITIC Tower, 1 Tim Mei Avenue, Admiralty, Hong Kong. The Company shall include the particulars of such proposed person for election as a Director in its announcement or supplementary circular, and shall give the Shareholders at least seven days to consider the relevant information disclosed in such announcement or supplementary circular prior to the date of the meeting of the election.

For procedures of nomination of candidates for directorship by Shareholders, please refer to the website of the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may supervise the operations of the Company, and to make suggestions and enquiries accordingly.



CORPORATE GOVERNANCE REPORT



Contact Details

(a) *Enquiries about Shareholdings*

The Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, by calling its hotline at +852 2862 8555 or sending a message at https://www.computershare.com/hk/en/online_feedback, or going in person to its public counter at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(b) *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. The Shareholders may send written enquiries or proposals they wish to put forward at general meetings to the Company, for the attention of the Board by mail to the Company's principal place of business in Hong Kong: Room B01, 20/F, CITIC Tower, 1 Tim Mei Avenue, Admiralty, Hong Kong.

The Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. For this purpose, the Company has set up a website (www.canbridgepharma.com), where relevant latest information, the up-to-date state of the Company's business operation and development, the Company's financial information and corporate governance practices and other data are available to the public. If you have any queries or suggestions, please feel free to contact us via email: ir@canbridgepharma.com.

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.

As part of its regular review, the Board has reviewed the Shareholders' communication channels for the year ended December 31, 2023 and is of the view that the communication channels are effective and adequately implemented.

Shareholders should direct their enquiries about their shareholdings to Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong. Investors may also write to the Company at its principal place of business in Hong Kong for any enquiries.

The Company sets out the following contact details for Shareholders to communicate with the Company:

Mailing address: Room B01, 20/F, CITIC Tower, 1 Tim Mei Avenue, Admiralty, Hong Kong

Attention: Board of Directors/Company Secretary

The Company will not normally deal with verbal or anonymous enquiries.



CORPORATE GOVERNANCE REPORT

Policies relating to Shareholders

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

Dividend Policy

The Company has adopted a policy on payment of dividends taking into consideration of various elements including but not limited to, among other things, the earnings, cash flow, financial conditions, capital requirements, statutory fund reserve requirements of the Group and any other conditions which the Board may deem relevant. The policy sets out the factors in consideration, procedures and methods of the payment of dividends with an objective to provide the Shareholders with continuing, stable and reasonable returns on investment while maintaining the Company's business operation and achieving its long-term development goal. The distribution of dividends will be formulated by the Board, and will be subject to the Shareholders' approval.



INDEPENDENT AUDITOR'S REPORT

To the shareholders of CANbridge Pharmaceuticals Inc.

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CANbridge Pharmaceuticals Inc. (the “Company”) and its subsidiaries (the “Group”) set out on pages 95 to 171, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“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 (the “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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of RMB378,837,000 during the year ended 31 December 2023 and the Group had net liabilities of RMB39,788,000 as of 31 December 2023. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

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

Key audit matter

How our audit addressed the key audit matter

Cut-off of research and development expenses

The Group incurred research and development ("R&D") expenses of RMB257,210,000 as disclosed in the consolidated statement of profit or loss for the year ended 31 December 2023. A large portion of R&D expenses represented service fees paid to contract research organisations ("CRO") and contract manufacturing organisations ("CMO") (collectively referred as "Outsourced Service Providers").

The R&D activities contracted with these Outsourced Service Providers are documented in CRO/CMO agreements and are typically performed over an extended period. Recording of these expenses in the appropriate financial reporting periods based on the progress of the R&D projects involves estimation.

The Group's disclosure about R&D expenses is included in note 2.4 *Material accounting policies and note 3 Significant accounting judgements and estimates*.

We obtained an understanding of and evaluated the key controls over the R&D expenses process.

We inquired management about the reasons for periodical fluctuations in R&D expenses and assessed the reasonableness of those fluctuations based on our understanding of the progress of the major R&D projects during the year ended 31 December 2023.

For the service fees paid/payable to the Outsourced Service Providers, we, on a sample basis, reviewed the key terms set out in the agreements with the Outsourced Service Providers, evaluated the completion status of the R&D projects with reference to the progress reported by the project managers which were based on inputs such as number of patient enrolments, time elapsed and milestone achieved, and inspected the supporting documents and obtained confirmations from the Outsourced Service Providers, to determine whether the service fees were properly recorded in the appropriate financial reporting periods based on the respective contract terms, progress and/or the milestones achieved.

We evaluated the adequacy of the R&D expenses by comparing the subsequent milestone billings and payments with the accrued R&D expenses to determine whether the R&D expenses were recorded in the appropriate financial reporting periods.

We evaluated the adequacy of the Group's disclosure about R&D expenses.



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

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

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

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



INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Man Kit.

Ernst & Young

Certified Public Accountants

Hong Kong

28 March 2024



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	102,871	78,972
Cost of sales	6	(38,707)	(30,078)
Gross profit		64,164	48,894
Other income and gains	5	12,659	12,883
Selling and distribution expenses		(83,671)	(86,782)
Administrative expenses		(89,830)	(108,907)
Research and development expenses		(257,210)	(311,174)
Finance costs	7	(8,948)	(6,863)
Other expenses		(16,001)	(31,526)
LOSS BEFORE TAX	6	(378,837)	(483,475)
Income tax expense	10	–	–
LOSS FOR THE YEAR		(378,837)	(483,475)
Attributable to:			
Owners of the parent		(378,837)	(483,475)
LOSS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (EXPRESSED IN RMB PER SHARE)			
– Basic and diluted	12	(0.89)	(1.14)



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
LOSS FOR THE YEAR	(378,837)	(483,475)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	(25,749)	(109,485)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	(25,749)	(109,485)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of the Company	36,250	181,268
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	36,250	181,268
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	10,501	71,783
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(368,336)	(411,692)
Attributable to:		
Owners of the parent	(368,336)	(411,692)



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	9,180	15,003
Right-of-use assets	14	99,827	129,714
Intangible assets	15	76,491	49,011
Other non-current assets	19	–	3,157
Total non-current assets		185,498	196,885
CURRENT ASSETS			
Inventories	16	8,783	9,824
Trade receivables	18	31,228	19,054
Prepayments, other receivables and other assets	19	10,847	13,175
Cash and bank balances	20	137,491	463,107
		188,349	505,160
Non-current assets classified as held for sale	17	21,515	–
Total current assets		209,864	505,160
CURRENT LIABILITIES			
Trade payables	21	198,054	107,540
Other payables and accruals	22	81,162	130,670
Interest-bearing bank and other borrowings	23	23,690	26,867
Lease liabilities	14	11,034	13,028
		313,940	278,105
Advances received for disposal of non-current assets classified as held for sale	17	14,005	–
Total current liabilities		327,945	278,105
NET CURRENT (LIABILITIES)/ASSETS		(118,081)	227,055
TOTAL ASSETS LESS CURRENT LIABILITIES		67,417	423,940
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	6,625	10,779
Lease liabilities	14	100,580	104,606
Total non-current liabilities		107,205	115,385
Net (liabilities)/assets		(39,788)	308,555



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	28	28
Treasury shares	25	–	–
Reserves	27	(39,816)	308,527
Total (deficit)/equity		(39,788)	308,555

Executive Director: Dr. James Qun Xue

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent							Total equity/ (deficit) RMB'000
	Notes	Share capital	Share premium	Contributed surplus	Share-based payments reserve	Accumulated losses	Exchange fluctuation reserve	
		RMB'000 (note 25)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000 (note 26)	RMB'000	RMB'000 (note 27)	
At 1 January 2022		28	3,461,026	9,581	59,338	(2,927,130)	90,548	693,391
Loss for the year		-	-	-	-	(483,475)	-	(483,475)
Exchange realignment		-	-	-	-	-	71,783	71,783
Total comprehensive income for the year		-	-	-	-	(483,475)	71,783	(411,692)
Issue of shares from exercise of share options	25	-**	649	-	(615)	-	-	34
Share-based payments	26	-	-	-	26,822	-	-	26,822
At 31 December 2022		28	3,461,675*	9,581*	85,545*	(3,410,605)*	162,331*	308,555

	Attributable to owners of the parent								
	Notes	Share capital	Treasury shares	Share premium	Contributed surplus	Share-based payments reserve	Accumulated losses	Exchange fluctuation reserve	Total equity/ (deficit)
		RMB'000 (note 25)	RMB'000 (note 25)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000 (note 26)	RMB'000	RMB'000 (note 27)	RMB'000
At 1 January 2023		28	-	3,461,675	9,581	85,545	(3,410,605)	162,331	308,555
Loss for the year		-	-	-	-	-	(378,837)	-	(378,837)
Exchange realignment		-	-	-	-	-	-	10,501	10,501
Total comprehensive income for the year		-	-	-	-	-	(378,837)	10,501	(368,336)
Issue of shares from exercise of share options	25	-**	-	1,821	-	(1,745)	-	-	76
Issue of shares	25	-**	-**	-	-	-	-	-	-
Share-based payments	26	-	-	-	-	19,917	-	-	19,917
At 31 December 2023		28	-**	3,463,496*	9,581*	103,717*	(3,789,442)*	172,832*	(39,788)

* These reserve accounts comprise the consolidated reserves of RMB(39,816,000) (2022: RMB308,527,000) in the consolidated statement of financial position.

** Less than RMB1,000.



CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(378,837)	(483,475)
Adjustments for:			
Finance costs	7	8,948	6,863
Foreign exchange differences, net	6	9,180	28,425
Interest income	5	(10,977)	(3,893)
Loss on disposal of items of property, plant and equipment	6	2,251	1,682
Gain on disposal of right-of-use assets for early terminated leases	5	(238)	(435)
Covid-19-related rent concessions from lessor	14	–	(1,788)
Depreciation of property, plant and equipment	6	3,135	3,011
Amortisation of intangible assets	6	8,813	6,169
Depreciation of right-of-use assets	6	16,512	12,798
Impairment of property, plant and equipment	6	4,007	–
Share-based payment expenses	26	19,917	26,822
		(317,289)	(403,821)
Decrease in inventories		1,041	3,624
Increase in trade receivables		(12,174)	(9,913)
Decrease in prepayments, other receivables and other assets		2,267	30,132
Increase in trade payables		90,514	63,933
(Decrease)/increase in other payables and accruals		(53,567)	31,173
Cash used in operations		(289,208)	(284,872)
Interest received		10,977	3,893
Net cash flows used in operating activities		(278,231)	(280,979)



CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances received for disposal of non-current assets classified as held for sale	17	14,005	–
Purchases of items of land use rights	14	–	(19,446)
Purchases of items of right-of-use assets		(384)	–
Purchases of items of property, plant and equipment		(5,144)	(15,197)
Additions to intangible assets	15	(35,332)	(143)
Net cash flows used in investing activities		(26,855)	(34,786)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options	25	76	34
Share issue expenses		–	(1,943)
Proceeds from bank and other borrowings		19,800	38,631
Repayment of bank and other borrowings		(27,550)	(34,006)
Interest paid on bank loans		(1,485)	(2,170)
Payment of lease liabilities	14	(18,218)	(9,300)
Increase in deposits pledged for lease	20	(640)	(11,950)
Net cash flows used in financing activities		(28,017)	(20,704)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(333,103)	(336,469)
Cash and cash equivalents at beginning of year		451,157	745,815
Effect of foreign exchange rate changes, net		6,847	41,811
CASH AND CASH EQUIVALENTS AT END OF YEAR		124,901	451,157
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the statement of financial position		137,491	463,107
Pledged deposits		(12,590)	(11,950)
Cash and cash equivalents as stated in the statement of cash flows		124,901	451,157



NOTES TO FINANCIAL STATEMENTS

31 December 2023

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.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CANbridge Pharmaceuticals Limited	Hong Kong 12 March 2018	US\$ 10,000	100%	–	Investment holding
CANbridge Biomed Limited ("CANbridge BIOMED")	Hong Kong 31 March 2014	US\$ 10,000	–	100%	Research and development and commercialisation of medical products
CANbridge Care Pharma Hong Kong Limited (北海康成珍愛藥業香港有限公司) ("CANbridge CARE Pharma")	Hong Kong 19 June 2018	US\$ 10,000	–	100%	Research and development and commercialisation of medical products
CANbridge Life Sciences Ltd. (北海康成(北京)醫藥科技有限公司) ("CANbridge Beijing")*	People's Republic of China (the "PRC")/ Chinese Mainland*** 12 June 2012	RMB 306,122,400	–	100%	Research and development and commercialisation of medical products
CANbridge (Shanghai) Life Sciences Ltd. (北海康成(上海)生物科技有限公司)*	PRC/Chinese Mainland*** 22 June 2016	RMB 120,000,000	–	100%	Research and development and commercialisation of medical products

NOTES TO FINANCIAL STATEMENTS

31 December 2023



1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CANbridge Pharmaceuticals, Inc. ("CANbridge US")	United States of America ("USA") 1 September 2017	US\$ 1	100%	-	Research and development and business development
CARE Pharma Shanghai Ltd. (諾愛藥業(上海)有限公司)*	PRC/Chinese Mainland*** 17 January 2018	US\$ 10,204,100	-	100%	Research and development
CANbridge Pharma Co., Ltd. (北海康成股份有限公司)*	Taiwan 5 October 2019	TW\$ 615,420	-	100%	Research and development and commercialisation of medical products
CANbridge (Suzhou) Bio-Pharma Co., Ltd. (北海康成(蘇州)生物製藥有限公司) * ** ("CANbridge Suzhou")	PRC/Chinese Mainland*** 15 April 2021	US\$ 11,800,000	-	100%	Research and development

* The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as these companies do not have any official English names.

** Registered as a wholly-foreign-owned enterprise under PRC law.

*** Limited liability company established in PRC.



NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which 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. Non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements have been prepared on the assumption that the Group will continue as a going concern, which assumes that the Group will be able to meet its obligations and continue its operations for the next twelve months after 31 December 2023 notwithstanding that as at 31 December 2023, the Group had net liabilities of RMB39,788,000 and incurred a net loss of RMB378,837,000 during the year ended 31 December 2023.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve the Group’s financial position which include, but not limited to, the following:

- (i) The Group is actively negotiating with external parties to obtain new sources of financing or strategic capital investments to finance the Group’s working capital and improve the liquidity position;
- (ii) The Group will continue to take active measures to control selling and administrative costs and research and development costs, such as further reprioritisation of pipelines, containment of employee costs, subleasing of spare office to reduce rental costs etc.;
- (iii) The Group has obtained the approval of back-up facilities from certain banks and has subsequently drawn down RMB22 million as of the date of approval of these consolidated financial statements and the Company is also in the process of obtaining further draw-down of bank borrowings; and
- (iv) The Group has been actively negotiating with banks for renewal and extension of existing bank borrowings that will become due during the next twelve months after 31 December 2023. The Group will also continue to actively negotiate with the suppliers to extend the repayment dates of the overdue payables;
- (v) The Group will continue to actively negotiate with certain third parties to license out its products to streamline its operations further and improve liquidity position.

NOTES TO FINANCIAL STATEMENTS

31 December 2023



2. ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (Continued)

The board of directors have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from 31 December 2023. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- (i) The successful obtaining of financing or strategic capital investments in the Group;
- (ii) The successful and timely implementation of the plans to control costs and reduce expenditures;
- (iii) The successful obtaining of continuous support from the banks for provision of new bank loans under the approved back-up facilities and renewal and extension of existing bank borrowings;
- (iv) The successful negotiation with the suppliers to extend the repayment dates of overdue payables; and
- (v) The successful signing of binding agreement with third parties to license out certain of its products or pipelines.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

Basis of consolidation

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

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



NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023



2. ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2.4 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 24 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.



NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “2020 Amendments”) ¹
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the “2022 Amendments”) ¹
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ¹
Amendments to IAS 21	<i>Lack of Exchangeability</i> ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023



2. ACCOUNTING POLICIES (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.



NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023



2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

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

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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



NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; (If the Group is itself such a plan) and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2023



2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Instrument and electronic equipment	10% to 32%
Furniture and fixtures	19%
Motor vehicles	24%
Leasehold improvements	Over the shorter of the lease terms and 20%

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

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



NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents and licenses

Purchased patents and licenses are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 9-10 years. When estimating the useful lives of the purchased patents and licenses, the Company takes into account factors including the duration of the patents or licenses, the anticipated duration of sales of products after patent expiration, as well as the useful lives of similar assets in the marketplace.

NOTES TO FINANCIAL STATEMENTS

31 December 2023



2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

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

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding ten years, commencing from the date when the products are put into commercial production.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 3-10 years. The estimated useful life of software is determined by considering the period of the economic benefits to the Group as well as by referring to the industry practice.

Leases

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

Group as a lessee

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



NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

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

Categories	Estimated useful lives
Office and laboratory	2 to 12 years
Equipment	3 years
Land use rights	30 years

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

(b) Lease liabilities

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023



2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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



NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023



2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

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

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



NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

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

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

Impairment of financial assets

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

General approach

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

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



NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

The Group considers a financial asset in default when contractual payments are 30 to 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

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

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

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

Simplified approach

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



NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated as at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2023



2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

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

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and comprises all cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.



NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

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

Provisions

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

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

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

Income tax

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023



2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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



NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

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



NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

During the reporting period, revenue of the Group was primarily arising from the sale of medical products to the customers. Revenue is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Other income

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

Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group and consultants receive remuneration in the form of share-based payments, whereby employees and consultants render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of the share option is determined by an external valuer using a binomial model, further details of which are given in note 26 to the financial statements.

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

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



NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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

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

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

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

Other employee benefits

Pension scheme

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

Borrowing costs

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023



2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

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

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

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

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. The functional currency of the Company is the United States Dollar ("US\$"). As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

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



NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of building due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available.

NOTES TO FINANCIAL STATEMENTS

31 December 2023



3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

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

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Accrual of research and development costs

The Group engages contract research organizations (“CROs”) and contract manufacturing organizations (“CMOs”) (collectively referred as “Outsourced Service Providers”) to conduct, supervise, and monitor the Group’s ongoing clinical trials, or to develop manufacturing processes to support the Group’s own manufacturing capacities. Determining the amounts of research and development costs incurred up to the end of each reporting period requires the management of the Group to estimate and measure the progress of receiving research and development services under the contracts with Outsourced Service Providers using inputs such as number of patient enrolments, time elapsed and milestone achieved when the Group has not yet been invoiced or otherwise notified of the actual costs.

Fair value measurement of share-based payments

The Group has set up a share-based payment scheme and granted options and restricted share units (“RSUs”) to the Company’s directors, the Group’s employees and consultants. The fair value of the options is determined by the binomial option-pricing model at the grant dates for options granted to directors and employees, and at the service provision dates for the consultants. Significant estimates on assumptions, including the expected volatility, and risk-free interest rate, are made by management. Further details are included in note 26 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.



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31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilised, management’s judgement is required to assess the probability of future taxable profits. Management’s assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Further details are included in note 10 to the financial statements.

Provision for inventories

The Group reviews the carrying amounts of the inventories at the end of each reporting period to determine whether the inventories are carried at the lower of cost and net realisable value. The net realisable value is estimated based on the current market situation and historical experience. Any change in the assumptions would increase or decrease the amount of inventories written down or the related reversals of write-down and affect the Group’s financial position.

Useful lives of intangible assets

The intangible assets are amortised on the straight-line basis by taking into account the residual value. The Group reviews the estimated useful lives on an annual basis to determine the related amortisation charges for its intangible assets. The estimation is based on the legal protection period, with consideration of market condition. Management will increase the amortisation charges when useful lives become shorter than previously estimated.

NOTES TO FINANCIAL STATEMENTS

31 December 2023



3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

4. OPERATING SEGMENT INFORMATION

For management purpose, the Group has only one reportable operating segment, which is the development, production, marketing and sale of medical products.

Geographical information

(a) *Revenue from external customers*

	2023 RMB'000	2022 RMB'000
Chinese Mainland	55,874	31,491
Other regions	46,997	47,481
Total revenue	102,871	78,972

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

(b) *Non-current assets*

	2023 RMB'000	2022 RMB'000
Chinese Mainland	6,726	31,710
Other countries/regions	178,772	165,175
Total non-current assets	185,498	196,885

The non-current asset information above is based on the locations of the assets.

Information about major customers

Revenue of approximately RMB45,731,000 (2022: RMB28,032,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.



NOTES TO FINANCIAL STATEMENTS

31 December 2023

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
<i>Revenue from contracts with customers</i>	102,871	78,972

(a) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
Type of goods		
Sale of medical products	102,871	78,972
Timing of revenue recognition		
Goods transferred at a point in time	102,871	78,972

(b) Performance obligation

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

	2023 RMB'000	2022 RMB'000
Other income		
Bank interest income	10,977	3,893
Government grants*	1,433	8,454
Total other income	12,410	12,347
Gains		
Gain on disposal of right-of-use assets for early termination of leases	238	435
Others	11	101
Total gains	249	536
Total other income and gains	12,659	12,883

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

NOTES TO FINANCIAL STATEMENTS

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6. LOSS BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold		38,707	30,078
Research and development costs (excluding related employee benefit expenses, depreciation and amortisation)		197,171	251,505
Depreciation of property, plant and equipment	13	3,135	3,011
Depreciation of right-of-use assets	14	16,512	12,798
Amortisation of intangible assets	15	8,813	6,169
Lease payments not included in the measurement of lease liabilities	14	393	444
Auditor's remuneration		1,894	2,960
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 8)):			
Wages, salaries and welfare		90,486	112,941
Pension scheme contributions		4,894	6,873
Staff welfare expenses		6,174	7,671
Share-based payment expenses		15,845	18,028
Total		117,399	145,513
Foreign exchange differences, net		9,180	28,425
Impairment of property, plant and equipment	13	4,007	–
Loss on disposal of items of property, plant and equipment		2,251	1,682

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest on bank loans	1,485	2,170
Interest on lease liabilities (note 14)	7,463	4,693
Total	8,948	6,863



NOTES TO FINANCIAL STATEMENTS

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Fees	1,271	814
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	5,710	4,968
Pension scheme contributions	139	125
Share-based payment expenses	3,696	8,025
Subtotal	9,545	13,118
Total	10,816	13,932

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 26 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

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

	2023 RMB'000	2022 RMB'000
Dr. Richard James Gregory	317	202
Mr. Peng Kuan Chan	317	202
Mr. James Arthur Geraghty	317	202
Dr. Lan Hu	320	208
Total	1,271	814

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

NOTES TO FINANCIAL STATEMENTS

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Non-executive directors, executive directors and the chief executive

	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Share-based payment expenses RMB'000	Total remuneration RMB'000
2023					
Chief executive and executive director:					
Dr. James Qun Xue	-	5,710	139	3,696	9,545
Non-executive directors:					
Dr. Kan Chen	-	-	-	-	-
Dr. Derek Paul Di Rocco*	-	-	-	-	-
Mr. Edward Hu	-	-	-	-	-
Total	-	5,710	139	3,696	9,545

* Dr. Derek Paul Di Rocco resigned as a non-executive director of the Company in Nov 2023.

	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Share-based payment expenses RMB'000	Total remuneration RMB'000
2022					
Chief executive and executive director:					
Dr. James Qun Xue	-	4,968	125	8,025	13,118
Non-executive directors:					
Dr. Kan Chen	-	-	-	-	-
Dr. Derek Paul Di Rocco	-	-	-	-	-
Mr. Xiao Le *	-	-	-	-	-
Mr. Edward Hu **	-	-	-	-	-
Total	-	4,968	125	8,025	13,118

* Mr. Xiao Le resigned as a non-executive director of the Company in July 2022.

** Mr. Edward Hu was appointed as an non-executive director of the Company in July 2022.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.



NOTES TO FINANCIAL STATEMENTS

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2022: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four highest paid employees (2022: four) who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, bonuses, allowances and benefits in kind	10,675	12,727
Pension scheme contributions	313	284
Share-based payment expenses	4,743	10,052
Total	15,731	23,063

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

	Number of employees	
	2023	2022
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$4,000,001 to HK\$4,500,000	1	–
HK\$4,500,001 to HK\$5,000,000	2	1
HK\$5,000,001 to HK\$5,500,000	–	–
HK\$5,500,001 to HK\$6,000,000	–	1
HK\$6,000,001 to HK\$6,500,000	–	–
HK\$6,500,001 to HK\$7,000,000	–	–
HK\$7,000,001 to HK\$7,500,000	–	–
HK\$7,500,001 to HK\$8,000,000	–	1
HK\$8,000,001 to HK\$8,500,000	–	1
Total	4	4

In prior years, share options were granted to 4 non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 26 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.



NOTES TO FINANCIAL STATEMENTS

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10. 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

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

Taiwan

The subsidiary incorporated in Taiwan is subject to income tax at a rate of 20% (2022: 20%) on the estimated assessable profits arising in Taiwan during the year.

Chinese Mainland

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the subsidiaries which operate in Chinese Mainland are subject to CIT at a rate of 25% (2022: 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% (2022: 21%) during the year.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The requirement became effective on 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors.



NOTES TO FINANCIAL STATEMENTS

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10. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to loss before tax at the statutory tax rate for the jurisdiction where the operations of the Group are substantially based to the tax expense at the effective tax rate is as follows:

	2023 RMB'000	2022 RMB'000
Loss before tax	(378,837)	(483,475)
Tax at the statutory tax rate of 25%(2022: 25%)	(94,709)	(120,869)
Effect of tax rate differences in other jurisdictions	18,199	20,180
Expenses not deductible for tax	6,894	7,056
Additional deductible allowance for qualified research and development costs	(5,420)	(8,677)
Tax losses utilised from previous periods	(3,638)	(950)
Tax losses and deductible temporary differences not recognised	78,674	103,260
Tax charge at the Group's effective rate	-	-

The Group had tax losses of RMB367,729,000 for the year ended 31 December 2023 (2022: RMB479,800,000), out of which the tax losses incurred by the entities in Chinese Mainland and Taiwan are available for a maximum of ten years for offsetting against future taxable profits of the companies in which the losses arose, while the tax losses incurred by other entities can be carried forward permanently to offset against the future taxable profits of these companies in which the losses arose. The Group's entities in Chinese Mainland had tax losses of RMB118,512,000 for the year ended 31 December 2023 (2022: RMB229,637,000). The Group's overseas entities had tax losses of RMB249,217,000 for the year ended 31 December 2023 (2022: RMB250,163,000).

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. DIVIDENDS

No dividends have been declared and paid by the Company for the year ended 31 December 2023 (2022: Nil).

12. 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 424,378,752 (2022: 424,210,824) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2023 (2022: Nil) as the impact of the share options and share awards outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

NOTES TO FINANCIAL STATEMENTS

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12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

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

	2023 RMB'000	2022 RMB'000
Loss		
Loss attributable to owners of the parent, used in the basic loss per share calculation	(378,837)	(483,475)
	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	424,378,752	424,210,824

13. PROPERTY, PLANT AND EQUIPMENT

	Instrument and electronic equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2023					
At 1 January 2023:					
Cost	10,071	3,001	469	10,856	24,397
Accumulated depreciation	(1,828)	(1,386)	(446)	(5,734)	(9,394)
Net carrying amount	8,243	1,615	23	5,122	15,003
At 1 January 2023, net of accumulated depreciation	8,243	1,615	23	5,122	15,003
Additions	2,450	796	–	171	3,417
Disposals	(29)	(10)	–	(2,212)	(2,251)
Depreciation provided during the year	(1,747)	(431)	–	(957)	(3,135)
Impairment	(3,570)	(437)	–	–	(4,007)
Exchange realignment	116	19	–	18	153
At 31 December 2023, net of accumulated depreciation and impairment	5,463	1,552	23	2,142	9,180
At 31 December 2023:					
Cost	12,491	3,622	469	3,938	20,520
Accumulated depreciation and impairment	(7,028)	(2,070)	(446)	(1,796)	(11,340)
Net carrying amount	5,463	1,552	23	2,142	9,180

During the year, impairment provision of RMB4,007,000 (2022: Nil) was recognised for certain property, plant and equipment. The recoverable amount was determined based on the fair value less costs of disposal, the fair value measurement using quoted prices in active markets.



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31 December 2023

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Instrument and electronic equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2022					
At 1 January 2022:					
Cost	2,491	1,834	469	11,320	16,114
Accumulated depreciation	(1,349)	(948)	(446)	(3,807)	(6,550)
Net carrying amount	1,142	886	23	7,513	9,564
At 1 January 2022, net of accumulated depreciation	1,142	886	23	7,513	9,564
Additions	7,683	1,272	–	1,627	10,582
Disposals	(6)	(65)	–	(2,136)	(2,207)
Depreciation provided during the year	(585)	(499)	–	(1,927)	(3,011)
Exchange realignment	9	21	–	45	75
At 31 December 2022, net of accumulated depreciation	8,243	1,615	23	5,122	15,003
At 31 December 2022:					
Cost	10,071	3,001	469	10,856	24,397
Accumulated depreciation	(1,828)	(1,386)	(446)	(5,734)	(9,394)
Net carrying amount	8,243	1,615	23	5,122	15,003

NOTES TO FINANCIAL STATEMENTS

31 December 2023



14. LEASES

The Group as a lessee

The Group has lease contracts for various items of office, a laboratory and equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with a lease period of 30 years, and no ongoing payments will be made under the terms of the land lease. Lease of a laboratory have a lease term of 11.5 years, while the office and equipment generally have lease terms between 2 and 3 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office and laboratory RMB'000	Equipment RMB'000	Land use rights RMB'000	Total RMB'000
As at 1 January 2022	19,978	–	–	19,978
Additions	106,903	6,918	19,446	133,267
Depreciation charge	(12,324)	(150)	(324)	(12,798)
Revision of a lease term arising from a change in the non-cancellable period of a lease	1,706	–	–	1,706
Disposals	(12,456)	–	–	(12,456)
Exchange realignment	17	–	–	17
As at 31 December 2022 and 1 January 2023	103,824	6,768	19,122	129,714
Additions	5,050	–	–	5,050
Depreciation charge	(13,438)	(2,426)	(648)	(16,512)
Revision of a lease term arising from a change in the non-cancellable period of a lease	686	–	–	686
Disposals	(2,414)	–	–	(2,414)
Assets classified as held for sale (note 17)	–	–	(18,474)	(18,474)
Exchange realignment	1,710	67	–	1,777
As at 31 December 2023	95,418	4,409	–	99,827



NOTES TO FINANCIAL STATEMENTS

31 December 2023

14. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) *Lease liabilities*

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	117,634	21,233
New leases	4,610	113,821
Accretion of interest recognised during the year	7,463	4,693
Exchange realignment	2,096	160
Payments	(18,218)	(9,300)
Revision of a lease term arising from a change in the non-cancellable period of a lease	681	1,706
Covid-19-related rent concessions from lessor	–	(1,788)
Disposals	(2,652)	(12,891)
Carrying amount at 31 December	111,614	117,634
Analysed into:		
Current portion	11,034	13,028
Non-current portion	100,580	104,606

The maturity analysis of lease liabilities is disclosed in note 33 to the financial statements.

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

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	7,463	4,693
Depreciation charge of right-of-use assets(note 6)	16,512	12,798
Expense relating to short-term leases and leases of low-value assets (note 6)	393	444
Gain on disposal of right-of-use assets for early terminated leases	(238)	(435)
Covid-19-related rent concessions from lessor	–	(1,788)
Total amount recognised in profit or loss	24,130	15,712

(d) The total cash outflow for leases are disclosed in note 28 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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15. INTANGIBLE ASSETS

	Patents and licenses RMB'000	Software RMB'000	Total RMB'000
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	48,537	474	49,011
Additions	35,234	98	35,332
Amortisation provided during the year	(8,689)	(124)	(8,813)
Exchange realignment	959	2	961
At 31 December 2023	76,041	450	76,491
At 31 December 2023			
Cost	99,798	701	100,499
Accumulated amortisation	(23,757)	(251)	(24,008)
Net carrying amount	76,041	450	76,491
	Patents and licenses RMB'000	Software RMB'000	Total RMB'000
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	50,883	386	51,269
Additions	–	143	143
Amortisation provided during the year	(6,114)	(55)	(6,169)
Exchange realignment	3,768	–	3,768
At 31 December 2022	48,537	474	49,011
At 31 December 2022			
Cost	63,310	600	63,910
Accumulated amortisation	(14,773)	(126)	(14,899)
Net carrying amount	48,537	474	49,011

16. INVENTORIES

	2023 RMB'000	2022 RMB'000
Finished goods	8,783	9,824



NOTES TO FINANCIAL STATEMENTS

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17. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2023 RMB'000	2022 RMB'000
Right-of-use assets	18,474	–
Prepayments, other receivables and other assets	3,041	–
Total	21,515	–

- (a) On 15 December 2023, CANbridge Suzhou entered into a land resumption agreement (the “Land Resumption Agreement”) with Suzhou Industrial Park Land Reserve Center (the “Local Government”) in respect of the resumption of land use rights held by CANbridge Suzhou for the land situated at the Suzhou Industrial Park (the “Land”). Pursuant to the Land Resumption Agreement, CANbridge Suzhou shall surrender the land use rights to the Local Government for a total compensation of RMB28,010,000 payable by the Local Government, which was to compensate (i) the consideration paid by CANbridge Suzhou for acquisition of the land use rights in June 2022; and (ii) costs incurred by CANbridge Suzhou in relation to the preliminary construction planning and design of the Land. The transaction of land resumption was not completed by the end of 2023. Therefore, the carrying amount of the land use rights recorded in the right-of-use assets, amounting to RMB18,474,000 as of 31 December 2023, and the balance of costs incurred related to the preliminary construction planning and design of the Land which was recorded in the non-current portion of prepayments, other receivables and other assets, amounting to RMB3,041,000 as of 31 December 2023, were reclassified to non-current assets classified as held for sale as of 31 December 2023.
- (b) Pursuant to the Land Resumption Agreement, the first installment of the consideration, amounting to RMB14,005,000 was received by CANbridge Suzhou as of 31 December 2023, which was recorded as advances received for disposal of non-current assets classified as held for sale. The remaining consideration amounting to RMB14,005,000 has been received by CANbridge Suzhou in February 2024. There was no impact on the consolidated statement of profit or loss in 2023 since the Land Resumption was not completed by the end of 2023.

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31 December 2023



18. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	31,228	19,054
Impairment	–	–
Net carrying amount	31,228	19,054

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to certain major customers, there is a significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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:

	2023 RMB'000	2022 RMB'000
Within 3 months	31,228	19,054

The Group has applied the simplified approach to provide for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing. Because there was no history of default of trade receivables, the Company assessed that the expected loss rate of trade receivables of the Group was very low. The Company also assessed that there was no significant change in the ECL rates during the year, mainly because there was no change of historical default rates of trade receivables and there were no significant changes in the economic conditions and performance and behaviour of the customers, based on which the ECL rates were determined. The directors of the Company are of the opinion that the ECL in respect of the balances of trade receivables is minimal.

No loss allowance for impairment of trade receivables is provided as at 31 December 2023 (31 December 2022: Nil).



NOTES TO FINANCIAL STATEMENTS

31 December 2023

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Prepayments	2,560	6,653
Value-added tax recoverable	7,108	8,085
Other receivables	1,179	1,594
Total	10,847	16,332
Analysed into:		
Non-current portion	–	3,157
Current portion	10,847	13,175

Prepayments primarily consisted of advance payments to suppliers for products, services and machinery.

Value-added tax recoverable represented the value-added tax that can be used for future deduction.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts, therefore, they were categorised in stage 1 at the end of each year. In calculating the ECL rate, the Group considers the historical loss rate and adjusts for forward looking macroeconomic data. As at 31 December 2023 and 2022, the ECL for other receivables was assessed to be minimal.

20. CASH AND BANK BALANCES

	2023 RMB'000	2022 RMB'000
Cash and bank balances	137,491	463,107
Less:		
Pledged deposits*	(12,590)	(11,950)
Cash and cash equivalents	124,901	451,157
Denominated in:		
RMB	48,181	41,596
USD	82,243	413,029
HKD	1,518	2,810
TWD	5,549	5,672
Cash and bank balances	137,491	463,107

* This represented pledged deposits in commercial banks held as collateral for issuance of letters of credit. None of these deposits are either past due or impaired.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023



20. CASH AND BANK BALANCES (CONTINUED)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and sixteen months depending on the immediate cash requirements of the Group and earn interest at the respective time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

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

	2023 RMB'000	2022 RMB'000
Within 6 months	80,753	63,645
Over 6 months	117,301	43,895
Total	198,054	107,540

The trade payables are non-interest-bearing and are normally settled in less than six months or based on the specific agreement with certain suppliers.

22. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Taxes other than income tax	2,477	1,382
Payroll payable	4,162	27,189
Payables for purchase of property, plant and equipment	–	1,843
Other payables	17,700	13,845
Accruals*	56,823	86,411
Total	81,162	130,670

* Accruals primarily consist of milestone payment of licenses and selling expenses.

Other payables and accruals are non-interest-bearing and repayable on demand.



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31 December 2023

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023			2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	3.35-4.00	2024	14,800	-	-	-
Current portion of long term bank loans – unsecured	4.00	2024	2,250	4.20	2023	750
Current portion of long term bank loans – secured (iii)	4.00	2024	6,640	4.00	2023	26,117
Total – current			23,690			26,867
Non-current						
Bank loans – unsecured	4.00	2025-2026	6,625	4.20	2024-2025	4,250
Bank loans – secured (iii)	-	-	-	4.00	2024	6,529
Total – non-current			6,625			10,779
Total			30,315			37,646

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	23,690	26,867
In the second year	5,125	7,779
In the third year	1,500	3,000
Total	30,315	37,646

Notes:

- (i) As at 31 December 2023, except for unsecured bank loans of RMB23,675,000 which were denominated in RMB, all the bank borrowings were denominated in USD. The carrying amounts of bank loans amounting to RMB8,875,000 was floating rate loans. The interest rate type for other bank loans was fixed rate.
- (ii) The carrying amounts of the current bank borrowings approximate to their fair values.
- (iii) Pursuant to the agreements entered into by CANbridge BIOMED, CANbridge US and CANbridge CARE Pharma, with a commercial bank incorporated in the PRC ("Bank"), CANbridge BIOMED and CANbridge CARE Pharma have charged all of their assets in favour of the Bank by way of first fixed charge and floating charge as security for the payment of the bank borrowings from the Bank. Upon the occurrence of any event of default as defined in the agreements, the bank may enforce to take possession and control of all the charged assets under the agreements and appoint a receiver over the charged assets, in which event CANbridge BIOMED and CANbridge CARE Pharma may be required to give up possession, ownership and control of their assets. As at 31 December 2023, there was no occurrence of any default by these subsidiaries. The Company also provided guarantees to these subsidiaries for the bank borrowings from the Bank.

NOTES TO FINANCIAL STATEMENTS

31 December 2023



24. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	2023 Right-of-use assets RMB'000
At 31 December 2022	–
Effect of adoption of amendments to IAS 12 (note 2.2(c))	23,427
At 1 January 2023 (restated)	23,427
Deferred tax credited to the statement of profit or loss during the year	(2,300)
Gross deferred tax liabilities at 31 December 2023	21,127

Deferred tax assets

	2023 Lease liabilities RMB'000
At 31 December 2022	–
Effect of adoption of amendments to IAS 12 (note 2.2(c))	23,427
At 1 January 2023 (restated)	23,427
Deferred tax charged to the statement of profit or loss during the year	(2,300)
Gross deferred tax assets at 31 December 2023	21,127



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31 December 2023

24. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	2022
	Right-of-use assets
	RMB'000
At 31 December 2021	–
Effect of adoption of amendments to IAS 12 (note 2.2(c))	4,979
At 1 January 2022 (restated)	4,979
Deferred tax charged to the statement of profit or loss during the year (restated)	18,448
Gross deferred tax liabilities at 31 December 2022 (restated)	23,427

Deferred tax assets

	2022
	Lease liabilities
	RMB'000
At 31 December 2021	–
Effect of adoption of amendments to IAS 12 (note 2.2(c))	4,979
At 1 January 2022 (restated)	4,979
Deferred tax credited to the statement of profit or loss during the year (restated)	18,448
Gross deferred tax assets at 31 December 2022 (restated)	23,427

For presentation purposes, deferred tax assets and liabilities have been offset in the statement of financial position.

NOTES TO FINANCIAL STATEMENTS

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25. SHARE CAPITAL AND TREASURY SHARES

Shares

Issued and fully paid:

	As at 31 December 2023		
	Number of shares in issue	Share capital USD'000	RMB equivalent RMB'000
Ordinary shares of USD0.00001 each	424,562,120	4	28

	As at 31 December 2022		
	Number of shares in issue	Share capital USD'000	RMB equivalent RMB'000
Ordinary shares of USD0.00001 each	424,291,920	4	28

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2022		424,191,920	28	–	3,461,026	3,461,054
Share options exercised	(a)	100,000	–*	–	649	649
At 31 December 2022 and 1 January 2023		424,291,920	28	–	3,461,675	3,461,703
Share options exercised	(b)	150,200	–*	–	1,821	1,821
Issue of shares	(c)	120,000	–*	–*	–	–
At 31 December 2023		424,562,120	28	–*	3,463,496	3,463,524

* Less than RMB1,000.

Notes:

- (a) The subscription rights attaching to 100,000 share options were exercised at the subscription price (note 26), resulting in the issue of 100,000 shares with a par value of US\$0.00001 each for a total cash consideration of RMB34,000. An amount of RMB615,000 was transferred from the share-based payment reserve to share premium upon the exercise of the share options.
- (b) The subscription rights attaching to 150,200 share options were exercised at the subscription price (note 26), resulting in the issue of 150,200 shares with a par value of US\$0.00001 each for a total cash consideration of RMB76,000. An amount of RMB1,745,000 was transferred from the share-based payment reserve to share premium upon the exercise of the share options.
- (c) The Company has adopted a post-IPO share award scheme ("the Scheme") on 18 November 2021. For the purposes of the awards of restricted share units ("Awards") under the Scheme, the Company has established a trust for which Computershare Hong Kong Trustees Limited acts as the trustee. To satisfy the grant and/or settlement of the Awards, the Company allotted 120,000 shares of the Company to the trustee.



NOTES TO FINANCIAL STATEMENTS

31 December 2023

26. SHARE OPTION SCHEME

The Company operates share-based payment schemes (the “Scheme(s)”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Company’s directors, the Group’s employees and consultants.

The 2016 Plan

A share incentive plan (the “2016 Plan”) became effective in April 2016 when the board of directors of CANbridge Beijing approved the 2016 Plan. The maximum aggregate number of shares that may be issued under this plan is 1,250,000 ordinary shares of CANbridge Beijing. The 2016 Plan permits the awards of share options through a limited liability partnership (the “LLP”). The participants will indirectly hold share options of CANbridge Beijing through direct holding of the LLP’s interest. As part of the red-chip restructuring of the Company and its subsidiaries, the New Plan (see definition below) was adopted to replace the 2016 Plan and the shares were granted to replace the shares of CANbridge Beijing previously granted.

The New Plan

A new share incentive plan (the “New Plan”) became effective on 25 July 2019 when the Board and the shareholders approved the New Plan. The New Plan will continue in effect for a term of ten years unless sooner terminated. The maximum number of shares that may be subject to the awards granted and sold under this New Plan is 2,855,650 shares, which comprises 1,250,000 shares reserved under the New Plan to substitute the shares of CANbridge Beijing previously granted under the 2016 Plan and 1,605,650 additional shares.

In July 2021, as approved by the board of directors, the Company amended the New Plan to increase the maximum number of shares that may be subject to the awards to 5,454,923.

The share options have vesting terms in schedule from the grant date over 4 to 5 years on the condition that the directors and employees remain in service and fulfil certain performance conditions of individuals.

Post-IPO Share Option Plan and Post-IPO RSU Plan

The Company adopted the post-IPO share option scheme (the “Post-IPO Share Option Plan”) and post-IPO share award scheme (the “Post-IPO RSU Plan”), as approved by resolutions of shareholders on 18 November 2021 for the purpose of aligning the interests of eligible persons to make contributions to the long-term growth and profits of the Group. Eligible persons may include any individual, being an employee, director, officer, consultant or advisor of any member of the Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them). The Post-IPO Share Option Plan and Post-IPO RSU Plan will continue in effect for a term of ten years.

NOTES TO FINANCIAL STATEMENTS

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26. SHARE OPTION SCHEME (CONTINUED)

Post-IPO Share Option Plan and Post-IPO RSU Plan (Continued)

The maximum number of shares may be granted under the Post-IPO Share Option Plan, when aggregated with the maximum number of shares in respect of which options may be granted under any other option scheme shall not exceed 10% of the issued share capital of the Company as of the date of approval of the Post-IPO Share Option Plan. The maximum number of shares underlying all grants made pursuant to the Post-IPO RSU Plan shall not exceed 5% of the issued share capital of the Company as of the date of approval of the Post-IPO RSU Plan.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one to four years and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the Schemes, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of an ordinary share on the date of grant.

For those awards, evaluations are made as of each reporting period to assess the likelihood of performance criteria being met. Share-based payment expenses are then adjusted to reflect the revision of original estimates.

There are no cash settlement alternatives. The group does not have a past practice of cash settlement for these share options. The Group accounts for the Schemes as equity-settled plans.

Share options do not confer rights on the holders to dividends or to vote at the shareholders' meetings.



NOTES TO FINANCIAL STATEMENTS

31 December 2023

26. SHARE OPTION SCHEME (CONTINUED)

Share options

During the year ended 31 December 2022, the Company granted a total of 11,870,000 options under the Post-IPO Share Option Plan to 67 employees. The vesting schedule of 9,910,000 options granted would be subject to a service-based vesting condition, which would be satisfied over a four-year term as well as its individual performance review. The vesting schedule of the 1,960,000 options granted would be subject to the performance-based conditions including the achievement or attainment of the performance targets by the Company within four years from the date of grant.

During the year ended 31 December 2023, there were no share options granted.

The following share options were outstanding under the New Plan and the Post-IPO Share Option Plan at the end of the reporting period:

	Number of share options	Weighted average exercise price per share option RMB
At 1 January 2023	51,469,786	4.44
Forfeited during the year	(2,710,731)	4.20
Exercised during the year	(150,200)	0.50
At 31 December 2023	48,608,855	4.69

	Number of share options	Weighted average exercise price per share option RMB
At 1 January 2022	46,345,180	4.81
Granted during the year	11,870,000	2.70
Forfeited during the year	(6,645,394)	4.46
Exercised during the year	(100,000)	0.33
At 31 December 2022	51,469,786	4.44



NOTES TO FINANCIAL STATEMENTS

31 December 2023

26. SHARE OPTION SCHEME (CONTINUED)

Share options (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Year ended 31 December 2023

Number of options	Exercise price	Exercise period
350,000	RMB0.10	2016-2025
271,200	RMB0.15	2017-2026
674,100	RMB0.54	2017-2029
250,000	RMB0.54	2020-2033
10,000	RMB0.62	2017-2027
500,000	RMB1.27	2019-2030
1,020,280	US\$0.19	2019-2032
9,902,419	US\$0.52	2019-2030
2,963,553	US\$0.59	2020-2033
300,000	US\$0.71	2020-2034
13,065,083	US\$0.75	2021-2035
9,680,220	US\$1.18	2022-2036
2,997,000	HKD\$3.90	2023-2026
6,625,000	HKD\$2.68	2023-2026
48,608,855		



NOTES TO FINANCIAL STATEMENTS

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26. SHARE OPTION SCHEME (CONTINUED)

Share options (Continued)

Year ended 31 December 2022

Number of options	Exercise price	Exercise period
350,000	RMB0.10	2016-2025
300,000	RMB0.15	2017-2026
795,500	RMB0.54	2017-2029
250,000	RMB0.54	2020-2033
10,000	RMB0.62	2017-2027
500,000	RMB1.27	2019-2030
1,020,280	US\$0.19	2019-2032
9,902,419	US\$0.52	2019-2030
2,963,553	US\$0.59	2020-2033
300,000	US\$0.71	2020-2034
14,433,860	US\$0.75	2021-2035
9,704,174	US\$1.18	2022-2036
3,735,000	HKD\$3.90	2023-2026
7,205,000	HKD\$2.68	2023-2026
51,469,786		

Fair value of share options

The fair value of equity-settled share options granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the key assumptions that the model used.

	2022
Expected volatility (%)	40.51-49.97
Risk-free interest rate (%)	0.78-3.74
Expected life of options (year)	0.75-11.32
Weighted average share price (US\$ per share)	0.51-0.74

The risk-free interest rate was based on the yield of the Hong Kong Government Bond as of each valuation date. The volatility was estimated based on historical volatility of comparable companies as of the valuation date. The expected life of the options is based on the historical data over the past years and is not necessarily indicative of the exercise patterns that may occur.

NOTES TO FINANCIAL STATEMENTS

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26. SHARE OPTION SCHEME (CONTINUED)

Fair value of share options (Continued)

The Group recognised share-based payment expenses of RMB17,543,000 in relation to share options for the year ended 31 December 2023 (2022: RMB26,069,000).

As at 31 December 2023, the Company had 48,608,855 share options outstanding under the New Plan and the Post-IPO Share Option Plan. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 48,608,855 additional ordinary shares of the Company and additional share capital of RMB3,000.

Restricted share units

During the year ended 31 December 2022, the Company granted a total of 5,800,000 RSUs under the Post-IPO RSU Plan to 31 employees. The RSUs granted to employees are accounted for as equity awards and measured at their granted date fair values.

The vesting schedule of the RSUs granted would be subject to both the service-based conditions and the performance-based conditions. The time-based conditions would be satisfied over four years from the date of grant. The performance-based RSUs shall vest in the grantee conditional upon the achievement or attainment of the performance targets by the Company within four years from the date of grant.

During the year ended 31 December 2023, there were no RSUs granted.

The Group recognised share-based payments expenses of RMB2,374,000 in relation to RSUs for the year ended 31 December 2023 (2022: RMB753,000).

The following RSUs were outstanding under the Post-IPO RSU Plan at the end of the reporting period:

Year ended 31 December 2023

	Number of RSUs
At 1 January 2023	5,650,000
Forfeited during the year	(285,000)
Vested during the year	(752,250)
At 31 December 2023	4,612,750



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26. SHARE OPTION SCHEME (CONTINUED)

Restricted share units (Continued)

Year ended 31 December 2022

	Number of RSUs
At 1 January 2022	–
Granted during the year	5,800,000
Forfeited during the year	(150,000)
At 31 December 2022	5,650,000

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) Contributed surplus

Contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the reorganization undertaken by the Company in preparation for the listing ("Reorganisation") over the nominal value of the Company's shares issued in exchange therefor.

(b) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies of which the functional currency is not RMB. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

(c) Share premium

The share premium account represents the amount paid by shareholders for capital injection in excess of its nominal value.

(d) Share-based payments reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised or be transferred to retained profits should the related options expire or be forfeited.

NOTES TO FINANCIAL STATEMENTS

31 December 2023



28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB4,610,000 (2022: RMB113,821,000) and RMB4,610,000 (2022: RMB113,821,000), respectively, in respect of lease arrangements for offices and laboratory.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2023	37,646	117,634
Changes from financing activities	(9,235)	(18,218)
New leases	–	4,610
Disposals	–	(2,652)
Interest expense	1,485	7,463
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	681
Exchange realignment	419	2,096
At 31 December 2023	30,315	111,614

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2022	30,868	21,233
Changes from financing activities	2,455	(9,300)
New leases	–	113,821
Disposals	–	(12,891)
Interest expense	2,170	4,693
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	1,706
Covid-19-related rent concessions from lessor	–	(1,788)
Exchange realignment	2,153	160
At 31 December 2022	37,646	117,634

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within operating activities	(393)	(444)
Within financing activities	(18,858)	(9,300)
Within investing activities	(384)	–
Total	(19,635)	(9,744)



NOTES TO FINANCIAL STATEMENTS

31 December 2023

29. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings and as security for the execution of the lease contract are included in note 20 and 23 to the financial statements.

30. RELATED PARTY TRANSACTIONS

(a) Name and relationship

The directors of the Group are of the view that the following companies are related parties that had transactions or balances with the Group during the year:

Name of related parties	Relationship with the Group
Shanghai Medkey Med-Tech Development Co., Ltd.	An entity controlled by one of the Company's major shareholders
WuXi AppTec (Suzhou) Co., Ltd.	An entity controlled by one of the Company's major shareholders
WuXi AppTec (Nantong) Co., Ltd.	An entity controlled by one of the Company's major shareholders
WuXi AppTec (Shanghai) Co., Ltd.	An entity controlled by one of the Company's major shareholders

(b) The Group had the following transactions with related parties during the year:

	Notes	2023 RMB'000	2022 RMB'000
Purchase of services:			
WuXi AppTec (Suzhou) Co., Ltd.	(i)	1,660	1,396
Shanghai Medkey Med-Tech Development Co., Ltd.	(i)	377	1,065
WuXi AppTec (Shanghai) Co., Ltd.	(i)	342	1,346
WuXi AppTec (Nantong) Co., Ltd.	(i)	–	245

Notes:

- (i) WuXi AppTec (Suzhou) Co., Ltd., Shanghai Medkey Med-Tech Development Co., Ltd., WuXi AppTec (Shanghai) Co., Ltd. and WuXi AppTec (Nantong) Co., Ltd. provided Contract Research Organization ("CRO") services to the Group.

The transactions were carried out in accordance with mutually agreed terms and conditions.

(c) Outstanding balances with related parties

	2023 RMB'000	2022 RMB'000
Amounts due to related parties:		
WuXi AppTec (Suzhou) Co., Ltd.	1,824	1,396
Shanghai Medkey Med-Tech Development Co., Ltd.	12	669
WuXi AppTec (Shanghai) Co., Ltd.	1,467	1,150
WuXi AppTec (Nantong) Co., Ltd.	–	200

This balance is unsecured, interest-free and has no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS

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30. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Compensation of key management personnel of the Group:

	2023	2022
	RMB'000	RMB'000
Short term employee benefits	5,710	4,968
Post-employment benefits	139	125
Share-based payments	3,696	8,025
Total compensation paid to key management personnel	9,545	13,118

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	31,228
Financial assets included in prepayments, other receivables and other assets	1,179
Cash and bank balances	137,491
Total	169,898

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	198,054
Financial liabilities included in other payables and accruals	17,700
Interest-bearing bank and other borrowings	30,315
Total	246,069



NOTES TO FINANCIAL STATEMENTS

31 December 2023

31. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

2022

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	19,054
Financial assets included in prepayments, other receivables and other assets	1,594
Cash and bank balances	463,107
Total	483,755

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	107,540
Financial liabilities included in other payables and accruals	15,688
Interest-bearing bank and other borrowings	37,646
Total	160,874

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to the fair values, are as follows:

	Carrying amounts		Fair values	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Financial liabilities				
Non-current portion of Interest-bearing bank borrowings	6,625	10,779	7,151	11,531

NOTES TO FINANCIAL STATEMENTS

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32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Management has assessed that the fair values of cash and bank balances, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, and the current portion of Interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2023 were assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

The Group did not have any financial assets measured at fair value as at 31 December 2023 (31 December 2022: Nil).

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 (31 December 2022: Nil).

Assets for which fair values are disclosed:

The Group did not have any financial assets disclosed at fair value as at 31 December 2023 (31 December 2022: Nil).



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32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank borrowings	–	7,151	–	7,151

As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank borrowings	–	11,531	–	11,531

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board and senior management meet periodically to analyse and formulate measures to manage the Group's exposure to these risks.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

As at 31 December 2023, the Group's profit before tax would have decreased or increased by approximately RMB41,000 (2022: RMB24,000) had the floating rate borrowing rate increased or decreased by 50 basis points while other factors remained unchanged.

NOTES TO FINANCIAL STATEMENTS

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The Group has transactional currency exposure. Such exposure arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair values of monetary assets and liabilities).

Increase/(decrease) in loss before tax:

	2023 RMB'000	2022 RMB'000
Increase in the US\$ rate by 5%	(20)	(265)
Decrease in the US\$ rate by 5%	20	265
Increase in the HK\$ rate by 5%	(76)	(143)
Decrease in the HK\$ rate by 5%	76	143

Credit risk

The carrying amounts of cash and bank balances, trade receivables, other receivables and other financial assets represent the Group's maximum exposure equal to credit risk in relation to the financial assets.

The Group expects that there is no significant credit risk associated with cash and bank balances since they are substantially held in reputable state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade receivable periodically and management also has monitoring procedures to ensure follow-up action is taken to recover overdue receivables. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group also expects that there is no significant credit risk associated with other receivables and other financial assets since the counterparties to these financial assets have no history of default.



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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2023

	12-month	Lifetime ECLs			Total
	ECLs			Simplified	
	Stage 1	Stage 2	Stage 3	approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	31,228	31,228
Financial assets included in prepayments, other receivables and other assets					
– Normal**	1,179	–	–	–	1,179
Cash and bank balances – Not yet past due	137,491	–	–	–	137,491
Total	138,670	–	–	31,228	169,898

As at 31 December 2022

	12-month	Lifetime ECLs			Total
	ECLs			Simplified	
	Stage 1	Stage 2	Stage 3	approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	19,054	19,054
Financial assets included in prepayments, other receivables and other assets					
– Normal**	1,594	–	–	–	1,594
Cash and bank balances – Not yet past due	463,107	–	–	–	463,107
Total	464,701	–	–	19,054	483,755

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 18 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors and maintains a level of cash and bank balances deemed adequate by management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2023				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Above 5 years RMB'000	Total RMB'000
Trade payables	198,054	–	–	–	198,054
Financial liabilities included in other payables and accruals	17,700	–	–	–	17,700
Interest-bearing bank borrowings	–	24,304	6,762	–	31,066
Lease liabilities	–	17,989	58,577	75,134	151,700
	215,754	42,293	65,339	75,134	398,520

	2022				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Above 5 years RMB'000	Total RMB'000
Trade payables	107,540	–	–	–	107,540
Financial liabilities included in other payables and accruals	15,688	–	–	–	15,688
Interest-bearing bank borrowings	–	27,910	10,909	–	38,819
Lease liabilities	–	20,434	56,519	87,878	164,831
	123,228	48,344	67,428	87,878	326,878

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. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2023.



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34. EVENTS AFTER THE REPORTING PERIOD

On 7 February 2024, the Group granted a total of 10,115,000 share options to 27 employees under the Post-IPO Share Option Plan and a total of 3,636,000 RSUs to 19 employees under the Post-IPO RSU plan.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	–	105,551
Total non-current assets	–	105,551
CURRENT ASSETS		
Due from subsidiaries	443,105	2,137,933
Prepayments, other receivables and other assets	–	138
Cash and bank balances	67,178	363,681
Total current assets	510,283	2,501,752
CURRENT LIABILITIES		
Due to subsidiaries	–	164,281
Other payables and accruals	1,123	2,274
Total current liabilities	1,123	166,555
NET CURRENT ASSETS	509,160	2,335,197
TOTAL ASSETS LESS CURRENT LIABILITIES	509,160	2,440,748
Net assets	509,160	2,440,748
EQUITY		
Share capital	28	28
Treasury shares	–	–
Reserves (note)	509,132	2,440,720
Total equity	509,160	2,440,748

Executive Director: Dr. James Qun Xue

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35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share-based payments reserve RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
At 1 January 2022	3,461,026	59,338	(1,214,807)	49,909	2,355,466
Loss for the year	-	-	(122,870)	-	(122,870)
Exchange realignment	-	-	-	181,268	181,268
Total comprehensive income for the year	-	-	(122,870)	181,268	58,398
Issue of shares from exercise of share options	649	(615)	-	-	34
Share-based payments	-	26,822	-	-	26,822
At 31 December 2022 and 1 January 2023	3,461,675	85,545	(1,337,677)	231,177	2,440,720
Loss for the year	-	-	(1,987,831)	-	(1,987,831)
Exchange realignment	-	-	-	36,250	36,250
Total comprehensive income for the year	-	-	(1,987,831)	36,250	(1,951,581)
Issue of shares from exercise of share options	1,821	(1,745)	-	-	76
Share-based payments	-	19,917	-	-	19,917
At 31 December 2023	3,463,496	103,717	(3,325,508)	267,427	509,132

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of the directors on 28 March 2024.