



**Laekna, Inc.**

**來凱醫藥有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2105



**2023**  
**Annual Report**

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## DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Afuresertib” or “afuresertib”	an adenosine triphosphate competitive AKT inhibitor
“AGM”	the forthcoming annual general meeting to be held by the Company
“aHSC”	activated hepatic stellate cells
“AKT”	a serine/threonine protein kinase with 3 isoforms (AKT1, AKT2 and AKT3) that participate in multiple pathways regulating several cellular processes, including survival, proliferation, tissue invasion, and metabolism
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of our Company
“CDE”	the center for drug evaluation set up by the NMPA
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Chief Executive Officer”	the chief executive officer of our Company
“China” or “PRC”	the 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 Special Administrative Region of the People’s Republic of China and Taiwan
“CMC”	chemistry, manufacture and control
“Company” or “Our Company”	Laekna, Inc. (來凱醫藥有限公司), an exempted company incorporated in the Cayman Islands with limited liability on July 29, 2016
“date of this report”	March 26, 2024
“Director(s)” or “our Director(s)”	the directors of the Company
“ESOP Trusts”	Laekna Halley Trust and Laekna Wonderland Trust, being the trusts set up by the Company to facilitate the administration of the Pre-IPO Share Option Scheme
“Family Trusts”	Ealex LLC, a trust set up by Dr. Lu as settlor, The Bryn Mawr Trust Company of Delaware as trustee and Dr. Lu’s certain family members as the beneficiaries
“FDA”	the United States Food and Drug Administration
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company that provides market survey and consulting services

## DEFINITIONS

“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”, “our Group”, “we”, “us” or “our”	our Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HR+/HER2-breast cancer”	the most common type of breast cancer with overexpression of HR and without overexpression of HER2
“IND”	investigational new drug, the application for which is the first step in the drug review process by regulatory authorities to decide whether to permit clinical trials; also known as clinical trial application, or CTA, in China
“Laekna HK”	Laekna Limited, a limited liability company incorporated in Hong Kong on August 26, 2016 and one of our Company’s subsidiaries
“Laekna Ningbo”	Laekna Pharmaceutical Ningbo Co., Ltd. (來凱製藥(寧波)有限公司), a limited liability company established under the laws of the PRC on June 29, 2023 and one of our Company’s subsidiaries
“Laekna Pharmaceutical”	Laekna Pharmaceutical Shanghai Co., Ltd. (來凱製藥(上海)有限公司), a limited liability company established under the laws of the PRC on December 8, 2020 and one of our Company’s subsidiaries
“Laekna Therapeutics”	Laekna Therapeutics Shanghai Co., Ltd. (來凱醫藥科技(上海)有限公司), a limited liability company established under the laws of the PRC on December 28, 2016 and one of our Company’s subsidiaries
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	June 29, 2023
“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
“mCRPC”	metastatic castration resistant prostate cancer
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“NDA”	new drug application
“NMPA”	the National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
“Nomination and Corporate Governance Committee”	the nomination and corporate governance committee of the Board

## DEFINITIONS

“Novartis”	Novartis Pharma AG, a company organized under the laws of Switzerland and one of our Pre-IPO Investors
“paclitaxel”	a chemotherapy medication used to treat a number of types of cancer, includes ovarian cancer, esophageal cancer, breast cancer, lung cancer, Kaposi’s sarcoma, cervical cancer, and pancreatic cancer
“PCC”	pre-clinical candidate
“PD-1”	programmed cell death protein 1
“PD-L1”	programmed cell death ligand 1
“PFS”	progression-free survival, the length of time during and after the treatment of a disease, such as cancer, that a patient lives without the disease getting worse. In a clinical trial, measuring the progression-free survival is one way to see how well a new treatment works
“Post-IPO Share Option Scheme”	the share option scheme adopted by our Company on June 9, 2023, as amended from time to time
“Pre-IPO Share Option Scheme”	the share option scheme adopted by our Company on April 11, 2018 and amended on October 30, 2019, April 20, 2021 and March 31, 2022, as amended from time to time
“PROC”	platinum resistant ovarian cancer
“Prospectus”	the prospectus of the Company dated June 16, 2023
“Relevant Period”	the period commencing from the Listing Date to December 31, 2023
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the year ended December 31, 2023
“RMB”	Renminbi, the lawful currency of China
“rPFS”	radiographic progression free survival
“RP2D”	recommended Phase II dose
“SAE”	serious AE, any medical occurrence in human drug trials that at any dose: results in death; is life-threatening; requires inpatient hospitalization or causes prolongation of existing hospitalization; results in persistent or significant disability/incapacity; may have caused a congenital anomaly/birth defect, or requires intervention to prevent permanent impairment or damage
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

## DEFINITIONS

“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of US\$0.00001 each
“Shareholder(s)”	holder(s) of Shares
“Share Option(s)”	the share option(s) granted or to be granted pursuant to the terms and conditions of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme
“Share Subdivision”	the subdivision of each share in the Company’s issued and unissued share capital with a par value of US\$0.0001 each into 10 shares of the corresponding class with a par value of US\$0.00001 each, effective upon completion of the Global Offering
“SOC”	treatment that is accepted by medical experts as a proper treatment for a certain type of disease and that is widely used by healthcare professionals
“South Korea”	the Republic of Korea
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TEAE”	adverse events not present prior to medical treatment, or an already present event that worsens either in intensity or frequency following the treatment
“TNBC”	triple-negative breast cancer, any breast cancer that tests negative for estrogen receptors, progesterone receptors, and excess HER2
“United States”, “USA” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“%”	Per cent

In this annual report, unless otherwise indicated, the terms “associate”, “associated corporation”, “connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms under the Listing Rules.

# CORPORATE INFORMATION

## COMPANY NAME

Laekna, Inc. (來凱醫藥有限公司)

## DIRECTORS

### Executive Directors

Dr. LU Chris Xiangyang (Chairman and Chief Executive Officer)

Ms. XIE Ling (謝玲)

Dr. GU Xiang-Ju Justin

### Non-executive Directors

Dr. WANG David Guowei

Mr. SUN Yuan (孫淵)

Ms. JI Dongmei (吉冬梅)

(resigned with effect from September 29, 2023)

### Independent Non-executive Directors

Dr. YIN Xudong

Dr. LI Min

Mr. ZHOU Jian (周健)

(appointed with effect from January 15, 2024)

Mr. CHAU Kwok Keung (鄒國強)

(resigned with effect from January 15, 2024)

## AUDIT COMMITTEE

Mr. ZHOU Jian (周健)

(Chairperson, appointed with effect from January 15, 2024)

Dr. WANG David Guowei

Dr. LI Min

Mr. CHAU Kwok Keung (鄒國強)

(former Chairperson, resigned with effect from January 15, 2024)

## REMUNERATION COMMITTEE

Dr. YIN Xudong (Chairperson)

Ms. XIE Ling (謝玲)

Mr. ZHOU Jian (周健)

(appointed with effect from January 15, 2024)

Mr. CHAU Kwok Keung (鄒國強)

(resigned with effect from January 15, 2024)

## NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Dr. LU Chris Xiangyang (Chairperson)

Dr. YIN Xudong

Dr. LI Min

## JOINT COMPANY SECRETARIES

Mr. KE Chenyu (柯晨煜)

Ms. HO Wing Nga (何詠雅)

(appointed with effect from February 2, 2024)

Ms. TANG Wing Shan Winza (鄧穎珊)

(resigned with effect from February 2, 2024)

## AUTHORIZED REPRESENTATIVES

Ms. XIE Ling (謝玲)

Ms. HO Wing Nga (何詠雅)

(appointed with effect from February 2, 2024)

Ms. TANG Wing Shan Winza (鄧穎珊)

(resigned with effect from February 2, 2024)

## AUDITOR

KPMG

Certified Public Accountants

Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

## LEGAL ADVISER

As to Hong Kong law:

Davis Polk & Wardwell

10th Floor

The Hong Kong Club Building

3A Chater Road

Hong Kong

## REGISTERED OFFICE

4th Floor

Harbour Place

103 South Church Street

P.O. Box 10240

Grand Cayman

KY1-1002

Cayman Islands

# CORPORATE INFORMATION

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

3-2-467, 5 Xingbin Road (Lin Li Center)  
Sino-Italy Ningbo Ecological Park  
Yuyao  
Zhejiang Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

46/F, Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

## PRINCIPAL SHARE REGISTRAR

Harneys Fiduciary (Cayman) Limited  
4th Floor, Harbour Place  
103 South Church Street  
P.O. Box 10240  
Grand Cayman KY1-1002  
Cayman Islands

## HONG KONG SHARE REGISTRAR

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

## COMPLIANCE ADVISER

Huajin Corporate Finance (International) Limited

## PRINCIPAL BANKS

Bank of Ningbo Shanghai Zhangjiang Branch  
No. 350 Chunxiao Road  
Pudong New District  
Shanghai  
PRC

China Merchants Bank Shanghai Zhangjiang Branch  
1/F, Building 1  
German Center  
No. 88 Keyuan Road  
Pudong New District  
Shanghai  
PRC

Citibank N.A., Hong Kong Branch  
3 Garden Road  
Central, Hong Kong

## STOCK CODE

2105

## COMPANY WEBSITE

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



## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Laekna, Inc. (the "**Company**"), I would like to express my sincere gratitude for your continuous trust and support to the Company and our management team.

Founded in 2016, we are a science-driven, clinical-stage biotechnology company and we are committed to bringing novel therapies to patients with cancer, metabolic diseases and liver fibrosis. We have established a comprehensive R&D infrastructure to accelerate the development of molecules from discovery to registration trials. As of December 31, 2023, we have initiated six clinical trials for the treatment of breast cancer, prostate cancer, ovarian cancer and PD-1/PD-L1 drug-resistant solid tumors to address the unmet medical needs. Among these six clinical trials, three are multi-regional clinical trials (MRCTs). For the internally discovered drug candidates, we submitted IND applications to CDE and FDA respectively for LAE102, an internally discovered monoclonal antibody against ActRIIA, in relation to obesity indication during the first quarter of 2024. We plan to commence clinical trial process after obtaining IND approval and is committed to bring this precision therapy to obesity patients who are in needs of the novel treatment options. Blocking Activin-ActRII pathway could promote skeletal muscle regeneration and decrease fat mass. Laekna team has accumulated tremendous experiences and deep knowhow in this specific field and are developing more drug candidates to maximize the value of targeting ActRII receptors. LAE103 is an ActRIIB-selective antibody and LAE123 is a dual inhibitor for ActRIIA/IIIB. Both of them are our internally discovered antibodies for muscle regeneration and other disease indications in the drug candidate pipeline. We have advanced seven PCC drug candidates from our internal discovery platform during the year, including LAE103. Our innovative drug candidates are in various stages of drug discovery and development, and we plan to have one drug candidate enter into the clinical stage each year. We currently plan to initiate clinical trial of LAE102 in obesity indication in 2024.

We are pleased to share with you more details of our progress and achievements in 2023 as follows:

### **ADVANCING THE DEVELOPMENT OF OUR DRUG CANDIDATES TOWARDS COMMERCIALIZATION**

#### **Afuresertib +Fulvestrant in HR+/HER2-breast cancer, Phase Ib/III**

The preliminary data from the combination therapy of afuresertib plus fulvestrant has shown promising anti-cancer efficacy with a well-tolerated safety profile in patients with HR+/HER2- breast cancer who had disease progression after 1–2 prior lines of standard of care therapies. The results were presented at the 2023 San Antonio Breast Cancer Symposium (SABCS) in December 2023. Currently, the Phase III pivotal trial of afuresertib plus fulvestrant in patients with locally advanced or metastatic HR+/HER2- breast cancer has been initiated.

#### **Afuresertib +LAE001/prednisone in mCRPC, Phase II**

We initiated a Phase II clinical trial of the MRCT study of LAE001 and prednisone plus Afuresertib in patients with mCRPC following SOC treatment in the U.S. and South Korea. The study demonstrated promising treatment benefit for mCRPC patients. The detailed study readouts was presented in the European Society for Medical Oncology (ESMO) Congress in October 2023. A following Phase III pivotal trial design is under discussion with regulatory agencies.

#### **Afuresertib (LAE002) +Paclitaxel for PROC (PROFECTOR-II), Phase II pivotal**

Top-line data of the Phase II trial (PROFECTA-II) in both U.S. and China to treat Platinum-Resistant Ovarian Cancer (PROC) patients with afuresertib plus paclitaxel was announced in January 2024. The study showed reduced risk of disease progression or death (progression-free survival; PFS) with a HR of 0.744 (95%CI: 0.502–1.102) but missed statistical significance. For biomarker subgroup with phospho-AKT positive, IHC>1, (37%), study data demonstrated that afuresertib combination arm significantly improved PFS, and the median PFS is 5.4m vs 2.9m with HR of 0.352 (95%CI: 0.125–0.997). We will discuss the results with regulatory authorities to identify a registration path for PROC patient populations that may benefit from afuresertib.

# CHAIRMAN'S STATEMENT

## LAE102 IND approval

LAE102 is our internally discovered antibody. We submitted IND applications to CDE and FDA respectively in relation to obesity indication in the first quarter of 2024. We plan to commence clinical trial process after obtaining IND approval and is committed to bring this precision therapy to obesity patients who are in needs of the novel treatment options.

## DEVELOPED A RICH PIPELINE OF PRE-CLINICAL DRUG CANDIDATES WITH STRONG PRE-CLINICAL VALIDATION AND MARKET POTENTIAL

### Pre-clinical candidates (PCC) declaration

For the year ended December 31, 2023, we have advanced seven PCC drug candidates from our internal discovery platform: LAE103, monoclonal antibody against ActRIIB for indications related to muscle regeneration; LAE105, a bi-functional aHSC-NK engager with sHSC killing and anti-fibrosis activity; LAE111, a LILRB1 and LILRB2 bispecific antibody; LAE112, a FGFR2b monoclonal antibody; LAE113, a TIGIT-PVRIG bispecific antibody; LAE119, a PARP1-selective inhibitor; and LAE120, an USP1 inhibitor. IND-enabling studies have been initiated for LAE120.

## FURTHER STRENGTHENED OUR CASH POSITION

2023 is a landmark year for us. The Company's Shares were successfully listed on the Stock Exchange on June 29, 2023 with total net proceeds of approximately HK\$724.4 million (after deducting underwriting commissions and related expenses). Please refer to the announcement of the Company dated June 28, 2023 for further details. The IPO proceeds have contributed to the funding for the Group's incoming development. Amid of the challenging macroeconomic environment, we are in a healthy financial position with our cash and bank balances (including cash and cash equivalents and time deposits) of approximately RMB778.9 million as of December 31, 2023 to allow us to focus on our strategic goals of sustainable development and innovation.

With the support of our Board and our management team, I am confident that our business will continue to grow and to develop healthily in the long run. And we will insist to focus on developing innovative drugs to address unmet medical needs and to provide effective and affordable therapeutic solutions to patients. I look forward to further reporting to the Shareholders at the coming annual general meeting in respect of the effective stewardship of the Company's business and assets and the continuous delivery of value to our Shareholders.

**Dr. LU Chris Xiangyang**

*Chairman, Executive Director and Chief Executive Officer*

## FINANCIAL HIGHLIGHTS

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Research and development expenses	<b>230,485</b>	313,356
Administrative expenses	<b>75,878</b>	80,238
Fair value changes on financial instruments issued to investors	<b>71,210</b>	387,056
Loss for the year	<b>368,814</b>	781,594
Total comprehensive loss for the year	<b>458,674</b>	902,197

Our research and development expenses decreased by RMB82.9 million or 26.4% from RMB313.4 million in 2022 to RMB230.5 million in 2023. Such decrease was primarily attributable to (i) decreased discovery research expenses as a result of the pre-clinical candidate LAE102 obtaining IND approval in early 2023, and (ii) decreased clinical development expenses primarily attributable to the decreased CMC-related service expenses.

Our administrative expenses decreased by RMB4.3 million or 5.4% from RMB80.2 million in 2022 to RMB75.9 million in 2023. Such decrease was primarily attributable to the decrease in listing expenses.

Our fair value changes on financial instruments issued to investors decreased by RMB315.9 million or 81.6% from RMB387.1 million in 2022 to RMB71.2 million in 2023. Fair value changes on financial instruments issued to investors were related to preferred shares and warrant. All preferred shares were converted into ordinary shares of the Company upon completion of the Listing, and the warrant was exercised on March 31, 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

We are a science-driven, clinical-stage biotechnology company committed to bringing novel therapies to cancer, metabolic diseases and liver fibrosis patients worldwide. As of December 31, 2023, we have initiated six clinical trials for Afuresertib (LAE002), LAE001 and LAE005 to address unmet medical needs in cancers. Among the six clinical trials, three are multi-regional clinical trials (MRCTs). LAE102 is our internally discovered antibody against ActRIIA. We submitted IND applications to CDE and FDA respectively for LAE102 in relation to obesity indication in the first quarter of 2024. Blocking Activin-ActRII pathway could promote skeletal muscle regeneration and decrease fat mass. Our team has accumulated tremendous experiences and deep knowhow in this specific field and are developing more drug candidates to maximize the value of targeting ActRII receptors. LAE103 is an ActRIIB-selective antibody and LAE123 is a dual inhibitor for ActRIIA/IIIB. Both of them are our internally discovered antibodies for muscle regeneration and other disease indications in the drug candidate pipeline.

We have assembled a seasoned management team with extensive experience and expertise covering the full cycle of the drug discovery and development process, from pre-clinical asset discovery, clinical trial design and execution to regulatory process management and drug manufacturing. As of December 31, 2023, we were supported by a talented R&D team consisting of 62 employees, with 17 holding doctorate degrees and 30 holding master degrees. Our core management team has established a long track record of accomplishment, leadership and deep knowledge in their respective fields.

Since our inception in 2016, we have in-licensed global rights from Novartis on four drug candidates with a clinical proof-of-concept in certain oncology indications, internally discovered fourteen drug candidates, and initiated six clinical trials.

In the cancer area, we have built a comprehensive portfolio of drug candidates including Afuresertib, LAE001 and other eight drug candidates. Afuresertib is a potent AKT inhibitor that inhibits all three AKT isoforms (AKT1, AKT2 and AKT3) as well as one of the only two AKT inhibitors in or completed the pivotal-stage clinical development for anti-cancer treatment globally. Afuresertib has demonstrated several advantages compared to other AKT inhibitors, including higher efficacy, better potency, more significant tumor inhibition exposure and a better safety profile, based on public data. Capivasertib is the first approved AKT inhibitor from AstraZeneca, which FDA approved for HR+/HER2- breast cancer in November 2023. With the promising efficacy data from our Afuresertib Phase Ib study for HR+/HER2- breast cancer, which was presented in SABCS 2023, the Group has initiated the Phase III pivotal study. We also continue to develop our clinical trials for the treatment of breast cancer, prostate cancer, ovarian cancer and PD-1/PD-L1 drug-resistant solid tumors to address the unmet medical needs. In several clinical trials, the combination of Afuresertib with other therapeutics exhibits favorable efficacy results.

For the internally discovered oncology drug candidates, we have received our first IND approval from FDA on LAE102, an ActRIIA-specific monoclonal antibody, in May 2023. Also, we filed IND to CDE in November 2023, and obtained approval in the first quarter of 2024. Besides of cancer indications, LAE102 has also showed in the pre-clinical studies to increase skeletal muscle and decrease fat mass, a potential drug candidate to be developed for obesity indication. We submitted IND applications to CDE and FDA respectively in relation to obesity indication in the first quarter of 2024. We plan to commence clinical trial process after obtaining IND approval and are committed to bring this precision therapy to obesity patients who are in needs of the novel treatment options. Laekna has been pursuing strategic partnerships to accelerate the development and commercialization of LAE102 for such important indications with a great unmet medical need outside of the cancer therapeutic area. Blocking Activin-ActRII pathway could promote skeletal muscle regeneration and decrease fat mass. Laekna team has accumulated tremendous experiences and deep knowhow in this specific field and are developing more drug candidates to maximize the value of targeting ActRII receptors. LAE103 is an ActRIIB-selective antibody and LAE123 is a dual inhibitor for ActRIIA/IIIB. Both of them are our internally discovered antibodies for muscle regeneration and other disease indications in the drug candidate pipeline.

# MANAGEMENT DISCUSSION AND ANALYSIS

Several projects in the pipeline are progressed to the PCC stage. These include LAE103 which is a monoclonal antibody against ActRIIB for indications related to muscle regeneration, LAE105 which is a bi-functional aHSC-NK engager with sHSC killing and anti-fibrosis activity, the FGFR2b-specific mAb (LAE112), bispecific antibodies for LILRB1-B2 (LAE111) and for TIGIT- PVRIG (LAE113) that regulate the function of T/NK cells, and two low molecular weight projects PARP1-selective inhibitors (LAE119) and USP1 inhibitors (LAE120).

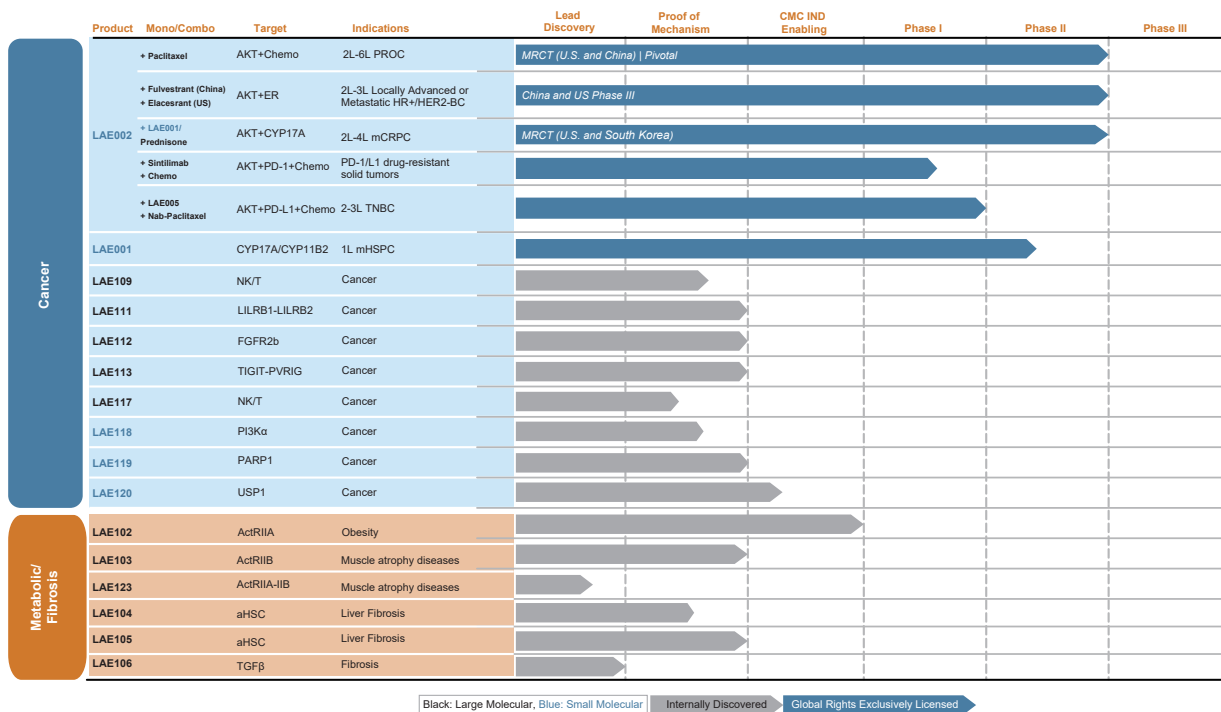
## MARKET OPPORTUNITIES IN CANCER AND OBESITY TREATMENTS

Although the field of cancer treatment has progressed significantly in the past decade, a large proportion of cancer patients find themselves in the absence of effective or safe treatments. The quality of life of those patients is severely affected primarily attributable to standard of care (SOC) treatment resistance and/or intolerable toxicity, resulting in large unmet medical needs and socioeconomic burden. Among those cancers of unmet medical needs, HR+/HER2- metastatic breast cancer (HR+/HER2- mBC), mCRPC, PROC and triple negative breast cancer (TNBC) are some of the diseases with limited SOC options and unsatisfactory treatment outcomes.

Globally, the number of people living with obesity is set to reach over 1.2 billion\* by 2030. The causes of obesity are complex and, so often, it puts people on a path to other diseases – not only diabetes, but also heart and liver diseases, cancers and many more. There are growing understandings among both the medical community and the public of the critical need to treat obesity, while an increasing number of people living with such disease are actively seeking support.

## PIPELINE

The following chart summarizes the development status of our clinical-stage drug candidates and selected pre-clinical-stage drug candidates as of the date of this report:



\* Source: World Obesity Federation, 2023b

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Company was listed on the Stock Exchange on June 29, 2023. The Company has made significant progress during the year ended December 31, 2023 with respect to its drug pipeline and business operations, including the following milestones and achievements.

### Afuresertib (LAE002)

Afuresertib is an adenosine triphosphate (ATP) competitive AKT inhibitor. We in-licensed Afuresertib from Novartis in 2018. Prior to our in-licensing, 11 clinical trials had been conducted to demonstrate the safety and efficacy profiles of Afuresertib by Novartis and GlaxoSmithKline plc..

### Afuresertib +Fulvestrant in HR+/HER2-breast cancer

According to Frost & Sullivan, the global and China incidence of breast cancer is expected to increase from 2,301.2 thousand and 336.3 thousand in 2021 to 2,666.4 thousand and 372.4 thousand in 2030, respectively. It is estimated that more than 60% of patients with breast cancer have HR+/HER2- molecular signature in China. The endocrine/anti-estrogen therapies in combination with CDK4/6 inhibitors have emerged as the first- and/or the second-line treatment for patients with HR+/HER2- breast cancer. However, 15% to 20% of patients are intrinsically resistant to the treatment, and another 30% to 40% patients will develop acquired resistance to the treatment over time. HR+/HER2-breast cancer post CDK4/6 inhibitors and endocrine treatments remains as a huge unmet medical need and a multi-billion dollar market potential.

We have initiated a Phase Ib/III trial in China and the U.S. for the treatment of HR+/HER2- LA/mBC with Afuresertib, in a combination of a SOC treatment fulvestrant. We completed the enrollment of 20 subjects in Phase Ib trial in April 2023. The results of a Phase Ib study to evaluate the efficacy and safety of afuresertib (LAE002, an oral AKT inhibitor) plus fulvestrant in patients with HR+/HER2- LA/mBC who failed standard of care therapies were presented during a poster spotlight session at the 2023 San Antonio Breast Cancer Symposium (SABCS). The study results are summarized as follows:

LAE205INT3101 (NCT04851613) is an ongoing phase Ib/III global study. The data presented is from the phase Ib single arm, open-label study to evaluate the efficacy and safety of the combination therapy of afuresertib (125mg QD) plus fulvestrant (500mg Q28 days) in patients with HR+/HER2- LA/mBC who have disease progression after 1–2 prior lines of ET with or without a CDK4/6 inhibitor ( $\leq 1$  line), and/or  $\leq 1$  line of chemotherapy.

As of the data cut-off date of October 16, 2023, 20 patients were enrolled, consisting of 17 Chinese patients and 3 American patients. There were 19 female patients and 1 male patient enrolled. The median age of all patients was 53 years old. 80% of the patients had received one line of therapy, and 20% had received two lines of therapy. 70% of the patients were previously treated with CDK4/6 inhibitors. The median duration of follow-up was 11 months.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Efficacy:**

- Best overall response: 6 patients had confirmed partial response (30%), 10 patients had stable disease (50%), and 4 patients had progressive disease (20%);
- The confirmed objective response rate was 30% (95%CI, 11.9, 54.3) and the disease control rate was 80%. The median PFS was 7.3 months (95%CI, 3.7, NE);
- Among the 11 patients with specific biomarker alterations (PIK3CA/AKT1/PTEN), the confirmed objective response rate was 45.4% (95%CI, 16.7, 76.6), the disease control rate was 82%, and the median PFS was 7.3 months (95%CI, 3.6, 8.2); and
- Among the 17 Chinese patients, the confirmed objective response rate was 29.4% (95%CI, 10.3, 60.0), the disease control rate was 82.4%, and the median PFS was 7.3 months (95%CI, 3.6, 8.2).

### **Safety:**

- No dose modification was required during the safety run-in. No patient discontinued treatment due to TEAE. No SAE or TEAE  $\geq$  Grade 4 was reported. The majority of observed TEAEs were Grade 1. Grade 3 AEs were reported in 7 patients, including diarrhea, pharyngitis, ALT/AST,  $\gamma$ -glutamyl transferase, creatine phosphokinase increased, white blood cell count decreased and rash.

### **Conclusions:**

- The preliminary data from the combination therapy of afuresertib plus fulvestrant has shown promising anti-cancer efficacy with a well-tolerated safety profile in patients with HR+/HER2- LA/mBC who had disease progression after 1–2 prior lines of standard of care therapies.

In CAPItello-291 Phase III study conducted by AstraZeneca Plc., which targets the similar patient population, AstraZeneca Plc. was granted with a priority review in June 2023, and obtained FDA's approval in November 2023. Our Phase Ib results have shown promising efficacy and safety profile comparable to CAPItello-291, showing its high potential to be further developed through a registration trial to regulatory approval. We have initiated the Phase III pivotal trial of afuresertib plus fulvestrant in patients with locally advanced or metastatic HR+/HER2- breast cancer who failed standard of care therapies in 2023.

### **Afuresertib +LAE001/prednisone in mCRPC**

According to Frost & Sullivan, the global and China incidence of prostate cancer is expected to increase from 1,451.5 thousand and 120.9 thousand in 2021 to 1,815.1 thousand and 199.3 thousand in 2030, respectively. Patients with prostate cancer that have relapsed after local therapy or that have distant metastasis usually respond to androgen deprivation therapy (ADT). However, despite receiving ADT, most of these patients eventually experience disease progression and develop castration-resistant prostate cancer (CRPC).

## MANAGEMENT DISCUSSION AND ANALYSIS

We initiated a Phase II clinical trial of the MRCT study of LAE001 and prednisone plus Afiresertib in patients with mCRPC following SOC treatment in the U.S. in June 2021, and South Korea in September 2022. The trial is an open-label, dose-escalation and dose expansion study to assess the efficacy and safety of the combination candidate. The study demonstrated promising treatment benefit for mCRPC patients. The detailed study readouts including efficacy and safety data was presented in the European Society for Medical Oncology (ESMO) Congress in October 2023. As of September 1, 2023, 40 patients who progressed on 1-3 lines of standard treatments, including at least 1 line of abiraterone, or the second generation of AR antagonists, had been enrolled in the recommended phase II dose group. The median rPFS was 7.9 months, 95% CI: (5.7m, NE). This is a significant improvement compared to the median rPFS of 2 to 4 months of mCRPC patients under the standard treatments historically. Among 12 patients with measurable lesions at baseline based on RECIST 1.1, two confirmed PRs and two unconfirmed PRs were observed. The combination therapy was generally tolerable with manageable TEAEs and recoverable after routine treatments. A following Phase III pivotal trial design is under discussion with regulatory agencies.

### **Afiresertib +Paclitaxel for PROC (PROFECTA-II)**

PROC is broadly defined as ovarian cancer recurrence within six months of completing platinum-based chemotherapy, either in the primary or recurrent setting. PROC is generally associated with low response rates to standard chemotherapy with the ORR of 10% to 15%, and median PFS of 3.5 months only, indicating limited effective treatment options and poor prognosis. Treatment options are limited for PROC. According to Frost & Sullivan, the global and China incidence of ovarian cancer is expected to increase from 319.8 thousand and 56.2 thousand in 2021 to 374.2 thousand and 62.7 thousand in 2030, respectively.

We have initiated a global MRCT Phase II pivotal trial (PROFECTA-II) in both the U.S. and China to treat PROC patients with Afiresertib plus paclitaxel. It was a Phase II, randomized, open-label, active-controlled study evaluating the efficacy and safety of afiresertib in combination with paclitaxel versus paclitaxel in women with PROC. The study randomized 150 patients to either investigational or control treatment arm in the U.S. and China. The primary endpoint is PFS, as assessed by investigators. Secondary endpoints include overall survival, objective response rate, and duration of response. In January 2024, we had achieved database lock and announced the top-line data.

The study showed reduced risk of disease progression or death (progression-free survival; PFS) with a HR of 0.744 (95% CI: 0.502–1.102) but missed statistical significance. For biomarker subgroup with phospho-AKT positive, IHC>1, (37%), study data demonstrated that afiresertib combination arm significantly improved PFS, and the median PFS is 5.4m vs 2.9m with HR of 0.352 (95% CI: 0.125–0.997). The secondary endpoint overall survival (OS) data observed a positive trend for the biomarker subgroups. The other secondary endpoints showed an increase in objective response rate and longer duration of response. The trial has shown a manageable and tolerable safety profile and adverse events were consistent with the known safety profiles of the individual treatments. The Group will discuss the results with regulatory authorities to identify a registration path for PROC patient populations that may benefit from afiresertib. The details of the trial data will be presented in a medical conference.

In addition, we are also actively conducting other clinical trials to further expand the indications of Afiresertib in other cancers. We are collaborating with Innovent Biologics (Suzhou) Co. Ltd. in a combination therapy with sintilimab targeting patients with solid tumors progressed upon prior PD-1/PD-L1 treatments and/or chemotherapy. A Phase I study was initiated in June 2022 and we are in the process of the dose escalation study as of December 31, 2023. We have observed high response rate in cervical and endometrial cancer patients who have been treated up to 3 lines of SOC including PD-1 drugs and/or chemotherapy.

Subject to the research and development progress of LAE002, it is expected that LAE002 will reach commercialization within next four years.



## MANAGEMENT DISCUSSION AND ANALYSIS

### LAE001

LAE001 is an androgen synthesis inhibitor that inhibits both CYP17A1 and CYP11B2. We in-licensed LAE001 from Novartis in 2017. According to Frost & Sullivan, LAE001 is the only dual CYP17A1/CYP11B2 inhibitor in clinical trials for the treatment of prostate cancer globally. As a dual CYP17A1/CYP11B2 inhibitor, LAE001 can block both androgen and aldosterone synthesis and potentially be administered without prednisone, the short-term high dose or long-term exposure of which can lead to a variety of adverse events.

We completed the Phase I clinical trial and initiated the Phase II clinical trial of a Phase I/II study in China to assess the safety and efficacy of LAE001 as a monotherapy at recommended Phase II dose (RP2D) in mCRPC.

Subject to the research and development progress of LAE001, it is expected that LAE001 will reach commercialization within next four years.

### LAE005

LAE005 is a high-affinity, ligand-blocking, humanized anti-PD-L1 IgG4 antibody. In the pre-clinical and clinical studies, LAE005 demonstrated its strong binding avidity to PD-L1 and compelling anti-tumor activities. Specifically, we are evaluating the therapeutic potential of the combination therapy of Aflibercept and LAE005 in patients with TNBC. We believe LAE005 has the potential to serve as an effective therapy for the treatment of TNBC when combined with other synergistic mechanisms. We have completed dose escalation phase and determined RP2D. The preliminary efficacy and safety data would be presented at a scientific conference in the second quarter of 2024.

### LAE102

LAE102 is our internally discovered antibody against ActRIIA. We submitted IND applications to CDE and FDA respectively for LAE102 in relation to obesity diseases indication in the first quarter of 2024. We plan to commence clinical trial process after obtaining IND approval. Blocking Activin-ActRII pathway could promote skeletal muscle regeneration and decrease fat mass. Laekna team has accumulated tremendous experiences and deep knowhow in this specific field and are developing more drug candidates to maximize the value of targeting ActRII receptors. LAE103 is an ActRIIB-selective antibody and LAE123 is a dual inhibitor for ActRIIA/IIIB. Both of them are our internally discovered antibodies for muscle regeneration and other disease indications in the drug candidate pipeline. We are committed to bring this precision therapy to obesity patients who are in needs of the novel treatment options.

**CAUTIONARY STATEMENT: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP OR MARKET THE RELEVANT PRODUCTS, OR ANY OF OUR PIPELINE PRODUCTS, SUCCESSFULLY.**

## FINANCIAL REVIEW

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

### Other Income

Our other income increased by RMB11.9 million or 247.9% from RMB4.8 million in 2022 to RMB16.7 million in 2023, which was primarily attributable to the increase in interest income from bank deposits in 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other Losses

Our other losses increased by RMB1.9 million or 43.2% from RMB4.4 million in 2022 to RMB6.3 million in 2023, which was primarily attributable to the losses on early termination of a purchase contract with a supplier. The purchase contract was terminated as we no longer requires the product we purchased from such supplier. During the year ended December 31, 2023, there was no material dispute or argument between the Group and its suppliers.

### Administrative Expenses

Our other administrative expenses decreased by RMB4.3 million or 5.4% from RMB80.2 million in 2022 to RMB75.9 million in 2023, which was primarily attributable to the decrease in listing expenses.

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Staff costs	46,136	40,121
Professional service expenses	10,084	9,481
Listing expenses	12,953	23,896
Others	6,705	6,740
<b>Total</b>	<b>75,878</b>	80,238

### Research and Development Expenses

Our research and development expenses decreased by RMB82.9 million or 26.4% from RMB313.4 million in 2022 to RMB230.5 million in 2023, which was primarily attributable to (i) decreased discovery research expenses from RMB73.2 million in 2022 to RMB25.3 million in 2023 as a result of the pre-clinical candidate LAE102 obtained IND approval in early 2023, and (ii) decreased clinical development expenses from RMB153.6 million in 2022 to RMB108.3 million in 2023, which was primarily attributable to the decreased CMC related service expenses.

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Staff costs	87,564	77,963
Discovery research expenses	25,258	73,239
Clinical development expenses	108,335	153,648
Others	9,328	8,506
<b>Total</b>	<b>230,485</b>	313,356

### Fair Value Changes on Financial Instruments Issued to Investors

Our fair value changes on financial instruments issued to investors decreased by RMB315.9 million or 81.6% from RMB387.1 million in 2022 to RMB71.2 million in 2023. Fair value changes on financial instruments issued to investors were related to preferred shares and warrant. All preferred shares were converted into ordinary shares of the Company upon the completion of the Listing, and the warrant was exercised on March 31, 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Liquidity and Financial Resource

As of December 31, 2023, the current assets of the Group were RMB788.0 million, including cash and cash equivalents of RMB440.8 million, time deposits with an original maturity over three months of RMB338.1 million and other current assets of RMB9.1 million. Among them, the Group's cash and cash equivalents increased by RMB117.7 million or 36.4% to RMB440.8 million as of December 31, 2023 from RMB323.1 million as of December 31, 2022. The Group's time deposits increased to RMB338.1 million as of December 31, 2023 from nil as of December 31, 2022. As of December 31, 2023, the current liabilities of the Group were RMB119.8 million, including other payables of RMB68.5 million, interest-bearing bank loans of RMB49.4 million and current lease liabilities of RMB1.9 million.

Our cash and bank balances (including cash and cash equivalents and time deposits) as of December 31, 2023, were RMB778.9 million, of which RMB29.4 million, RMB653.5 million and RMB96.0 million were denominated in RMB, USD, and HKD, respectively, representing an increase by 141.1% as compared to the cash and bank balances of RMB323.1 million as of December 31, 2022. The increase was primarily attributable to the proceeds from the Global Offering.

## Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy, aiming to maintain an optimal financial position and minimal financial risks. We have formulated internal control measures to control our process of investment in wealth management products. Prior to making an investment, we ensure that there remains sufficient working capital for our operations, R&D activities and capital expenditures. In 2023, we funded our operations primarily through equity financing and bank loans. With the continuing expansion of our business and development of new drug candidates, we will use the net proceeds raised from the Global Offering and may require further funding through public or private equity offerings, debt financing and other sources.

## Bank Loans

Our bank loans as of December 31, 2023 were RMB49.4 million (December 31, 2022: RMB19.8 million), all of which were denominated in RMB and carried fixed nominal interest rates ranging from 3.40% to 4.35% per annum. The Group had available unutilized bank loan facilities of RMB0.6 million as of December 31, 2023, as compared to RMB10.2 million as of December 31, 2022.

## Current ratio

Current ratio (calculated by current assets divided by current liabilities) of the Group as of December 31, 2023, was 6.58 (December 31, 2022: 3.43).

## Gearing ratio

Gearing ratio is calculated by using interest-bearing borrowings and lease liabilities less cash and cash equivalents, divided by total equity and multiplied by 100%. As of December 31, 2023, the Group was in a net cash position and thus, gearing ratio is not applicable.

## Foreign Currency Risk

We have transactional currency exposures. Certain of our cash and bank balances, time deposits, prepayments, other receivables 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Contingent Liabilities

As of December 31, 2023, we did not have any material contingent liabilities.

## Significant Investments Held

As of December 31, 2023, the Group did not hold any significant investments. Save as disclosed in this report, as of December 31, 2023, the Group did not have future plans for material investments and capital assets.

## Pledge of Assets

As of December 31, 2023, we did not pledge any of our assets.

## Employees and Remuneration Policies

As of December 31, 2023, the Group had 89 employees.

Our employees' remuneration comprises salaries, bonuses, provident funds, social security contributions and other welfare payments. We have made contributions to our employees' social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds pursuant to applicable laws and regulations.

We adopted the Post-IPO Share Option Scheme on June 9, 2023, which was immediately prior to Listing. The scheme constitutes a share scheme governed by Chapter 17 of the Listing Rules. For further details of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, please refer to the section headed "Share Incentive Plans" in the Report of Directors of this annual report, and the sections headed "Statutory and General Information — Pre-IPO Share Option Scheme" and "Statutory and General Information — Post-IPO Share Option Scheme" in Appendix IV to the Prospectus.

## Material Acquisitions and Disposals

During the Reporting Period, the Group did not have any material acquisition or disposal of its subsidiaries, associates and joint ventures.

## Use of Net Proceeds from the Global Offering

On June 29, 2023, 63,728,000 Shares of US\$0.00001 each were issued at a price of HK\$12.41 per share in connection with the Company's listing on the Main Board of the Stock Exchange. During the year ended December 31, 2023, the net proceeds of HK\$724.4 million from the Global Offering (after deduction of the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the Global Offering) were used, and are proposed to be used, according to the intentions and in the same manner and proportions as previously disclosed by the Company in the Prospectus.

## MANAGEMENT DISCUSSION AND ANALYSIS

The below table sets out the proposed and actual applications of the net proceeds from the Listing Date to December 31, 2023:

Intended use of Net Proceeds	Net Proceeds from the Global Offering <i>(HK\$ million)</i>	Approximate % of total Net Proceeds	Utilized Net Proceeds from the Global Offering as of December 31, 2023 <i>(HK\$ million)</i>	Unutilized Net Proceeds from the Global Offering as of December 31, 2023 <i>(HK\$ million)</i>	Expected timeline of full utilization of the unutilized Net Proceeds <sup>(1)</sup>
For rapidly advancing the clinical development and approval of our Core Products, i.e. LAE001 and LAE002	407.8	56.3%	70.2	337.6	Before December 31, 2025
For accelerating the research and development of other existing pipeline products and continuously advancing and improving our pipeline products	150.7	20.8%	31.1	119.6	Before December 31, 2025
For improving our production capabilities and developing our manufacturing capacities	71.7	9.9%	0.5	71.2	Before December 31, 2025
For business development activities and enhancing our global reach	55.1	7.6%	6.8	48.3	Before December 31, 2025
For working capital and other general corporate purposes	39.1	5.4%	24.5	14.6	Before December 31, 2025
<b>Total:</b>	<b>724.4</b>	<b>100%</b>	<b>133.1</b>	<b>591.3</b>	

Note:

- (1) The expected timeline is based on the best estimation made by the Group on future market condition and may change with the future market condition and future development.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE DEVELOPMENT

We will continue to build our product portfolio and advance the development of our existing drug candidates towards commercialization by continuously executing innovative and tailored clinical trial designs for each of our drug candidates and strengthening our relationships with key external parties, including PIs, KOLs, CROs, SMOs, CDMOs, hospitals and others. We expect to achieve and deliver major development milestones for our drug candidates, including Afuresertib, LAE001, LAE005 and LAE003 to further explore their therapeutic potential.

We will also continue to actively explore potential combination therapy opportunities among our pipeline and with existing approved drugs as well as conventional therapies. Our experience in executing and developing combination therapies among our pipeline, such as Afuresertib and LAE001, to treat the second-generation A/AR drug-resistant mCRPC has well demonstrated our ability to unleash the clinical value of our pipeline products. Our Afuresertib combination trial with Fulvestrant has demonstrated great clinical value to treat HR+/HER2- breast cancer patients who have failed prior standard care treatments of endocrine/anti-estrogen therapies including CDK4/6 inhibitors, a big unmet medical need with huge market potential.

Finally, we hope to expand our drug pipeline through our in-house discovery to address high unmet medical needs of broader underserved patients. We are developing multiple innovative drug candidates including small molecules, bispecific antibodies, and bifunctional NK engagers against cancer cells, activated hepatic stellate cells as well as obesity and metabolic diseases. LAE102 is our internally discovered antibody against ActRIIA. It has showed in the pre-clinical studies to increase skeletal muscle and decrease fat mass, a potential drug candidate to be developed for obesity indication. We submitted IND applications to CDE and FDA respectively in relation to obesity indication in the first quarter of 2024. We plan to commence clinical trial process after obtaining IND approval and are committed to bring this precision therapy to obesity patients who are in needs of the novel treatment options. Blocking Activin-ActRII pathway could promote skeletal muscle regeneration and decrease fat mass. LAE103 is an ActRIIB-selective antibody and LAE123 is a dual inhibitor for ActRIIA/IIIB. Both of them are our internally discovered antibodies for muscle regeneration indications in the drug candidate pipeline. Our innovative drug candidates are in various stages of drug discovery and development, and we plan to have one drug candidate entering the clinical stage each year.

## DIRECTORS AND SENIOR MANAGEMENT

As of the date of this report, the Board consists of three executive Directors, two non-executive Directors and three independent non-executive Directors.

### DIRECTORS

#### Executive Directors

**Dr. LU Chris Xiangyang (“Dr. Lu”)**, aged 60, is our Chairman, executive Director and Chief Executive Officer. Dr. Lu is the founder of our Group and is responsible for overseeing the overall business strategy, R&D activities, business planning and operational management. Dr. Lu was appointed as a Director in July 2016 and re-designated as an executive Director in May 2022.

Dr. Lu had worked in Ontogeny, Inc., a biotechnology company, in 1998. From November 2001 to September 2003, he worked at Wyeth Research, a U.S. based pharmaceutical company as the principal scientist and had led multiple drug discovery projects. From September 2003 to March 2016, he worked at Novartis Institutes for BioMedical Research (“NIBR”) and China Novartis Institutes for BioMedical Research Co., Ltd. (諾華(中國)生物醫學研究有限公司) (“CNIBR”). He was bestowed Novartis VIVA Award with “Novartis Leading Scientist” honorary title in November 2012. His last position there was Executive Director and was responsible for leading the drug discovery platform and multiple disease research programs. NIBR and CNIBR are under Novartis AG. He then joined Frontline Bioventures (通和資本), a venture capital firm focusing on investment in healthcare industry, in 2016 as a venture partner, responsible for providing general professional advice from biotechnology perspective to the investment portfolio of Frontline Bioventures on a part-time basis. Dr. Lu had ceased to be a venture partner in Frontline Bioventures since April 2017. After the incorporation of the Company and before Dr. Lu left Frontline Bioventures, Dr. Lu was not involved in any investment of Frontline Bioventures which competed or was likely to compete, directly or indirectly, with the Group’s business.

Dr. Lu received his Bachelor of science degree and Master of science degree in biology department from Nankai University (南開大學) in China in July 1985 and June 1988, respectively. Dr. Lu obtained the Doctor of Philosophy degree from the School of Medicine of the University of North Carolina at Chapel Hill in the United States in August 1995. Dr. Lu was a postdoctoral fellow at Harvard University in the United States from 1995.

Dr. Lu is a director of Laekna HK, Laekna Ningbo and Laekna Therapeutics.

**Ms. XIE Ling (謝玲) (“Ms. Xie”)**, aged 52, is our executive Director and senior vice president, and is responsible for overseeing our global operations, including administrative, human resources, finance, legal, IT and compliance matters. Ms. Xie joined our Company in April 2017 as a vice president of head of operation and has been a senior vice president of head of operation since April 2019. She was appointed as a Director in May 2018 and re-designated as an executive Director in May 2022.

From August 2002 to September 2004, Ms. Xie was an executive assistant at Boehringer Ingelheim Shanghai Pharmaceuticals Co., Ltd. (上海勃林格格殷格翰藥業有限公司). From January 2008 to March 2017, Ms. Xie served as an executive assistant at CNIBR under Novartis AG, and was responsible for administrative support. Ms. Xie was accredited as national second-level psychological counselor (國家二級心理諮詢師) by Ministry of Human Resources and Social Security of the PRC (人力資源和社會保障部) in March 2011, and she was certified as Myers-Briggs Type Indicator (MBTI) practitioner by Center for Applications of Psychological Type in the United States in March 2012.

Ms. Xie received her Bachelor’s degree in law from East China University of Political Science and Law (華東政法大學) in China in July 2003.

Ms. Xie is a director of Laekna Ningbo, Laekna Therapeutics and Laekna Pharmaceutical.

## DIRECTORS AND SENIOR MANAGEMENT

**Dr. GU Xiang-Ju Justin (“Dr. Gu”)**, aged 58, is our executive Director and chief scientific officer, and is responsible for overseeing our pre-clinical discovery research works. Dr. Gu joined our Group in January 2020 as our chief scientific officer and was appointed as a Director and re-designated as an executive Director in May 2022.

From April 2001 to October 2008, Dr. Gu first served as a scientist and then as a group leader at Genomics Institute of the Novartis Research Foundation. From November 2008 to April 2019, he worked at CNIBR in Shanghai, with his last position as the director of lead discovery. Before joining our Group, Dr. Gu was a venture partner at GP Healthcare Capital Co., Ltd. (上海金浦醫療健康股權投資基金管理有限公司) from April 2019 to December 2019.

Dr. Gu received his Bachelor’s degree in biology from Nankai University (南開大學) in China in 1985; Master’s degree from the Institute of Botany, The Chinese Academy of Sciences (中國科學院植物研究所) in China in 1988; and the Doctor of Philosophy degree in biochemistry from the Ohio State University in the United States in March 1997. Dr. Gu was a postdoctoral fellow at Massachusetts Institute of Technology in the United States from January 1997 to August 2000.

Dr. Gu is a director of Laekna Therapeutics and Laekna Ningbo.

### Non-executive Directors

**Dr. WANG David Guowei (“Dr. Wang”)**, aged 62, is our non-executive Director, and is responsible for providing professional advice to the Board. Dr. Wang was appointed as a Director in July 2019 and re-designated as a non-executive Director in May 2022.

Dr. Wang is a partner and senior managing director of Asia at OrbiMed Advisors LLC, an investment fund with a focus on healthcare industry, where he has worked since August 2011. Since March 2020, Dr. Wang has been a director of Gracell Biotechnologies Inc. (a company listed on NASDAQ Global Market, stock code: GRCL). He has also served as a director of Sichuan Biokin Pharmaceutical Co., Ltd (四川百利天恒藥業股份有限公司) (a company listed on Shanghai Stock Exchange, stock code: 688506) since September 2017. Further, since February 2016, he has been a non-executive director of AK Medical Holdings Limited (愛康醫療控股有限公司) (a company listed on the Stock Exchange, stock code: 1789), and since December 2017, he has been a non-executive director of Gaush Meditech Ltd (高視醫療科技有限公司) (a company listed on the Stock Exchange, stock code: 2407). From April 2006 to July 2011, he served as managing director at WI Harper Group. From March 2010 to July 2012, he served on the board of directors of Edan Instruments, Inc. (深圳市理邦精密儀器股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300206), a provider of advanced electronic medical equipment, where he also served on both the audit committee and strategic committee. He was a director of Suzhou Medical System Technology Co., Ltd. (蘇州麥迪斯頓醫療科技股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603990) from October 2012 to May 2019, a non-executive director of EC Healthcare (醫思健康) (formerly known as Union Medical Healthcare Limited (香港醫思醫療集團有限公司)) (a company listed on the Stock Exchange, stock code: 2138) from August 2018 to April 2020 and a director of Amoy Diagnostics Co., Ltd. (廈門艾德生物醫藥科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300685) from June 2015 to August 2021.

Dr. Wang received his Bachelor’s degree in medicine from Beijing Medical University (北京醫科大學) (currently known as Peking University Health Science Center (北京大學醫學部)) in China in July 1986. He received his Doctor of Philosophy degree in developmental biology from California Institute of Technology in the United States in June 1995.

Dr. Wang is a director of Laekna Therapeutics.



## DIRECTORS AND SENIOR MANAGEMENT

**Mr. SUN Yuan (孫淵) (“Mr. Sun”)**, aged 35, is our non-executive Director, and is responsible for providing professional advice to the Board. Mr. Sun was appointed as a Director in April 2022 and re-designated as a non-executive Director in May 2022.

Mr. Sun joined SDIC Fund Management Co., Ltd. (國投創新投資管理有限公司) in September 2013. He then joined CS Capital (Nanjing) Co., Ltd. (國投招商(南京)投資管理有限公司) in January 2022, a wholly-owned subsidiary of CS Capital Co., Ltd. (國投招商投資管理有限公司), and is currently its director. CS Capital Co., Ltd. is the general partner of Future Industry Investment Fund II (先進製造產業投資基金二期(有限合夥)), one of our Pre-IPO Investors. He obtained the Chartered Financial Analyst qualification in November 2017.

Mr. Sun received his Bachelor’s degree in computer science and technology from Tsinghua University (清華大學) in China in July 2010. He received his Master’s degree in finance from Washington University in St. Louis in the United States in December 2012.

Mr. Sun is a director of Laekna Therapeutics.

### Independent Non-executive Directors

**Dr. YIN Xudong (“Dr. Yin”)**, aged 57, was appointed as our independent non-executive Director with effect from June 16, 2023 and is responsible for providing independent opinion and judgment to the Board.

Dr. Yin once worked at Clontech Laboratories Inc. (currently known as Becton, Dickinson and Company) (a global medical technology company listed on the New York Stock Exchange, stock code: BDX). During his employment with Boston Consulting (Shanghai) Co., Ltd. (a global business management and consulting firm), he served as a director manager from April 2000 to February 2004. He then worked at AstraZeneca Plc, a multinational pharmaceutical and biotechnology company listed on the London Stock Exchange (stock code: AZN), NASDAQ Global Market (stock code: AZN) and the NASDAQ Stockholm (stock code: AZN) in China from February 2004 to January 2011 with his last position as the president, AstraZeneca China. From January 2011 to December 2021, he served as head of the Asia Pacific, Middle East and Africa regions of Novartis Pharmaceuticals Corporation and president of Novartis Group in China.

Dr. Yin received his Bachelor of Sciences degree in biochemistry from Peking University (北京大學) in China in 1987. He further obtained his Doctor of Philosophy degree in biological science from Stanford University in the United States in June 1995. In addition, he received his Master of Business Administration degree from Harvard University in the United States in June 1998.

## DIRECTORS AND SENIOR MANAGEMENT

**Dr. LI Min (“Dr. Li”)**, aged 61, was appointed as our independent non-executive Director with effect from June 16, 2023 and is responsible for providing independent opinion and judgment to the Board.

From January 2014 to March 2019, Dr. Li served as a senior vice president and global head of neuroscience R&D at GlaxoSmithKline plc., a renowned science-led global healthcare company listed on the London Stock Exchange (stock code: GSK) and the New York Stock Exchange (stock code: GSK). During his employment with GlaxoSmithKline plc., he also served as the general manager of GSK R&D China. From January 2019 to January 2020, he served as the venture partner of Lilly Asia Ventures, a biomedical venture capital firm focused on healthcare investments. Dr. Li founded SciNeuro Pharmaceuticals in January 2020, a biotechnology company to develop innovative therapeutics for central nervous system diseases, and he has been serving as its chief executive officer and director since February 2020. Dr. Li has been serving as an independent director of Adagene Inc., a company listed on NASDAQ Global Market (stock code: ADAG) since February 2021.

Dr. Li was a post-doctorate fellow at University of California San Francisco and also admitted as a Helen Hay Whitney Fellow. He was appointed as an assistant Professor of Physiology at Johns Hopkins University School of Medicine in March 1993 and had served as a tenured Professor of Neuroscience at Johns Hopkins University School of Medicine until 2013. Dr. Li has been a Fellow of the American Association for the Advancement of Science since November 2011.

Dr. Li received his Bachelor of Science degree in biochemistry from Wuhan University in China in July 1984. He further obtained his Doctor of Philosophy degree from Johns Hopkins University School of Medicine in the United States in May 1991.

**Mr. ZHOU Jian (周健) (“Mr. Zhou”)**, aged 45, was appointed as our independent non-executive Director with effect from January 15, 2024 and is responsible for providing independent opinion and judgment to the Board.

Mr. Zhou joined HSBC Asset Management alternative unit as its Head of Energy Transition Infrastructure China in November 2022. Mr. Zhou is responsible for setting up and managing the HSBC Asset Management China PFM business and managing and overseeing the renewable energy private equity investment activities in China. Prior to joining HSBC, Mr. Zhou worked as Managing Director at Standard Chartered Bank in Hong Kong from August 2019 to October 2022, where he was responsible for leading the Greater China and Korea regional investment banking activities in power, utilities & infrastructure sector.

Mr. Zhou also held position as Head of Infrastructure China at Macquarie Capital in Shanghai from September 2016 to February 2019. He was an Executive, Vice President and Director in investment banking team at Evercore in Hong Kong from March 2007 to May 2016. Mr. Zhou worked in PricewaterhouseCoopers assurance team in Auckland and Hong Kong from December 2002 to March 2007.

Mr. Zhou has been a member of the Chartered Accountants Australia & New Zealand (CA ANZ) since March 2006, a Chartered Financial Analyst of CFA Institute since September 2006 and a member of Hong Kong Institute of Certified Public Accountants (HKICPA) since August 2007.

Mr. Zhou received a degree of Bachelor of Commerce (Honours) in Finance from the University of Auckland in May 2002.

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

**Dr. LU Chris Xiangyang** is the Chairman and the Chief Executive Officer. Please refer to the paragraph headed “— Directors — Executive Directors” above for his biographical details.

**Ms. XIE Ling (謝玲)** is the senior vice president of our Company. Please refer to the paragraph headed “— Directors — Executive Directors” above for her biographical details.

**Dr. GU Xiang-Ju Justin** is the chief scientific officer of our Company. Please refer to the paragraph headed “— Directors — Executive Directors” above for his biographical details.

**Dr. YUE Yong (“Dr. Yue”)** aged 63, is the chief medical officer of our Company and is responsible for overseeing our medical strategy and clinical development. Dr. Yue joined our Group in July 2018 as our chief medical officer.

In 2002, Dr. Yue worked at Sanofi, a global healthcare company listed on the Euronext Paris (ticker symbol: SAN) and NASDAQ Global Market (stock code: SNY), and had accumulated experience in the area of multiple sclerosis and immunology. Dr. Yue was a surgical resident at Brigham and Women’s Hospital of Harvard Medical School in the United States from July 2006 to July 2008 and received the US Medical License in the state of Massachusetts in the United States. From June 2008 to 2013, he worked at GlaxoSmithKline plc., a renowned science-led global healthcare company listed on the London Stock Exchange (stock code: GSK) and the New York Stock Exchange (stock code: GSK). He had worked as a principal clinical research scientist at GlaxoSmithKline consumer healthcare and had involved in a number of research and studies in clinical development for Analgesics (a pain relief medication). Before joining our Group, he worked at Janssen, the pharmaceutical company of Johnson & Johnson (a company listed on NASDAQ Global Market, stock code: JNJ) from 2013 to July 2018, and had involved in a number of research and studies in medical affairs and clinical development.

Before working in the United States, Dr. Yue was a surgical oncologist with ample clinical experience in China and Switzerland. Prior to joining the pharmaceutical industry, Dr. Yue was a doctoral student of University of Geneva Medical School (graduated in December 1993) and a physician to performing post-graduate in Surgical Critical Care Medicine (from December 1992 to December 1993) with the Department APSIC at University Hospitals of Geneva in Switzerland. He was a physician of the Department of Neurosurgery at Tianjin Medical University General Hospital (天津醫科大學總醫院) in China from 1987 to 1995. He was a postdoctoral research fellow at Lab for Cancer Research, Ernest Mario School of Pharmacy, Rutgers University in the United States with multiple publications from January 1996 to 1999.

In September 1980, Dr. Yue was admitted in an eight-year medical education program consisting of three years of pre-medicine study at Nankai University (南開大學) in China and five years of medicine study at Tianjin Medical University (天津醫科大學). He obtained a Master of Medicine degree from Tianjin Medical University (天津醫科大學) in China in July 1988. Dr. Yue obtained the Educational Commission for Foreign Medical Graduates Certification from the US Educational Commission for Foreign Medical Graduates in December 2005. In December 1993, Dr. Yue obtained the Doctor of Medical Science degree from the University of Geneva in Switzerland.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. CHAU Kwok Keung (鄒國強) (“Mr. Chau”)**, aged 47, was appointed as the chief financial officer of our Company with effect from January 15, 2024. Mr. Chau was our independent non-executive Director from June 2023 to January 2024. Mr. Chau was employed by Arthur Andersen & Co. initially as a staff accountant and he was subsequently promoted to be a senior consultant in the Global Corporate Finance Solution Segment of Arthur Andersen & Co. in March 2002. He was the financial controller of Shanghai Hawei New Materials and Technology Company Limited from June 2002 to August 2003 and the deputy group financial controller of China South City Holdings Limited (華南城控股有限公司) (a company listed on the Stock Exchange, stock code: 1668) from August 2003 to April 2005. Mr. Chau has also held various positions at China.com Inc. (中華網科技公司) (currently known as Sino Splendid Holdings Limited (中國華泰瑞銀控股有限公司)) (a company listed on the Stock Exchange, stock code: 8006) from October 2005 to October 2007, including qualified accountant, chief financial officer, company secretary and authorized representative. Mr. Chau has served as the chief financial officer of Comtec Solar Systems Group Limited (卡姆丹克太陽能系統集團有限公司) (a company listed on the Stock Exchange, stock code: 712) from November 2007 to January 2020 and served as its executive director from June 2008 to January 2020. He has also been an independent director of Bank of Zhangjiakou Co., Ltd. (張家口銀行股份有限公司) since April 2020. Mr. Chau has served as chief financial officer of BetterLife Holding Limited (百得利控股有限公司) (a company listed on the Stock Exchange, stock code: 6909) from September 2020 to January 2024 and served as its executive director from December 2020 to January 2024.

In the last three years, Mr. Chau had also served as (i) an independent non-executive director and the chairman of the audit committee of Forward Fashion (International) Holdings Company Limited (尚晉(國際)控股有限公司) (a company listed on the Stock Exchange, stock code: 2528) from December 2019 to August 2021; (ii) an independent non-executive director and the chairman of the audit committee of China Xinhua Education Group Ltd. (中國新華教育集團有限公司) (a company listed on the Stock Exchange, stock code: 2779) from October 2017 to November 2022; and (iii) an independent non-executive director and the chairman of the audit committee of Suzhou Basecare Medical Corporation Limited (蘇州貝康醫療股份有限公司) (a company listed on the Stock Exchange, stock code: 2170) from October 2021 to June 2023.

Mr. Chau has been serving as (i) an independent director of The9 Limited (第九城市) (a company listed on NASDAQ Global Market, stock code: NCTY) since October 2015; (ii) an independent non-executive director of China Tobacco International (HK) Company Limited (中煙國際(香港)有限公司) (a company listed on the Stock Exchange, stock code: 6055) since December 2018; and (iii) an independent non-executive director and the chairman of the audit committee and remuneration committee of China Infrastructure & Logistics Group Ltd. (中國通商集團有限公司) (a company listed on the Stock Exchange, stock code: 1719) since May 2022.

Mr. Chau has been a member of the Association of Chartered Certified Accountants since June 2002, a Chartered Financial Analyst since September 2003 and a member of the Hong Kong Institute of Certified Public Accountants since July 2005. Mr. Chau also obtained a certificate of Qualified Independent Director from the Shanghai Stock Exchange since August 2017, and was certified by China Banking and Insurance Regulatory Commission Zhangjiakou Supervision Branch (中國銀行保險監督管理委員會張家口監管分局) as qualified director of banking institutions in China since March 2020. Mr. Chau has been a fellow member of the Institute of Public Accountants of Australia and Institute of Financial Accountants since June 2020.

Mr. Chau received a Bachelor's degree in Business Administration from the Chinese University of Hong Kong in December 1998.

## DIRECTORS AND SENIOR MANAGEMENT

**Ms. WANG Liqing (王黎青) (“Ms. Wang”)**, aged 53, is our vice president and is responsible for overseeing our corporate finance and procurement matters. Ms. Wang joined our Group in August 2019 as a vice president.

Ms. Wang once worked as an accounting supervisor in Shanghai Lever Co., Ltd. (上海利華有限公司), a joint venture company of Unilever engaged in the manufacturing and sales of fast moving consumer products. She then joined Johnson & Johnson (China) Co., Ltd. (強生(中國)有限公司) in 1998. From March 2005 to December 2010, she worked in Dumex Infant Food Co., Ltd. (多美滋嬰幼兒食品有限公司) as a financial controller, a member of the Danone Group, a multinational enterprise focusing on food, where she was responsible for the management of accounting and reporting, taxation and treasury related matters. From January 2011 to September 2018, she worked in Cargill Investment (China) Co., Ltd. (嘉吉投資(中國)有限公司) with her last position as GCK accounting and finance head in finance department. Prior to joining our Group, in September 2018, Ms. Wang joined Shanghai Yitu Network Technology Co., Ltd. (上海依圖網絡科技有限公司) as the financial vice president, a company principally engaged in artificial intelligence technology development, and was responsible for overseeing the financial management of the company.

Ms. Wang graduated in Accountancy from Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院) in China in July 1991. She obtained a Master of Business Administration degree jointly offered by Shanghai University of Finance and Economics (上海財經大學) in China and Webster University in the United States in November 2003.

### JOINT COMPANY SECRETARIES

**Mr. KE Chenyu (柯晨煜) (“Mr. Ke”)** was appointed as a joint company secretary of our Company in May 2022. Mr. Ke joined our Group in August 2021 as our head of legal, responsible for overseeing legal, regulatory and compliance matters of our Company.

Prior to joining our Group, Mr. Ke worked at Kaye Scholer LLP from August 2011 to July 2013. He served as an associate at Benesch, Friedlander, Coplan & Aronoff LLP from September 2013 to July 2014. From August 2015 to August 2021, he served as the legal general manager of Shanghai Fosun High Technology (Group) Co., Limited (上海復星高科技(集團)有限公司), a wholly-owned subsidiary of Fosun International Limited (復星國際有限公司) (a company listed on the Stock Exchange, stock code: 656), and was responsible for the legal and compliance in healthcare sector.

Mr. Ke obtained his Bachelor’s degree in law from East China University of Political Science and Law (華東政法大學) in China in July 2007. He obtained his Master’s degree in law from Georgetown University Law Center in the United States in May 2015.

**Ms. HO Wing Nga (何詠雅) (“Ms. Ho”)** was appointed as a joint company secretary of our Company with effect from February 2, 2024.

Ms. Ho has over 25 years of experience in corporate governance services. She obtained a master’s degree in corporate governance from the Hong Kong Polytechnic University. Ms. Ho is a fellow of both the Hong Kong Chartered Governance Institute (the “HKCGI”) and The Chartered Governance Institute. She is also a holder of the practitioner’s endorsement of HKCGI and a member of The Hong Kong Institute of Directors.

### CHANGES IN DIRECTORS’ BIOGRAPHICAL DETAILS UNDER RULE 13.51(B) OF THE LISTING RULES

Save as disclosed in this annual report and as at the date of this report, there are no other changes to the Directors’ information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

# REPORT OF DIRECTORS

The Board is pleased to present this report of Directors together with the audited consolidated financial statements of the Group for the year ended December 31, 2023.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and, together with its subsidiaries, are principally engaged in discovering, development and commercialising innovative therapies to patients with cancer, metabolic diseases and liver fibrosis around the world.

## BOARD OF DIRECTORS

The Directors who held office during the year ended December 31, 2023 and as of the date of this report were:

### Executive Directors

Dr. LU Chris Xiangyang (*Chairman and Chief Executive Officer*)

Ms. XIE Ling (謝玲)

Dr. GU Xiang-Ju Justin

### Non-executive Directors

Dr. WANG David Guowei

Mr. SUN Yuan (孫淵)

Ms. JI Dongmei (吉冬梅) (*resigned with effect from September 29, 2023*)

### Independent Non-executive Directors

Dr. YIN Xudong

Dr. LI Min

Mr. ZHOU Jian (周健) (*appointed with effect from January 15, 2024*)

Mr. CHAU Kwok Keung (鄒國強) (*resigned with effect from January 15, 2024*)

### Directors' and senior management's biographies

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 22 to 28 of this annual report. For biographical details of Ms. JI Dongmei, please refer to the section headed "Directors and Senior Management" of the Prospectus.

According to article 15.1 of the Articles of Association and paragraph B.2.2 of the CG Code, at each annual general meeting, one-third of the Directors for the time being (or, if such number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the annual general meeting at which he retires and shall be eligible for re-election at such meeting. According to article 15.5 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at such meeting.

# REPORT OF DIRECTORS

## RESULTS

The results of the Group for the year ended December 31, 2023 are set out in the audited consolidated statement of profit or loss and other comprehensive income on page 70 of this annual report.

## BUSINESS REVIEW

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

## PRINCIPAL RISKS AND UNCERTAINTIES

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

- We face fierce competition from existing products and product candidates under development in the entire oncology and obesity market and we may not be able to effectively compete with our competitors.
- Our business and financial prospects depend substantially on the success of our clinical stage and pre-clinical stage drug candidates. We may not be able to complete their clinical development, obtain relevant regulatory approvals or achieve their commercialization, or we may experience significant delays in any of the foregoing.
- We may not be able to comply with our obligations in the agreements under which we in-license intellectual property rights from third parties or otherwise experience disruptions to our business relationships with our licensors; if so, we could be required to pay monetary damages or could lose license rights that are important to our business.
- We rely on third-party collaborators for some of our clinical development activities which may not be successful.
- We have no experience in manufacturing pharmaceutical products, which is a highly exacting and complex process, and we may encounter problems in manufacturing our future drug products.
- 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. We may be unable to comply with existing or future regulations and industry standards.
- We have incurred significant net losses since our inception and expect to continue to incur net losses for the foreseeable future. We may not be able to generate sufficient revenue to achieve profitability and may need additional capital to meet our operating cash requirement.

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

## FINANCIAL STATEMENTS

The summary of the results, assets and liabilities of the Group for the year and the state of the Company's and the Group's affairs as of December 31, 2023 are set out in the consolidated financial statements on pages 71 of this annual report.

## SUBSIDIARIES

Details of the subsidiaries of the Group as of December 31, 2023 are set out in Note 13 to the financial statements in this annual report.

## SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended December 31, 2023 are set out in Note 24 to the financial statements in this annual report.

## RESERVES

Details of movements in reserves of the Group and the Company for the year ended December 31, 2023 are set out in the consolidated statement of changes in equity and Note 24 to the financial statements in this annual report, respectively.

As of 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 RMB1,973,090,000 (2022: Nil). Details of the movements in the reserves of the Company during the year ended December 31, 2023 are set out in Note 24 to the financial statements in this annual report.

## DIVIDENDS

The Board does not declare the payment of any final dividend for the year ended December 31, 2023 (2022: Nil). There is no arrangement under which a Shareholder has waived or agreed to waive any dividend.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2023 are set out in Note 10 to the financial statements in this annual report.

## BANK LOANS

Particulars of bank loans of the Group (including the maturity profile of borrowings) as of December 31, 2023 are set out in this annual report and Note 18 to the financial statements in this annual report. There is no material seasonality of borrowing requirements for the Group.

## ADVANCE TO ENTITY PROVIDED BY THE COMPANY

During the year ended December 31, 2023, the Company had not provided any advance to an entity which is subject to disclosure requirement under Rule 13.20 of the Listing Rules.



## REPORT OF DIRECTORS

### **BREACH OF LOAN AGREEMENT**

During the year ended December 31, 2023, the Company had not breached any terms of its loan agreements for loans that are significant to its operations.

### **FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES BY THE COMPANY**

During the year ended December 31, 2023, the Company had not provided any financial assistance and guarantees to affiliated companies of the Company which is subject to disclosure requirements under Rule 13.22 of the Listing Rules.

### **FINANCIAL SUMMARY**

The Shares were listed on the Stock Exchange on June 29, 2023. A summary of the results and of the assets, liabilities and equity of the Group for the last three financial years ended December 31, 2023 is set out on page 120 of this annual report. This summary does not form part of the audited consolidated financial statements.

### **CHARITABLE DONATIONS**

During the year ended December 31, 2023, the Group and its employees actively participated in different social welfare activities and donations. For details, please refer to the environmental, social and governance report of the Company for the year ended December 31, 2023 which shall be published separately.

### **CONTINGENT LIABILITIES**

As of December 31, 2023, our Group had no significant contingent liabilities.

### **SUFFICIENCY OF PUBLIC FLOAT**

During the Relevant Period and up to the date of this report, based on the information available to the Company and to the knowledge of the Directors, the Company's public float complies with the requirements of Rule 8.08 of the Listing Rules.

### **PRE-EMPTIVE RIGHTS**

There is no provision 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 existing Shareholders.

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

No Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting for the year ended December 31, 2023 or as of December 31, 2023.

# REPORT OF DIRECTORS

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and the non-executive Directors has entered into a service contract with the Company for a term of three years commencing from May 31, 2022 until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice. Pursuant to the service contracts entered into with the Company, none of the executive Directors and the non-executive Directors will receive any remuneration as director's fee.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years effective upon (i) June 16, 2023 (for Dr. YIN Xudong and Dr. LI Min) and (ii) January 15, 2024 (for Mr. ZHOU Jian), 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. Under these appointment letters, each of our independent non-executive Directors will receive an annual director's fee of HK\$400,000 commencing on the effective date of their appointment.

The above service contracts and appointment letters are subject to retirement by rotation and re-election at an annual general meeting of the Company at least once every three years in accordance with the Articles of Association. The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy in the Board or as an addition to the existing Board shall hold office until the first annual general meeting of the Company after his/her appointment and be subject to re-election at such meeting.

None of the Directors proposed for re-election at the AGM has an unexpired service contract or appointment letter which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

## REPORT OF DIRECTORS

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

As far as the Company is aware, as of December 31, 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO), which were required (a) 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 (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

#### Long Positions in the Company

Name of Director	Nature of Interest	Number of Shares held	Approximate percentage of interest in our Company <sup>(1)</sup>
Dr. LU Chris Xiangyang (“ <b>Dr. Lu</b> ”)	Beneficial interest	32,239,390 <sup>(2)</sup>	8.26%
	Founder of a discretionary trust	20,000,000 <sup>(2)</sup>	5.13%
Ms. XIE Ling (謝玲) (“ <b>Ms. Xie</b> ”)	Interest in controlled corporation	7,500,000 <sup>(3)</sup>	1.92%
	Other	34,118,770 <sup>(3)</sup>	8.75%
	Beneficial owner	2,482,750 <sup>(3)</sup>	0.63%
Dr. GU Xiang-Ju Justin (“ <b>Dr. Gu</b> ”)	Beneficial interest	6,500,000 <sup>(4)</sup>	1.67%

Notes:

- (1) The calculation is based on the total number of 390,100,350 Shares in issue as of December 31, 2023.
- (2) Includes (i) Shares held by Dr. Lu beneficially under his own name and underlying Shares under the Share Options granted to him pursuant to the Pre-IPO Share Option Scheme; and (ii) Shares held by the Family Trust of which Dr. Lu is the settlor. Accordingly, Dr. Lu is deemed to be interested in the Shares held by the Family Trust.
- (3) Includes (i) Shares held by Ms. Xie through Linbell Technology Holdings Limited, a limited liability company incorporated in the BVI wholly-owned by her; (ii) Shares held by the ESOP Trusts, in which Futu Trustee Limited (trustee of the ESOP Trusts) will exercise its voting rights upon Ms. Xie's instructions under the trust deed. Accordingly, Ms. Xie is deemed to be interested in the Shares held by the ESOP Trusts under the SFO; and (iii) underlying Shares under the Share Options granted to Ms. Xie pursuant to the Pre-IPO Share Option Scheme.
- (4) Includes the underlying Shares under the Share Options granted to Dr. Gu pursuant to the Pre-IPO Share Option Scheme.

Save as disclosed above and to the best knowledge of our Directors, as of December 31, 2023, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

## REPORT OF DIRECTORS

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of December 31, 2023, to the best of the knowledge of the Company and the Directors or the chief executive of our Company, the followings are the persons, other than the Directors or chief executive of the Company, who had interests or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of interests in our Company <sup>(1)</sup>
OrbiMed Asia Partners III, L.P. <sup>(2)</sup>	Investment manager	59,774,230	15.32%
OrbiMed Asia GP III, L.P. <sup>(2)</sup>	Investment manager	59,774,230	15.32%
OrbiMed Advisors III Limited <sup>(2)</sup>	Investment manager	59,774,230	15.32%
GP Healthcare Capital, Inc. <sup>(3)</sup>	Beneficial interest	33,039,880	8.47%
GP Healthcare Capital Co., Ltd. (上海金浦醫療健康股權投資基金管理 有限公司) <sup>(3)</sup>	Interest in controlled corporation	40,909,800	10.49%
Shanghai GP Healthcare Equity Investment Enterprise (Limited Partnership) (上海金浦醫療健康股權投資合夥企業 (有限合夥)) <sup>(3)</sup>	Interest in controlled corporation	33,039,880	8.47%
Sino-Italy Ningbo Ecological Park Holding Group Co., Ltd. (中意寧波生態園控股集團有限公司) <sup>(4)</sup>	Interest in controlled corporation	38,021,000	9.75%
Yuyao Yangming Equity Investment Fund Co., Ltd. (余姚陽明股權投資基金有限公司) <sup>(4)</sup>	Beneficial interest	38,021,000	9.75%
Futu Trustee Limited <sup>(5)</sup>	Trustee	34,118,770	8.75%
Laekna Wonderland Limited <sup>(5)</sup>	Beneficial interest	24,001,530	6.15%
Future Industry Investment Fund II (先進製造產業投資基金二期(有限合夥)) <sup>(6)</sup>	Beneficial interest	28,519,030	7.31%
CS Capital Co., Ltd. (國投招商投資管理有限公司) <sup>(6)</sup>	Interest in controlled corporation	28,519,030	7.31%
Mrs. Liu Zeng (劉增) (“Mrs. Liu”) <sup>(7)</sup>	Interest in controlled corporation	23,600,550	6.05%

## REPORT OF DIRECTORS

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of interests in our Company <sup>(1)</sup>
Ningbo Yanchuang Houde Investment Group Co., Ltd. (寧波燕創厚德投資集團有限公司) <sup>(7)</sup>	Interest in controlled corporation	22,016,050	5.64%
Ningbo Yaoshang Yanchuang Shouren Equity Investment Co., Ltd. (寧波姚商燕創守仁股權投資有限公司) <sup>(7)</sup>	Interest in controlled corporation	20,114,650	5.16%
Ningbo Yaoshang Yanchuang Private Equity Fund Management Co., Ltd. (寧波姚商燕創私募基金管理有限公司) <sup>(7)</sup>	Interest in controlled corporation	20,114,650	5.16%
Ms. Liu Ying (劉穎) (“ <b>Ms. Liu</b> ”) <sup>(8)</sup>	Interest in controlled corporation	22,535,040	5.78%
Beijing Anlong Venture Capital Fund (Limited Partnership) (北京安龍創業投資基金(有限合夥)) <sup>(8)</sup>	Interest in controlled corporation	22,535,040	5.78%
Beijing Chunlin Information Consultancy Center (Limited Partnership) (北京春林信息諮詢中心(有限合夥)) <sup>(8)</sup>	Interest in controlled corporation	22,535,040	5.78%
Ealex LLC <sup>(9)</sup>	Beneficial interest	20,000,000	5.13%

## Notes:

- (1) The calculation is based on the total number of 390,100,350 Shares in issue as of December 31, 2023.
- (2) OrbiMed Asia Partners III, L.P. is a venture capital fund operated by OrbiMed and registered as exempted limited partnerships in the Cayman Islands. The general partner of OrbiMed Asia Partners III, L.P., is OrbiMed Asia GP III, L.P., whose general partner is OrbiMed Advisors III Limited. Accordingly, each of OrbiMed Asia GP III, L.P. and OrbiMed Advisors III Limited is deemed to be interested in the Shares held by OrbiMed Asia Partners III, L.P. under the SFO.
- (3) GP Healthcare Capital, Inc. is interested in 33,039,880 Shares. GP Healthcare Capital, Inc. is an exempted company incorporated in the Cayman Islands and its sole shareholder is Shanghai GP Healthcare Equity Investment Enterprise (Limited Partnership) (上海金浦醫療健康股權投資合夥企業(有限合夥)), whose general partner is GP Healthcare Capital Co., Ltd. (上海金浦醫療健康股權投資基金管理有限公司).

Further, Shanghai GP Healthcare Phase III Venture Capital Fund Partnership (Limited Partnership) (上海金浦健康三期創業投資基金合夥企業(有限合夥)) (formerly known as Shanghai GP Healthcare Phase III Equity Investment Fund Partnership (Limited Partnership) (上海金浦健康三期股權投資基金合夥企業(有限合夥))) is interested in 7,869,920 Shares. Shanghai GP Healthcare Phase III Venture Capital Fund Partnership (Limited Partnership) is a limited liability partnership established in the PRC and its general partner is GP Healthcare Capital Co., Ltd.. As such, GP Healthcare Capital Co., Ltd. is deemed to be interested in the Shares held by GP Healthcare Capital, Inc. and Shanghai GP Healthcare Phase III Venture Capital Fund Partnership (Limited Partnership).

## REPORT OF DIRECTORS

- (4) Yuyao Yangming Equity Investment Fund Co., Ltd. (余姚陽明股權投資基金有限公司) is interested in 38,021,000 Shares, and is wholly-owned by Sino-Italy Ningbo Ecological Park Holding Group Co., Ltd. (中意寧波生態園控股集團有限公司). It is held indirectly as to 85% by Sino-Italy Ningbo Ecological Park Administration Committee (中意寧波生態園管理委員會), a subordinate of the Ningbo Municipal People's Government.
- (5) Laekna Wonderland Limited is wholly owned by Futu Trustee Limited, the trustee of Laekna Wonderland Trust which was set up to facilitate the administration of the Pre-IPO Share Option Scheme.
- (6) Future Industry Investment Fund II (先進製造產業投資基金二期(有限合夥)) ("FIIF") is interested in 28,519,030 Shares, and the general partner of FIIF is CS Capital Co., Ltd. (國投招商投資管理有限公司).
- (7) Ningbo Yaoshang Yanchuang Private Equity Fund Management Co., Ltd. (寧波姚商燕創私募基金管理有限公司) ("Yaoshang Yanchuang") is the general partner of Ningbo Yanyuan Innovation Venture Capital Investment Partnership (LP) (寧波燕園創新創業投資合夥企業(有限合夥)), Ningbo Rongshun Yanyuan Venture Capital Investment Partnership (LP) (寧波榮舜燕園創業投資合夥企業(有限合夥)), Ningbo Yaoshang Yanchuang Chenkai Venture Capital Partnership (Limited Partnership) (寧波姚商燕創宸凱股權投資合夥企業(有限合夥)), Ningbo Yanchuang Yaoshang Yangming Venture Capital Investment Partnership (LP) (寧波燕創姚商陽明創業投資合夥企業(有限合夥)) and Ningbo Yanchuang Borong Venture Capital Partnership (Limited Partnership) (寧波燕創勃榮創業投資合夥企業(有限合夥)) ("Yanchuang Borong"). Yaoshang Yanchuang owns 45% interests in Hangzhou Yanyuan Fangrong Investment Management Co., Ltd. (杭州燕園方融投資管理有限公司) ("Yanyuan Fangrong"), and Yanyuan Fangrong is the general partner of Jiangsu Yanyuan Oriental Venture Capital Investment Partnership (LP) (江蘇燕園東方創業投資合夥企業(有限合夥)). Yaoshang Yanchuang is wholly owned by Ningbo Yaoshang Yanchuang Shouren Equity Investment Co., Ltd. (寧波姚商燕創守仁股權投資有限公司) ("Yanchuang Shouren"). Yanchuang Shouren is the general partner of Yanchuang Borong. Ningbo Yanchuang Houde Investment Group Co., Ltd. (寧波燕創厚德投資集團有限公司) ("Yanchuang Houde") holds 58.77% of interests of Yanchuang Shouren. Mrs. Liu holds 90% of interests of Yanchuang Houde. Yanchuang Houde holds 99.5% of interests of Shanghai Yanchuang Deheng Private Equity Fund Management Co., Ltd. (上海燕創德恒私募基金管理有限公司) ("Yanchuang Deheng"). Yanchuang Deheng is the general partner of Ningbo Yanchuang Xiangshang Venture Capital Partnership (Limited Partnership) (寧波燕創象商創業投資合夥企業(有限合夥)). Yanchuang Future (BVI) Limited ("YF BVI") is wholly owned by Mrs. Liu, and YF BVI owns 100% interests in Yanchung Future Cayman Corp. ("YF Cayman"). YF Cayman is the general partner of Yanchuang Biotech Investment L.P..
- (8) Shanghai Haoyao Information Technology Partnership (Limited Partnership) (上海灝藥信息科技合夥企業(有限合夥)) and Beijing Longmaide Venture Capital Fund (Limited Partnership) (北京龍脈得創業投資基金(有限合夥)) is interested in 16,913,670 and 5,621,370 Shares respectively, and the general partner of which is Beijing Anlong Venture Capital Fund (Limited Partnership) (北京安龍創業投資基金(有限合夥)) ("**Beijing Anlong**"). Beijing Chunlin Information Consultancy Center (Limited Partnership) (北京春林信息諮詢中心(有限合夥)) holds 60% of interests of Beijing Anlong, which is ultimately controlled by Ms. Liu.
- (9) Ealex LLC is a family trust set up by Dr. Lu as the settlor, which is in turn wholly-owned by The Bryn Mawr Trust Company of Delaware as the trustee.

Save as disclosed above and to the best knowledge of our Directors, as at December 31, 2023, no person (other than the Directors and chief executive of the Company) had or was deemed to have any interests or short positions in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company or the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## REPORT OF DIRECTORS

### **DEBENTURES IN ISSUE**

The Company did not have any debentures in issue during the year ended December 31, 2023.

### **EQUITY-LINKED AGREEMENT**

Save as disclosed in the section headed "Share Incentive Plans" in this annual report, there was no equity-linked agreement entered into by the Company during or subsisting at the end of the year ended December 31, 2023.

### **RELATED PARTY TRANSACTION, CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION**

During the Reporting Period, our only related party transactions were the key management personnel remuneration as set out in Note 27 to the financial statements in this annual report, which do not constitute a connected transaction or a continuing connected transaction as defined in Chapter 14A of the Listing Rules. The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

During the Reporting period, there were no non-exempt connected and continuing connected transactions of the Company.

### **PERMITTED INDEMNITY**

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him or her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his or her favour, or in which he or she is acquitted. The Company has purchased appropriate liability insurance for its Directors. The permitted indemnity provision is set out in such liability insurance, which is currently in force and has been in force since the Listing Date.

# REPORT OF DIRECTORS

## SHARE INCENTIVE PLANS

### Pre-IPO Share Option Scheme

We adopted the Pre-IPO Share Option Scheme on April 11, 2018, and amended it on October 30, 2019, April 20, 2021 and March 31, 2022. The scheme is not subject to Chapter 17 of the Listing Rules and will not involve the grant of options by our Company to subscribe for new Shares after Listing. As at the date of this annual report, nil Shares underlying the Share Options are available for issue under the Pre-IPO Share Option Scheme. Upon Listing, we have not made and will not make any new grants of options under the Pre-IPO Share Option Scheme. As such, no Share Option remain available for grant under the Pre-IPO Share Option Scheme as of December 31, 2023. As the Company was not listed on the Stock Exchange until June 29, 2023, the number of Share Options available for grant at the beginning of the Reporting Period (i.e. January 1, 2023) is not applicable. The terms of the Pre-IPO Share Option Scheme are not subject to Chapter 17 of the Listing Rules.

As of December 31, 2023, the number of Share Options outstanding under the Pre-IPO Share Option Scheme is 33,956,520.

#### 1. Summary of Terms

(a) *Purpose*

The purpose of the Pre-IPO Share Option Scheme is to incentivize and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

(b) *Eligible Participants*

We may grant Share Options to employees, officers, directors, contractors, advisors or consultants of the Group (the "**Eligible Participant(s)**").

(c) *Maximum Number of Shares*

There will be no more new grants of awards under the Pre-IPO Share Option Scheme upon the Listing. The maximum aggregate number of Shares in respect of the Share Options which may be issued pursuant to the Pre-IPO Share Option Scheme shall not exceed 56,999,430 Shares (subject to adjustment to reflect any rights issue, consolidation, share splits, or similar transactions).

(d) *Maximum Entitlement of a Participant*

No Eligible Participant shall be granted in aggregate Share Options which exceeds ten percent (10%) of the aggregate number of Shares for the time being issued and issuable under the Pre-IPO Share Option Scheme.

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

(e) *Exercise Period*

Except as otherwise provided in an offer letter, any Share Option shall become exercisable upon vesting until the tenth anniversary of the adoption date thereof. Notwithstanding the foregoing, the exercise shall be conditional upon full compliance of the grantee and the Company with all applicable laws and regulations. In the event the grantee ceases to be an employee by reason of his/her death, disability or for any other reason that the Board or a duly authorized committee of the Board (if any) (the "**Administrator**") considers valid, before exercising the Share Option in full, the grantee's vested Share Option may be assigned to its representative (to the extent not already exercised).

(f) *Vesting Schedule*

Unless otherwise approved by the Administrator and set forth in an offer letter, the vesting schedule of the Share Options granted shall be a 60-month vesting schedule consisting of a cliff vesting of forty percent (40%) after twenty-four (24) months from the commencement date as indicated in the offer letter and, thereafter, quarterly vesting of equal installments over the remaining twelve (12) quarters.



# REPORT OF DIRECTORS

(g) *Duration and Remaining Life*

The Pre-IPO Share Option Scheme shall automatically terminate on the expiration of the 10-year period measured from the date the Pre-IPO Share Option Scheme was adopted by the Board. Therefore, as at the date of this report, the remaining life of the Pre-IPO Share Option Scheme was approximately four years.

(h) *Exercise Price*

The exercise price of the Share Options granted shall be approved by the Administrator from time to time and shall be set out in the offer letter. The basis of determining the exercise price is, among others, service term and work performance.

(i) *Amount Payable on Application or Acceptance of the Option*

No cash consideration was paid by the grantees for the outstanding options granted.

## 2. Options Granted

Movements of the outstanding options granted under the Pre-IPO Share Option Scheme during the Reporting Period are set out below:

Name or category of grantee	Outstanding as at June 6, 2023 <sup>(1)</sup>	Granted during the Reporting Period <sup>(1)</sup>	Lapsed during the Reporting Period <sup>(2)</sup>	Cancelled during the Reporting Period <sup>(3)</sup>	Exercised during the Reporting Period <sup>(4)</sup>	Outstanding as at close of the Reporting Period	Date of Grant	Exercise price (US\$ per share)	Vesting period	Exercise period	Fair value of options at the date of grant during the Reporting Period (US\$) <sup>(1)</sup>
<b>DIRECTORS AND SENIOR MANAGEMENT</b>											
Dr. Lu (Director)	2,635,520	2,635,520	-	-	-	2,635,520	February 15, 2023	0.452	Note 3	Note 7	2,261,276
Ms. Xie (Director)	2,482,750	-	-	-	-	2,482,750	March 1, 2021, June 15, 2021, and March 31, 2022	0.05	Note 3	Note 7	-
Dr. Gu (Director)	5,500,000	-	-	-	-	5,500,000	January 4, 2020, March 2, 2020, and June 15, 2021	0.234	Note 3	Note 7	-
	500,000	-	-	-	-	500,000	March 31, 2022	0.452	Note 3	Note 7	-
	500,000	500,000	-	-	-	500,000	February 15, 2023	0.452	Note 3	Note 7	429,000
Dr. Yue (chief medical officer)	5,000,000	-	-	-	-	5,000,000	August 31, 2018 and January 18, 2019	0.234	Note 4	Note 7	-
	1,500,000	-	-	-	-	1,500,000	March 2, 2020, and June 15, 2021	0.234	Note 3	Note 7	-
	500,000	-	-	-	-	500,000	March 31, 2022	0.452	Note 3	Note 7	-
<b>Subtotal</b>	<b>18,618,270</b>	<b>3,135,520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,618,270</b>					
<b>CONSULTANTS</b>											
Four consultants and two former consultants of the Group	252,500	-	-	-	-	252,500	July 16, 2018, March 31, 2022, and October 1, 2022	0.234, 0.452	Note 5	Note 7	-
<b>Subtotal</b>	<b>252,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>252,500</b>					
<b>EMPLOYEE PARTICIPANTS OF THE GROUP</b>											
Other grantees (including 80 employees and eight former employees) <sup>(5)</sup>	15,248,000	1,440,000	162,250	-	-	15,085,750	April 11, 2018 to January 31, 2023	0.03 to 0.452	Note 6	Note 7	1,609,380

# REPORT OF DIRECTORS

## Notes:

- (1) Being the latest practicable date for ascertaining information in the Prospectus (the "**Latest Practicable Date**"). As the Company was not listed on the Stock Exchange until June 29, 2023, the particulars of the outstanding Share Options at the beginning of the Reporting Period (i.e. January 1, 2023) are not applicable. The grants were all made before the Latest Practicable Date. No Share Option was granted under the Pre-IPO Share Option Scheme from the Latest Practicable Date to the end of the Reporting Period. Closing price of Shares immediately before the date on which the Share Options were granted is not applicable as such Share Options were granted before the Listing Date. No grant was made under the Pre-IPO Share Option Scheme which requires review by the Remuneration Committee during the Reporting Period.
- (2) Only include Share Options lapsed/cancelled/exercised from the Latest Practicable Date to the end of the Reporting Period. Weighted average closing price of the Shares immediately before the dates on which the Share Options were exercised is not applicable as no Share Option was exercised during the Reporting Period.
- (3) The vesting schedule for these Share Options is: (i) 40% to be vested two years from the date of grant; and (ii) 5% to be vested every quarter thereafter.
- (4) The vesting schedule for these Share Options is: (i) 20% to be vested one year from the date of grant; and (ii) 5% to be vested every quarter thereafter.
- (5) Among the 252,500 Share Options to the external consultants of our Group, the vesting schedule for 50,000 Share Options is: (i) 40% to be vested two years from the date of grant; and (ii) 5% to be vested every quarter thereafter; and the vesting schedule for 202,500 Share Options is: (i) 20% to be vested one year from the date of grant; and (ii) 5% to be vested every quarter thereafter.
- (6) Among the 15,085,750 Share Options to other grantees, the vesting schedule for 11,949,750 Share Options is: (i) 40% to be vested two years from the date of grant; and (ii) 5% to be vested every quarter thereafter; and the vesting schedule for 3,136,000 Share Options is: (i) 20% to be vested one year from the date of grant; and (ii) 5% to be vested every quarter thereafter.
- (7) All the Share Options granted are exercisable upon vesting and after the Listing of the Shares unless otherwise approved by the Board, and will expire on or before the latter of (1) the third anniversary after the Listing Date, and (2) the tenth anniversary after the granting date.
- (8) Eight former employees were granted and have vested Share Options to subscribe for an aggregate of 575,750 Shares during the period when they were employed by the Group.
- (9) All of the grants under the Pre-IPO Share Option Scheme were made without any performance targets.
- (10) Save as disclosed here (i.e. our Director Dr. Gu and chief medical officer Dr. Yue), none of the grant to any participant was in excess of 1% individual limit.
- (11) The fair value of options at the date of grant during the Reporting Period was calculated in accordance with the accounting standards and policies adopted for preparing its financial statements, which is measured at the grant date based on a binomial lattice model. Please refer to Note 2(o) and Note 23(c) to the financial statements in this annual report for further details of the accounting policy adopted and key assumptions of share options respectively.

# REPORT OF DIRECTORS

## Post-IPO Share Option Scheme

We adopted the Post-IPO Share Option Scheme on June 9, 2023, which was immediately prior to Listing. The scheme constitutes a share scheme governed by Chapter 17 of the Listing Rules. As the Post-IPO Share Option Scheme was not effective until the Listing Date, the number of Share Options available for grant under the Post-IPO Share Option Scheme at the beginning of the Reporting Period was not applicable. During the Reporting Period, no Share Option was granted under the Post-IPO Share Option Scheme and the number of Share Options available for grant under the Post-IPO Share Option Scheme as of December 31, 2023 was 39,010,035, representing 10% of the total number of Shares in issue as of December 31, 2023. As at the date of this report, 39,010,035 Shares are available for issue under the Post-IPO Share Option Scheme, representing 10% of the total number of Shares in issue as at the date of this report. Accordingly, no grant of Share Option under the Post-IPO Share Option Scheme was made for the year ended December 31, 2023 which requires review by the Remuneration Committee.

### 1. Summary of Terms

(a) *Purpose*

The purpose of the Post-IPO Share Option Scheme is to incentivize and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

(b) *Eligible Participants*

We may grant Share Options to (a) an employee (whether full time or part-time) or a director of the Company or any of its subsidiaries and (b) a consultant who provides services to the Group (such as in respect of research and development, product commercialization, marketing and investor relations in investment environment of the Group) on a continuing and recurring basis in its ordinary and usual course of business which are material to the long term growth of the Group.

(c) *Maximum Number of Shares*

*Scheme mandate limit*

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme shall not in aggregate exceed 10% of the relevant class of Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, being 39,010,035 Shares, which also represents 10% of the issued Shares as at the end of the Reporting Period.

*Eligible consultant sublimit*

The total number of Shares which may be issued upon exercise of all options to be granted to eligible consultants shall not exceed 1% of the relevant class of Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, being 3,901,003 Shares.

The above limits may be refreshed by Shareholders at general meeting in accordance with Rule 17.03C of Chapter 17 of the Listing Rules.

(d) *Maximum Entitlement of a Participant*

Except with the approval of Shareholders in general meeting with such participant and his/her close associates (or his/her associates if the participant is a connected person) 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 all options and awards granted underlying the Post-IPO Share Option Scheme and any other schemes of the Company (including exercised, cancelled and outstanding options or awards) to such person in any 12-month period up to and including the date of the latest grant exceeds 1% of the Shares in issue from time to time.

## REPORT OF DIRECTORS

(e) *Exercise Period*

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by the Administrator to each grantee, which may commence on any day after the date upon which the offer for the grant of options is accepted or deemed to be accepted but shall end in any event not later than 10 years from the date on which an option is offered to a participant, subject to the provisions for early termination under the Post-IPO Share Option Scheme or the relevant document of grant or other notification issued by the Administrator. In any event, the minimum period for which an option must be held before it can be exercised shall be 12 months, subject to a shorter vesting period otherwise permitted under the Listing Rules.

(f) *Vesting Period*

The vesting period shall be determined by the Administrator thereof in an offer letter from time to time, subject to any acceleration of the vesting schedule at the Administrator's discretion, provided that any acceleration shall be subject to the minimum vesting period of 12 months, as well as a shorter vesting period as permitted under the Listing Rules.

(g) *Duration and Remaining Life*

The Post-IPO Share Option Scheme shall automatically terminate on the expiration of the 10-year period measured from the Listing Date. Therefore, as at the date of this report, the remaining life of the Post-IPO Share Option Scheme was approximately nine years and two months.

(h) *Subscription Price*

The amount payable for each Share to be subscribed for under an option in the event of the option being exercised shall be determined by the Administrator and notified to any eligible participant, which shall be not less than the highest of: (i) the nominal value of a Share; (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is offered to the participant, which must be a business day; and (iii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an option is offered to the participant.

(i) *Amount Payable on Application or Acceptance of the Option*

An option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of the option duly signed by the grantee together with a payment to the Company and/or any of its subsidiaries of HK\$1 (or the equivalent of HK\$1 in the local currency of any jurisdiction where the Company and/or its subsidiaries operate, as the Administrator thereof may in its absolute discretion determine) by way of consideration for the grant thereof is received by the Company within 28 days after the date on which an option is offered to the grantee, or the time period specified in the offer of the grant of the option. Such remittance shall not be refundable.

For further details of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, please refer to the sections headed "Statutory and General Information — Pre-IPO Share Option Scheme" and Statutory and General Information — Post-IPO Share Option Scheme" in Appendix IV to the Prospectus.

Given that during the year ended December 31, 2023, the Company (i) did not grant any Share Options under the Post-IPO Share Option Scheme, and (ii) all the Shares underlying the Share Options granted under Pre-IPO Share Option Scheme have been allotted and issued and are held by the ESOP Trust, no new Shares will be issued in respect of any Share Options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme during the year ended December 31, 2023. As such, the number of Shares that may be issued in respect of any Share Options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is 0.

## REPORT OF DIRECTORS

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

Save as disclosed in this report, during the Reporting Period and up to the date of this report, none of the Company or any of its subsidiaries were a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

Save as disclosed in this report, each of the Directors confirmed that as of December 31, 2023, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules. From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are not members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which these Directors may hold directorships from time to time.

### **MANAGEMENT CONTRACTS**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2023.

### **CONTRACTS WITH CONTROLLING SHAREHOLDERS AND PLEDGING OF SHARES BY CONTROLLING SHAREHOLDERS**

As of December 31, 2023, the Company had no controlling Shareholder and therefore (i) pledge of Shares by controlling Shareholder to secure the Company's debts or to secure guarantees or other support of their obligations, (ii) loan agreement with covenants relating to specific performance of controlling Shareholder, and (iii) contract of significance entered into among the Company or any of its subsidiaries and the controlling Shareholders during the year ended December 31, 2023 or subsisted at the end of the Reporting Period are not applicable.

### **EMPLOYEES**

As of December 31, 2023, the Group had 89 employees (including employees in all regions of the Group). Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. Remuneration of our employees is determined with reference to market conditions and individual employees' performance, qualification and experience. Our employees' remuneration comprises salaries, bonuses, provident funds, social security contributions and other welfare payments. During the Reporting Period, the relationship between the Group and our employees has been stable. We had not experienced any strikes or other labor disputes which materially affected our business activities. We provide training programs to employees, including new hire orientation and continuous on-the-job training in order to accelerate the learning progress and improve the knowledge and skill levels of our employees. The Group has also adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme to recognize and reward the contribution of the employees to the growth and development of the Group.

# REPORT OF DIRECTORS

## REMUNERATION POLICY

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the Remuneration Committee periodically.

The Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the Directors. No Director, or any of his or her close associates, and executive, is involved in dealing with his or her own remuneration.

Details of Directors' remuneration and the five highest paid individuals are set out in Notes 7 and 8 to the financial statements in this annual report respectively. The Company has adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme to motivate and reward its Directors and eligible employees. Details of these schemes are set out in the paragraph headed "Share Incentive Plans" above. For the year ended December 31, 2023, no emoluments were paid by the Group to or receivable by 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 and no consideration was paid by the Group to any third parties for making available Directors' services. None of the Directors has waived or agreed to waive 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 the Group to or on behalf of any of the Directors.

## RETIREMENT BENEFITS SCHEME AND PENSION SCHEME

The employees of the Group's subsidiaries which operate in mainland China are required to participate in pension scheme or retirement benefits scheme operated by the local government. The subsidiaries operating in mainland China are required to contribute a certain percentage of their payroll costs to such pension scheme or retirement benefits scheme (subject to a cap of contribution in accordance with the relevant laws and regulations). The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the pension scheme or retirement benefits scheme.

The Group participates in a defined contribution mandatory provident fund scheme (the "**MPF Scheme**") established under the Mandatory Provident Fund Schemes Ordinance in December 2000 for eligible employees. Contributions by the Group, which are matched by the employees, are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group and are invested in funds under the control of independent trustees. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group implemented a defined contribution 401(k) savings plan (the "**401(k) Plan**") for U.S. employees. All US employees are eligible to participate in the 401(k) Plan subject to certain limits. The employees' contributions are based on percentages of employee compensation subject to IRS limits. In addition, the company provides a matching contribution to the 401(k) Plan, the matching is subject to a limited percentage set by the company.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

During the year ended December 31, 2023, (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.

## REPORT OF DIRECTORS

### MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Company had not commercialized its products and there was no major customer.

During the Reporting Period, purchases from the Groups' five largest suppliers and the largest supplier accounted for approximately 55.3% and 21.0% of the Group's total purchase amount for the same period, respectively.

None of the Directors, their respective close associates, or any Shareholder who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest suppliers.

### TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognizes the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance to the prevailing environmental protection laws and regulations. Adhering to the concept of green environmental protection, the Group has also promoted green operations and advocated the concept of green office. Environmental protection, energy conservation and emissions reduction and reasonable and efficient utilization of resources have been consistently implemented in the daily operation activities of the Group. The Group has also been working on reducing its energy use, consumption and wastage by actively promoting recycling concept, using less paper and saving electric power and use of water. Going forward, the Group will continue to develop sustainable policies and designs to reduce its environmental impact not only internally within its offices but also externally in the regions it operates in.

Further details of the Company's environmental policies and performance are disclosed in the environmental, social and governance report of the Company for the year ended December 31, 2023 which shall be published separately.

### KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes the importance of maintaining a good relationship with its stakeholders, including Shareholders, employees, suppliers, medical experts, patients and other business associates. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Details of an account of the Company's key relationships with its employees, suppliers, research partners and other business associates that have a significant impact on the Company are set out in environmental, social and governance report of the Company for the year ended December 31, 2023 which shall be published separately.

# REPORT OF DIRECTORS

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group, details of which could be referred to the section headed “Regulatory Overview” in the Prospectus. The Group has compliance policies and procedures in place and would seek professional legal advice from its legal advisers to ensure that transactions and business to be performed by the Group are in compliance with the applicable laws and regulations. During the year ended December 31, 2023, there was no material breach of, or non-compliance with applicable laws and regulations by the Group.

## SIGNIFICANT LEGAL PROCEEDINGS

During the Reporting Period and up to the date of this report, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Other than the securities issued by the Company in the Global Offering, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

## AUDITOR

Since the Listing Date, the auditor of the Company has not changed. The consolidated financial statements for the year ended December 31, 2023 have been audited by KPMG, Certified Public Accountants and Registered Public Interest Entity Auditor, who are proposed for re-appointment at the AGM.

## 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.

## EVENTS AFTER THE REPORTING PERIOD

Mr. CHAU Kwok Keung (鄒國強) tendered his resignation, with effect from January 15, 2024, from his office as an independent non-executive Director, the chairperson of the Audit Committee, and a member of the Remuneration Committee, due to his other work commitments. With effect from January 15, 2024, Mr. ZHOU Jian (周健) has been appointed as an independent non-executive Director, the chairperson of the Audit Committee, and a member of the Remuneration Committee. For details of the change of independent non-executive Director, please refer to the Company’s announcement dated January 15, 2024.

Ms. TANG Wing Shan Winza (鄧穎珊) resigned as a joint company secretary of the Company (the “**Joint Company Secretary**”) and has ceased to act as an authorized representative of the Company (the “**Authorized Representative**”) under Rule 3.05 of the Listing Rules and the representative for acceptance of service of process and notices on behalf of the Company in Hong Kong as required under Rule 19.05 (2) of the Listing Rules and Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Process Agent**”) with effect from February 2, 2024. Following this, Ms. HO Wing Nga (何詠雅) was appointed as the Joint Company Secretary, the Authorized Representative and the Process Agent with effect from February 2, 2024. For details, please refer to the Company’s announcement dated February 2, 2024.

Save as disclosed in this report and as at the date of this report, there were no material subsequent events occurred after the Reporting Period.



# REPORT OF DIRECTORS

## ANNUAL GENERAL MEETING

The notice of the AGM will be published and dispatched (if requested) to the Shareholders in due course.

On behalf of the Board

**Laekna, Inc.**

**Dr. LU Chris Xiangyang**

Chairman and executive Director

Hong Kong, March 26, 2024

# CORPORATE GOVERNANCE REPORT

The Board of Directors is pleased to present the corporate governance report for the Company for the Relevant Period.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the CG Code contained in Appendix C1 to the Listing Rules as its own code of corporate governance. The Directors are of the view that from the Listing Date to the date of this report, the Company has complied with all applicable code provisions of the CG Code save and except for the following deviation from code provision C.2.1 of the CG Code.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. LU Chris Xiangyang (“**Dr. Lu**”) has served as our chairman since May 2018 and Chief Executive Officer since April 2017. Dr. Lu is the founder of our 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 as mentioned, Dr. Lu 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 and chief executive officer can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Our Directors consider that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and three independent non-executive Directors.

The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and the chief executive officer is necessary.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Company’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities. Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the period from the Listing Date to the date of this report. In addition, the Company is not aware of any non-compliance of the Model Code by the employees of the Company who are likely to be in possession of inside information of the Company during the period from the Listing Date to the date of this report.

## BOARD OF DIRECTORS

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group’s operation and financial performance, internal control and risk management systems, and monitoring of the performance of the senior management. The Directors have to make decisions objectively in the interests of the Company. The daily management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

## CORPORATE GOVERNANCE REPORT

The Board should also 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 such responsibilities. To better manage the Group's corporate governance performance and identify potential risks, the Board conduct annual review ensuring the effectiveness of Board independence.

All 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.

The Board currently comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. As at the date of this report, the composition of the Board is as followings:

### **Executive Directors**

Dr. LU Chris Xiangyang (*Chairman and Chief Executive Officer*)

Ms. XIE Ling (謝玲)

Dr. GU Xiang-Ju Justin

### **Non-executive Directors**

Dr. WANG David Guowei

Mr. SUN Yuan (孫淵)

### **Independent Non-Executive Directors**

Dr. YIN Xudong

Dr. LI Min

Mr. ZHOU Jian (周健)

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 22 to 28 of this annual report.

To the best knowledge of the Board, there has been no other financial, business, family, or other material/relevant relationships among members of the Board.

# CORPORATE GOVERNANCE REPORT

## COMPANY'S CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximized in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

The Board sets and promotes corporate culture and expects and requires all employees to reinforce. In addition, from time to time, the Company will invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The Board considers that the corporate culture and the purpose, values and strategy of the Group are aligned.

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination and Corporate Governance Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy in the Board or as an addition to the existing Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting.

# CORPORATE GOVERNANCE REPORT

## BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board (the “**Board Diversity Policy**”). The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company’s competitive advantage.

The Nomination and Corporate Governance Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company’s corporate strategy and to ensure that the Board maintains a balanced diverse profile. Pursuant to the Board Diversity Policy, in relation to reviewing and assessing the Board composition, the Nomination and Corporate Governance Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and work experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company’s business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. At present, the Board considered an appropriate balance of diversity perspectives of the Board is maintained and the Nomination and Corporate Governance Committee has set measurable objectives to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination and Corporate Governance Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness. Our Board Diversity Policy is well implemented as evidenced by the fact that there are Directors with both male and female ranging from 35 years old to 62 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. 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 of December 31, 2023, female and male employees represented approximately 64% and 36% respectively of our total number of employees (including senior management). The Company recognizes and embraces the benefits of having a diverse team. We target to have both genders at our Board composition, senior management team and at all levels of our employees, and our recruitment process will mainly consider the aspects of educational background, professional qualifications, skills, knowledge and industry experiences of candidates to mitigate factors or circumstances which make achieving gender diversity across workforce (including senior management) more challenging or less relevant.

# CORPORATE GOVERNANCE REPORT

## MEASURABLE OBJECTIVES

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

- (i) Independence: The Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong element of independence in the Board. The independent non-executive Directors shall be of sufficient calibre and stature for their views to carry weight.
- (ii) Skills and experience: The Board possesses a balance of skills appropriate for the requirements of the business of the Company. The Directors have a mix of finance, academic and management backgrounds that taken together provide the Company with considerable experience in a range of activities.
- (iii) Gender equality: The Board consists of a female Director.

Apart from the above objectives, the Board Diversity Policy has complied with the following objectives with the Listing Rules:

1. at least one third of the members of the Board shall be independent non-executive Directors;
2. at least three of the members of the Board shall be independent non-executive Directors; and
3. at least one of the independent non-executive Director shall have obtained appropriate professional qualifications or accounting or related financial management expertise.

The Board has achieved the measurable objectives in the Board Diversity Policy.

## BOARD MEETINGS

Code provision C.5.1 of the CG Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications. Code provision C.2.7 of the CG Code requires that the chairman should at least annually hold meetings with independent non-executive directors without the presence of other directors.

During the Relevant Period, two Board meetings were held and the chairman held one meeting with independent non-executive Directors without presence of other Directors. All Directors are provided with relevant materials relating to the matters brought before the meetings. All Directors have separate and independent access to the senior management and the Joint Company Secretary of the Company at all times and may seek independent professional advice at the Company's expense. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of at least 14 days of Board meetings are given to the Directors and Board procedures comply with the Articles of Association, as well as relevant rules and regulations.

The Company expects to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the CG Code, and to hold a meeting between the chairman and the independent non-executive Directors without the presence of other Directors in accordance with Code Provision C.2.7 of the CG Code.

# CORPORATE GOVERNANCE REPORT

A summary of the attendance record of the Directors at Board meetings and committee meetings held during the Relevant Period is set out in the following table below:

Name of Director	Number of meeting(s) attended/number of meeting(s) held during the Relevant Period			
	Board	Audit Committee	Remuneration Committee	Nomination and Corporate Governance Committee <sup>(Note)</sup>
<b>Executive Directors</b>				
Dr. LU Chris Xiangyang	2/2	N/A	N/A	0/0
Ms. XIE Ling	2/2	N/A	1/1	N/A
Dr. GU Xiang-Ju Justin	2/2	N/A	N/A	N/A
<b>Non-executive Directors</b>				
Dr. WANG David Guowei	2/2	1/1	N/A	N/A
Mr. SUN Yuan	2/2	N/A	N/A	N/A
Ms. JI Dongmei <i>(resigned with effect from September 29, 2023)</i>	1/2	N/A	N/A	N/A
<b>Independent Non-executive Directors</b>				
Dr. YIN Xudong	1/2	N/A	1/1	0/0
Dr. LI Min	2/2	1/1	N/A	0/0
Mr. CHAU Kwok Keung <i>(resigned with effect from January 15, 2024)</i>	2/2	1/1	1/1	N/A
Mr. ZHOU Jian <i>(appointed with effect from January 15, 2024)</i>	N/A	N/A	N/A	N/A

*Note:* No meeting of the Nomination and Corporate Governance Committee was held during the Relevant Period as the Shares were listed on the Stock Exchange on June 29, 2023. Two meetings of the Nomination and Corporate Governance Committee were held in January and March 2024 separately.

## GENERAL MEETING

As the Shares were listed on the Stock Exchange on June 29, 2023, no general meeting had been held during the Relevant Period.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at the Board meeting and scrutinizing the Group's performance. Their views carry significant weight in the Board's decision, in particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advices to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of Shareholders can be taken into account, and the interests of the Company and its Shareholders can be protected.

# CORPORATE GOVERNANCE REPORT

During the Relevant Period and up to the date of this report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

During the Relevant Period, the Company did not receive from the independent non-executive Directors of any subsequent change of circumstances which may affect his independence. The Company has received the annual confirmations of independence from each of the independent non-executive Directors. The Board has considered the independence of each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Moreover, Mr. ZHOU Jian, who was appointed as an independent non-executive Director with effect from January 15, 2024, confirms that he has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on January 8, 2024, and understands his obligations as a director of a listed issuer under the Listing Rules. Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years effective upon (i) June 16, 2023 (for Dr. YIN Xudong and Dr. LI Min) and (ii) January 15, 2024 (for Mr. ZHOU Jian), 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. Under these appointment letters, each of our independent non-executive Directors will receive an annual director's fee of HK\$400,000 commencing on the effective date of their appointment.

The Company has established mechanism to ensure independent views and input are available to the Board, channels are in place through formal and informal means whereby independent non-executive Directors can express their views in an open and candid manner as well as in a confidential manner, should circumstances required; these include regular Board surveys and Board reviews, dedicated meeting sessions with the chairman and interaction with management and other Board members including the chairman outside the boardroom. The implementation and effectiveness mechanism to ensure independent views and input are available to the Board is reviewed annually.

The Company will ensure that there are channels (in addition to independent non-executive Directors) where independent views are available, including but not limited to availability of access by directors of the Company to external independent professional advice to assist their performance of duties.

## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee, for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. The terms of reference of each of these committees are available on the websites of the Company and the Stock Exchange.

### Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph A.2 and paragraph D.3 of the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee currently consists of two independent non-executive Directors being Mr. ZHOU Jian and Dr. LI Min, and one non-executive Director being Dr. WANG David Guowei. The chairperson of the Audit Committee is Mr. ZHOU Jian. Mr. ZHOU Jian holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing rules.

During the Relevant Period, one meeting was held by the Audit Committee. The Audit Committee had reviewed together with the management the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim results for the six months ended June 30, 2023. During the Relevant Period, the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. Please see the paragraph titled "Board Meetings" above for the attendance record of each member of the Audit Committee.



## CORPORATE GOVERNANCE REPORT

### Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code. The Remuneration Committee consists of one executive Director, namely, Ms. XIE Ling, and two independent non-executive Directors, namely, Dr. YIN Xudong and Mr. ZHOU Jian. Dr. YIN Xudong is the chairperson of the Remuneration Committee. The primary duties of the Remuneration Committee include, without limitation, making recommendations to the Board of Directors on our policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration, determining with delegated responsibility, or making recommendations to the Board of Directors on the specific remuneration packages of individual executive Directors and senior management and reviewing and approving management's remuneration proposals by reference to corporate goals and objectives resolved by the Board of Directors from time to time.

During the Relevant Period, one meeting was held by the Remuneration Committee to (i) review the remuneration policy of the executive Directors (ii) review and consider the remuneration packages for the Directors and senior management of the Company. Please see the paragraph titled "Board Meetings" above for the attendance record of each member of the Remuneration Committee.

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the individual performance and comparable market statistics. Details of the Directors' remuneration are set out in Note 7 to the financial statements in this annual report.

Details of the emoluments of the Directors for the year ended December 31, 2023 are set out in Note 7 to the financial statements in this annual report. The remuneration of the members of senior management by band for the year ended December 31, 2023 is set out below:

Remuneration by band (HK\$)	Number of person(s)
HKD3,500,001 – HKD4,000,000	1
HKD5,500,001 – HKD6,000,000	2
HKD6,500,001 – HKD7,000,000	1
HKD8,000,001 – HKD8,500,000	1

# CORPORATE GOVERNANCE REPORT

## **Nomination and Corporate Governance Committee**

The Company has established a Nomination and Corporate Governance Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the CG Code. The Nomination and Corporate Governance Committee consists of one executive Director, namely, Dr. Lu, and two independent non-executive Directors, namely, Dr. YIN Xudong and Dr. LI Min. Dr. Lu is the chairperson of the Nomination and Corporate Governance Committee. 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 the independent non-executive Directors, making recommendations to the Board on matters relating to the appointment or re-appointment of Directors, developing, reviewing and assessing the adequacy of our Company's policies and practices on corporate governance and reviewing our Company's compliance with the CG Code and disclosure in the corporate governance report.

As the Shares were only listed on the Stock Exchange on June 29, 2023, the Nomination and Corporate Governance Committee did not hold any meeting during the Relevant Period. During the period from the Listing Date to the date of this annual report, the Nomination and Corporate Governance Committee held two meetings to (i) review the structure, size and composition of the Board; (ii) make recommendation to the Board in respect of the re-appointment of Directors; (iii) assess the independence and appointment (where applicable) of the independent non-executive Directors; and (iv) review the Company's director nomination policy, board diversity policy and policy for corporate governance, to ensure that it is in compliance with the Listing Rules and the CG Code.

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 board diversity policy. The Nomination and Corporate Committee has discussed and agreed on measurable objectives for achieving diversity on the Board. In identifying and selecting suitable candidates for directorships, the Nomination and Corporate Committee would consider the candidate's relevant criteria as set out in the nomination policy that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

## **Dividend Policy**

The Company has never declared or paid regular cash dividends on its Shares. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws of the Cayman Islands. The declaration and payment of any dividends in the future will be determined by the Board, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions.

Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. A Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

# CORPORATE GOVERNANCE REPORT

## Nomination Policy

The Company has adopted a Director nomination policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level (the “**Director Nomination Policy**”). The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- (a) Integrity and reputation;
- (b) Educational background, professional qualifications and work experience (including part-time jobs);
- (c) Whether or not they have the necessary knowledge, skills and experience;
- (d) Whether or not they are able to spend sufficient time and energy to handle the Company’s affairs;
- (e) Whether or not they will promote the diversity of the Board in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and term of office;
- (f) Whether or not the candidates for independent directors meet the requirements for independence under Rule 3.13 of the Listing Rules; and
- (g) Any other relevant factors as determined by the Nomination Committee or the Board from time to time.

## CORPORATE GOVERNANCE FUNCTION

During the Relevant Period, the Audit Committee has reviewed the Company’s corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company’s policies and practices on compliance with legal and regulatory requirements, and the Company’s compliance with the Corporate Governance Code and disclosure in its Corporate Governance Report.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company may from time to time and as the circumstances require provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

# CORPORATE GOVERNANCE REPORT

## DIRECTOR' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board, supported by the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for that period. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2023.

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

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Pursuant to the paragraph C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Pursuant to the paragraph C.1.1 of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations.

During the year ended December 31, 2023 and up to the date of this report, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

All Directors, namely Dr. LU Chris Xiangyang, Ms. XIE Ling, Dr. GU Xiang-Ju Justin, Dr. WANG David Guowei, Mr. SUN Yuan, Dr. YIN Xudong, Dr. LI Min and Mr. ZHOU Jian have participated in training sessions conducted by the legal advisers of the Company with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the CG Code on continuous professional development for the year ended December 31, 2023. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

## EXTERNAL AUDITOR'S RESPONSIBILITY AND REMUNERATION

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 64 to 69. The external auditors of the Company shall attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report and auditor independence. The remuneration paid or payable to the Company's external auditor in respect of audit services and non-audit services (such non-audit services are related to tax services) for the year ended December 31, 2023 amounted to approximately RMB3,000,000 and RMB24,000, respectively.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for the Group's risk management and internal control systems and reviewing their effectiveness on an ongoing basis. The risk management and internal control measures 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. During the Relevant Period, the Board, with the assistance of the Audit Committee, has reviewed of the effectiveness of the risk management and internal control system of the Group (including all material controls, including financial, compliance and operational controls as well as risk management mechanisms) and considered the system effective and adequate.

## CORPORATE GOVERNANCE REPORT

The Group has established a complete risk management and internal control system, comprising internal control environment, risk assessment, control activities, information and communication, and supervision, to ensure the legality and compliance of the Group's operations, asset security, truthfulness and completeness of financial reports and related information, continuous improvement of operational efficiency and effectiveness, and to ensure the Group's long-term sustainable development.

The Board is responsible for determining the goals of risk management, continuously monitoring the risk management and internal control system, and ensuring its effectiveness. The Audit Committee directly reviews and supervises the effectiveness of risk management and internal control systems, and report to the Board. The senior management is responsible for leading and organizing the establishment, implementation, and supervision of risk management and internal control system. The Group has established three lines of defense for risk management, including each of the individual departments, management team, and supervision function. All three lines of defense work together in a closed cycle providing oversight and supervision to each other, and to resolve material internal control defects, if any. The three lines of defense comprehensively monitors risk factors on a regular basis and effectively reducing the occurrence of risks in the Group's operation.

We have established an internal audit team as a supervision function to carry out the analysis and independent appraisal of the adequacy and effective of the Company's risk management and internal control systems. Relevant personnel have been designated to be responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to the Audit Committee of any findings and follow-up actions.

The Group regularly conducts risk identification and risk assessment to continuously monitors major risks and adjust control measures based on actual situations. Based on the external macro environment, feedbacks from internal and external stakeholders, the strategy and goals, and operation and management situation, the Group determines the annual focus of the risk identification and continuously reviews on an annual basis and improves the risk management and internal control system.

The Group has also adopted an information disclosure policy which sets out comprehensive guidelines in respect of handling and dissemination of inside information. Release of inside information shall be overseen by the Board. Unless authorised by the Board, staff members of the Group are not permitted to disseminate inside information relating to the Group to any external parties. The Audit Committee and management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

The Board, with the assistance of the Audit Committee, has also reviewed and was satisfied with the adequacy of the Company's resources, the staff's qualifications and experience, the training courses and the related budgets in accounting, internal review and financial reporting functions.

The management and the internal audit team have confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems during the Relevant Period. The Board believes that there are no material internal controls deficiencies and an effective and adequate risk management and internal control system is in place to safeguard the assets of the Group. The Group will continue to enhance the system to cope with the changes in the business environment.

# CORPORATE GOVERNANCE REPORT

## Anti-corruption, Anti-bribery, and Whistle-blowing Policies

The Company regards knowledge of and compliance with laws as the foundation of our business. The Group always adheres to its core values and establish an honest, trustworthy, standardized and transparent business environment. In order to ensure the compliance of the Company's business operations and the suitability of relevant regulations in the industry, the Group has formulated internal policies which cover management system in different scopes, including board governance, business operations, financial management, personnel management, general management and information security. The Group will regularly review the prevailing laws and regulations, industry norms and its business development, so as to update and revise the internal company rules in due course.

During the Reporting Period, the Group was not aware of any incompliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

In addition, the Company attaches great importance to the corporate culture of integrity and anti-corruption, adheres to the highest standards of ethics and business integrity at all times, and abides by the laws and regulations to prevent bribery, corruption, money laundering and fraud in its business operation. The Group has formulated the anti-corruption and anti-bribery policies which are required to be strictly followed by all employees.

The Group has also formulated sound whistle-blowing policies to encourage all directors, employees and third parties (including customers and suppliers of the Company) to report any misconduct, dereliction of duty or violations. The whistle-blower can report any suspected illegal acts or dereliction of duty to the Company in the form of writing such as mails or e-mails. The identity of the whistle-blower will be kept strictly confidential. The whistle-blowing mechanism is coordinated by the Group's internal audit function. Upon receiving whistle-blowing incidents, the department will analyze and sort out the whistle-blowing information. After preliminary review and verification, if it is believed that the reported person does have the facts of disciplinary violations, the investigation shall be formally filed and handled in accordance with the relevant regulations of the discipline inspection and supervision department. The Audit Committee of the Company shall review such arrangement regularly on an annual basis and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the Reporting Period, the Company did not have any lawsuits related to corruption, nor violated relevant laws and regulations that have a significant impact on the operations of the Company. There was no concluded legal cases regarding corrupt practices brought against its employees during the Reporting Period.

## JOINT COMPANY SECRETARIES

On February 2, 2024, Ms. TANG Wing Shan Winza resigned as the Joint Company Secretary, the Authorized Representative and the Process Agent, following which Ms. HO Wing Nga was appointed as the Joint Company Secretary, the Authorized Representative and the Process Agent with effect from February 2, 2024.

Mr. KE Chenyu is another Joint Company Secretary of the Company, and is the primary contact of Ms. HO Wing Nga and Ms. TANG Wing Shan Winza at the Company.

In compliance with Rule 3.29 of the Listing Rules, Mr. KE Chenyu, Ms. HO Wing Nga and Ms. TANG Wing Shan Winza (the former Joint Company Secretary) have undertaken not less than 15 hours of relevant professional training to update their skills and knowledge during the year ended December 31, 2023.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS

### **Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meeting**

Pursuant to the article 9.3 of the Articles of Association, one or more members 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 shall at all times have the right, by written requisition to the Board or the company secretary of the Company by mail at 46/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and/or add resolutions to the agenda of a general meeting. An extraordinary general 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. The requisition must state clearly the name of the eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the extraordinary general meeting. The requisition must be signed by the eligible Shareholder(s) concerned.

As regards the procedures for Shareholders to propose a person for election as a director, they are available on the Company's website at [www.laekna.com](http://www.laekna.com).

### **Procedures by which enquiries may be put to the Board**

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at 46/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email at [ir@laekna.com](mailto:ir@laekna.com). The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS ENGAGEMENT

The Board recognizes the importance of maintaining clear, timely and effective communication with Shareholders of the Company and investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the Shareholders receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, announcements and circular. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. Members of the Board and of the various board committees will attend the general meetings of the Company and answer questions raised during the meeting. Separate resolutions would be proposed at the general meeting on each substantially separate issue. Based on the abovementioned measures, the Company considers that its communication with its Shareholders during the year was effective and adequate. The Company has adopted Shareholders' communication policy (the "**Communication Policy**") to ensure that the Shareholders and in appropriate circumstances, the investment community at large (which include the Company's potential investors as well as analysts who report and analyze the Company's performance), are timely provided with information about the Company (including its financial performance, strategic goals and plans, material developments and corporate governance), in order to enable Shareholders to exercise their rights in an informed manner, and to enhance the communication between the Shareholders, the investment community and the Company. Such policy has set out means of communication by Shareholders and the investment community. The implementation and effectiveness of the Communication Policy has been reviewed by the Board during the year ended December 31, 2023 and considered that it is adequate and effective, having considered the communication channels in place provided Shareholders and investment community with information about the latest development of the Group in a timely manner, and the Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders to allow the Company to receive feedback effectively.

The chairman of the general meetings of the Company would explain the procedures for conducting poll before putting a resolution to vote. The results of the voting by poll will be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

To promote effective communication, the Company maintains a website at [www.laekna.com](http://www.laekna.com), where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

## CHANGES IN CONSTITUTIONAL DOCUMENTS

Save for the adoption of the Articles of Association for the purpose of the Listing, there had been no significant change in the Company's constitutional documents during the year ended December 31, 2023.



# INDEPENDENT AUDITOR'S REPORT

## **Independent auditor's report to the shareholders of Laekna, Inc.**

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

### **OPINION**

We have audited the consolidated financial statements of Laekna, Inc. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 70 to 119, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 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 Hong Kong Companies Ordinance.

### **BASIS FOR OPINION**

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

### **KEY AUDIT MATTERS**

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

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (Continued)

### Assessment of impairment of in-licensed rights in intangible assets

Refer to Note 11 to the consolidated financial statements and the accounting policies on pages 79, 84 and 90.

#### The Key Audit Matter

As at 31 December 2023, the Group's in-licensed rights in intangible assets, which were not ready for commercial use, amounted to RMB120.7 million.

These intangible assets are subject to impairment assessment annually, irrespective of whether there is an indication of impairment. The impairment assessment is performed at the product level by comparing the product's carrying value with its recoverable amount, which is the higher of fair value less costs of disposal and value in use based on discounted cash flow forecasts to determine the amount of impairment which should be recognised, if any.

Management appointed an external valuer in preparing the discounted cash flow forecasts. The preparation of discounted cash flow forecasts involves the exercise of management judgment, particularly in estimating revenue growth rates and discount rates.

We identified the assessment of impairment of in-licensed rights in intangible assets as a key audit matter because of the significance of the carrying value of such assets to the consolidated financial statements and because of significant degree of judgement, which could be subject to management bias.

#### How the matter was addressed in our audit

Our audit procedures to assess impairment of in-licensed rights in intangible assets included the following:

- understanding and evaluating the design and implementation of key internal controls over the impairment assessment;
- evaluating the competence, capabilities and objectivity of the external valuer;
- with the assistance of our internal valuation specialists, evaluating the appropriateness of the methodology adopted by management with reference to the requirements of the prevailing accounting standards and the reasonableness of the discount rates used by benchmarking against other companies in the same industry;
- evaluating the reasonableness of revenue growth rates with reference to our understanding of the business, historical trends and available industry information and market data;
- obtaining from management the sensitivity analyses of key assumptions adopted in the discounted cash flow forecasts and assessing the impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indicators of management bias; and
- assessing the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (Continued)

### Cut-off of research and development expenses paid to third-party contractors

Refer to Notes 5(c) and 19 to the consolidated financial statements and the accounting policies on page 78.

#### The Key Audit Matter

The Group is principally engaged in discovering, developing and commercialising innovative therapies for cancer, liver diseases and obesity.

During the year ended 31 December 2023, the Group incurred research and development expenses of RMB230.5 million, of which service fees paid to contract research organisations, clinical site management operators and contract development and manufacturing organisations (collectively the “**third-party contractors**”) amounted to RMB128.7 million.

We identified the cut-off of research and development expenses paid to third-party contractors as a key audit matter because of the significant amount incurred during the year and the inherent risk of recognising these expenses in an inappropriate financial reporting period.

#### How the matter was addressed in our audit

Our audit procedures to assess the cut-off of research and development expenses paid to the third-party contractors included the following:

- understanding and evaluating the design and implementation and the operating effectiveness of key internal controls over the cut-off of research and development expenses paid to third-party contractors;
- evaluating the research and development expenses paid to third-party contractors by inspecting, on a sample basis, the key terms set out in the relevant contracts and evaluating the completion status with reference to the progress reports obtained from third-party contractors, to assess whether these costs were recorded based on the respective contract terms or completion status;
- sending confirmations to major third-party contractors to confirm the service fees charged for the year; For unreturned confirmations, comparing service fees paid and payable to third-party contractors with the underlying service agreements, third-party contractors’ acknowledgement of milestones achieved and invoices; and
- evaluating whether the research and development expenses paid to third-party contractors were included in the appropriate period by comparing the costs recorded before and after the balance sheet date, on a sample basis, to relevant underlying documents such as agreements, payment slips, invoices and completion status reports from the third-party contractors.

# INDEPENDENT AUDITOR'S REPORT

## **INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON**

The directors are responsible for the other information. The other information comprises all 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 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 Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## INDEPENDENT AUDITOR'S REPORT

### 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. This 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, 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.

# INDEPENDENT AUDITOR'S REPORT

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 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 Chan Ting Yuen.

### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

26 March 2024

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
Other income	4	16,742	4,798
Other losses		(6,256)	(4,353)
Administrative expenses		(75,878)	(80,238)
Research and development expenses		(230,485)	(313,356)
<b>Loss from operations</b>		<b>(295,877)</b>	(393,149)
Finance costs	5(a)	(1,727)	(1,389)
Fair value changes on financial instruments issued to investors	22	(71,210)	(387,056)
<b>Loss before taxation</b>	5	<b>(368,814)</b>	(781,594)
Income tax	6	-	-
<b>Loss for the year</b>		<b>(368,814)</b>	(781,594)
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of the Company		(79,050)	(71,656)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign subsidiaries		(10,810)	(48,947)
<b>Total comprehensive income for the year</b>		<b>(458,674)</b>	(902,197)
<b>Loss per share</b>			
Basic and diluted (RMB)	9	(1.68)	(10.19)

The notes on pages 74 to 119 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	10	4,506	5,273
Intangible assets	11	124,229	123,631
Right-of-use assets	12	6,510	8,246
Other non-current assets	14	9,009	8,083
		<b>144,254</b>	145,233
<b>Current assets</b>			
Prepayments and other receivables	15	9,114	11,561
Time deposits	16	338,120	–
Cash and cash equivalents	17	440,815	323,070
		<b>788,049</b>	334,631
<b>Current liabilities</b>			
Bank loans	18	49,400	19,782
Other payables	19	68,445	75,868
Lease liabilities	20	1,917	1,859
		<b>119,762</b>	97,509
<b>Net current assets</b>			
		<b>668,287</b>	237,122
<b>Total assets less current liabilities</b>			
		<b>812,541</b>	382,355
<b>Non-current liabilities</b>			
Lease liabilities	20	5,069	6,660
Deferred income	21	3,500	3,500
Financial instruments issued to investors	22	–	2,277,281
		<b>8,569</b>	2,287,441
<b>NET ASSETS/(LIABILITIES)</b>			
		<b>803,972</b>	(1,905,086)
<b>CAPITAL AND RESERVES</b>			
Share capital	24	27	5
Treasury shares		(2)	–
Reserves		803,947	(1,905,091)
<b>TOTAL EQUITY/(DEFICIT)</b>			
		<b>803,972</b>	(1,905,086)

Approved and authorised for issue by the board of directors on 26 March 2024.

**LU Chris Xiangyang**

*Directors*

**Xie Ling**

The notes on pages 74 to 119 form part of these financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Expressed in Renminbi)

	Note	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total (deficit)/ equity RMB'000
<b>Balance at 1 January 2022</b>		4	-	-	32,935	42,025	(1,186,133)	(1,111,169)
<b>Changes in equity for 2022:</b>								
Loss for the year		-	-	-	-	-	(781,594)	(781,594)
Other comprehensive income		-	-	-	-	(120,603)	-	(120,603)
Total comprehensive income		-	-	-	-	(120,603)	(781,594)	(902,197)
Equity settled share-based payment	23	-	-	-	26,461	-	-	26,461
Shares issued upon exercise of the warrant	24(c)	1	-	81,764	-	-	-	81,765
Shares issued under share option scheme	24(c)	-*	-	11,443	(11,389)	-	-	54
<b>Balance at 31 December 2022 and 1 January 2023</b>		5	-	93,207	48,007	(78,578)	(1,967,727)	(1,905,086)
<b>Changes in equity for 2023:</b>								
Loss for the year		-	-	-	-	-	(368,814)	(368,814)
Other comprehensive income		-	-	-	-	(89,860)	-	(89,860)
Total comprehensive income		-	-	-	-	(89,860)	(368,814)	(458,674)
Equity settled share-based payment	23	-	-	-	28,293	-	-	28,293
Shares issued to trusts under share option scheme	24(c)	2	(2)	-	-	-	-	-
Shares issued through initial public offering, net of issuance costs	24(c)	5	-	704,594	-	-	-	704,599
Conversion of preferred shares into ordinary shares	24(c)	15	-	2,434,825	-	-	-	2,434,840
<b>Balance at 31 December 2023</b>		27	(2)	3,232,626	76,300	(168,438)	(2,336,541)	803,972

\* The balance represents an amount less than RMB1,000.

The notes on pages 74 to 119 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023

(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
<b>Operating activities</b>			
Cash used in operations	17(b)	(295,603)	(306,283)
<b>Net cash used in operating activities</b>		<b>(295,603)</b>	<b>(306,283)</b>
<b>Investing activities</b>			
Payment for purchase of property, plant and equipment		(864)	(2,983)
Payment for purchase of intangible assets		(449)	(2,102)
Increase in time deposits with original maturity over three months		(338,120)	–
Interest received from bank deposits	4	13,988	823
Payment for purchase of wealth management products		(150,280)	(22,847)
Proceeds from redemption of wealth management products		152,564	22,889
<b>Net cash used in investing activities</b>		<b>(323,161)</b>	<b>(4,220)</b>
<b>Financing activities</b>			
Proceeds from bank loans	17(c)	54,400	19,650
Repayment of bank loans	17(c)	(24,960)	(2,000)
Interest paid for bank loans	17(c)	(1,359)	(173)
Proceeds from issuance of preferred shares	17(c)	–	301,028
Proceeds from shares issued under share option scheme	24(c)	–	54
Proceeds from issuance of ordinary shares through initial public offering, net of issuance costs		709,794	(5,029)
Payment for capital element of lease liabilities	17(c)	(1,533)	(511)
Payment for interest element of lease liabilities	17(c)	(368)	(439)
<b>Net cash generated from financing activities</b>		<b>735,974</b>	<b>312,580</b>
<b>Net increase in cash and cash equivalents</b>		<b>117,210</b>	<b>2,077</b>
<b>Cash and cash equivalents at 1 January</b>	17(a)	<b>323,070</b>	<b>296,412</b>
<b>Effect of foreign exchange rate changes</b>		<b>535</b>	<b>24,581</b>
<b>Cash and cash equivalents at 31 December</b>	17(a)	<b>440,815</b>	<b>323,070</b>

The notes on pages 74 to 119 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in Renminbi unless otherwise indicated)*

## 1 GENERAL INFORMATION

Laekna, Inc. (the “**Company**”) was incorporated in the Cayman Islands on 29 July 2016 as an exempted company with limited liability under the law of the Cayman Islands.

The Company is an investing holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in discovering, development and commercialising innovative therapies for cancer, liver diseases and obesity in the People’s Republic of China (the “**PRC**”), the United States of America (the “**USA**”), Europe and South Korea.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing**”) on 29 June 2023.

## 2 MATERIAL ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (“**IASB**”) and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investments in debt and equity securities (see Note 2(e)); and
- derivative financial instruments (see Note 2(m)).

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (b) Basis of preparation of the financial statements (Continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

### (c) Changes in accounting policies

The Group has applied the following new and amended IFRSs issued by the IASB to these financial statements for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform — Pillar Two model rules*

None of these developments had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in Renminbi unless otherwise indicated)*

### 2 MATERIAL ACCOUNTING POLICIES (Continued)

#### (d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

#### (e) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

# NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in Renminbi unless otherwise indicated)*

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (e) Other investments in securities (Continued)

#### (i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(r)(i)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in other comprehensive income (OCI) is recycled from equity to profit or loss.
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

#### (ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (f) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(i)(ii)):

- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(h)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment less their estimated residual values, if any, using the straight line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Laboratory equipment	1 – 5 years
Office and other equipment	3 – 5 years
Leasehold improvement	Over the shorter of the unexpired term of lease and the estimated useful lives
Right-of-use assets	Over the unexpired term of lease

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### (g) Intangible assets

#### (i) Research and development expenditures

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in Renminbi unless otherwise indicated)*

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (g) Intangible assets (Continued)

#### (ii) In-licenses

Intangible assets acquired separately are measured at cost on initial recognition.

Certain intangible assets are for licenses of intellectual properties in development, with non-refundable upfront payments, milestone payments and royalty payments. Upfront payments are capitalised when paid. Milestone payments are capitalised as intangible assets when incurred and enhanced the expected future economic benefits of the intangible assets, unless the payments are for outsourced research and development work which would follow the capitalisation policy in Note 2(g)(i). Royalty payments would be accrued for in line with the underlying sales and recognised as a cost of sales.

The intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised when ready for commercial use and over the economic useful 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 the end of each reporting period. Intangible assets with indefinite useful lives or not ready for commercial use will not be amortised but tested for impairment annually either individually or at the cash generating unit level. The impairment test would compare the recoverable amount of the in-licensed asset to its carrying value. 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.

#### (iii) Software

Computer software is recognised at historical cost and subsequently carried at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(i)(ii)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss. The estimated useful lives of software for the current and comparative periods are 5 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.



## NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in Renminbi unless otherwise indicated)*

### 2 MATERIAL ACCOUNTING POLICIES (Continued)

#### (h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see Notes 2(e)(i), 2(i)(i) and 2(r)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (h) Leased assets (Continued)

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

### (i) Credit losses and impairment of assets

#### (i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents and other receivables).

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fix-rate financial assets and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

## NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in Renminbi unless otherwise indicated)*

### 2 MATERIAL ACCOUNTING POLICIES (Continued)

#### (i) Credit losses and impairment of assets (Continued)

##### (i) Credit losses from financial instruments (Continued)

*Measurement of ECLs (Continued)*

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for other receivables are always measured at an amount equal to lifetime ECLs.

*Significant increases in credit risk*

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (i) Credit losses and impairment of assets (Continued)

#### (i) Credit losses from financial instruments (Continued)

*Significant increases in credit risk (Continued)*

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

*Write-off policy*

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 2 MATERIAL ACCOUNTING POLICIES (Continued)

#### (i) Credit losses and impairment of assets (Continued)

##### (ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (j) Other Receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Other receivables are initially measured at fair value plus transaction costs. Other receivables are subsequently stated at amortised cost (see Note 2(i)(i)).

#### (k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see Note 2(i)(i)).

# NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in Renminbi unless otherwise indicated)*

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (l) Other Payables

Other payables are initially recognised at fair value. Subsequent to initial recognition, other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

### (m) Financial instruments issued to investors

Financial instruments issued to investors consist of preferred shares and a warrant for purchase of ordinary shares and preferred shares.

#### (i) Preferred shares

A preferred share is classified as a financial liability if the Company is required to be liquidated upon events beyond its control and the preferred share is not in the most subordinated class of instruments issued by the Company. The financial liability is mandatorily measured at fair value through profit or loss, if any embedded derivative required to be separated cannot be measured reliably; otherwise, the embedded derivatives are measured at fair value through profit or loss and the host debt is initially measured at fair value and subsequently at amortised cost.

#### (ii) Warrant

The Company issued a warrant under which the holder has the right to subscribe for the Company's ordinary shares and preferred shares at a predetermined price during a specific period.

A warrant is classified as a financial liability if it will not be settled only by the Company exchanging a fixed number of cash or another financial asset for a fixed number of its own equity instruments. A warrant liability is initially recognised at fair value on the date a warrant contract is entered into and is subsequently re-measured to its fair value at the end of each reporting period. Changes in fair value are recognised in profit or loss.

### (n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(t).

### (o) Employee benefits

#### (i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 2 MATERIAL ACCOUNTING POLICIES (Continued)

#### (o) Employee benefits (Continued)

##### (ii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial lattice model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

##### (iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

#### (p) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

# NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in Renminbi unless otherwise indicated)*

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (p) Income tax (Continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

### (q) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see Note 2(i)(ii)).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

### (r) Other income

#### (i) Interest income

Interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.



## NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in Renminbi unless otherwise indicated)*

### 2 MATERIAL ACCOUNTING POLICIES (Continued)

#### (r) Other income (Continued)

##### (ii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are presented in the statement of financial position by setting up the grant as deferred income and consequently are effectively recognised in profit or loss on a systematic basis over the useful life of the asset.

#### (s) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, are translated into Renminbi at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Renminbi at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

### (u) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities 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.
  - (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).
  - (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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

For the purpose of resource allocation and performance assessment, the Group's chief executive officer, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole, and hence the Group has only one reportable segment which is engaged in the research and development of drugs.

## 3 ACCOUNTING JUDGEMENTS AND ESTIMATES

### (a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

#### (i) Development expenditures

Development expenditures incurred on the Group's drug candidates are 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, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the drug candidates and the ability to measure reliably the expenditure during the development. Development expenditures which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determines whether these relevant development expenditures meet the criteria for capitalisation. All development expenditures were expensed when incurred during the year ended 31 December 2023.

#### (b) Sources of estimation uncertainty

Note 23 contain information about the assumptions and their risk factors relating to the fair value of equity settled share-based transactions. Other significant sources of estimation uncertainty are as follows:

#### (i) Impairment of intangible assets not ready for commercial use

Intangible assets not ready for commercial use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Group obtained in-licenses through acquisition for the purpose of continuing the research and development work and commercialisation of the products, which are classified as intangible assets not ready for commercial use.

An impairment loss is recognised for the amount by which the intangible asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an intangible asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, each in-license is generally a cash-generating unit.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 4 OTHER INCOME

	2023 RMB'000	2022 RMB'000
Interest income from bank deposits	13,988	823
Realised gain on wealth management products	2,284	42
Net gain on termination of leases	–	3,653
Government grants	470	280
	<b>16,742</b>	4,798

### 5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

#### (a) Finance costs

	2023 RMB'000	2022 RMB'000
Interest on bank loans	1,359	173
Interest on lease liabilities	368	1,216
	<b>1,727</b>	1,389

#### (b) Staff costs

	2023 RMB'000	2022 RMB'000
Salaries, wages and other benefits	100,305	87,021
Contributions to defined contribution retirement plan (i)	5,102	4,602
Equity settled share-based payment expenses	28,293	26,461
	<b>133,700</b>	118,084

## NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in Renminbi unless otherwise indicated)***5 LOSS BEFORE TAXATION (Continued)****(c) Other items**

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Amortisation of intangible assets (Note 11)	<b>1,864</b>	1,070
Depreciation charge		
— property, plant and equipment (Note 10)	<b>1,632</b>	2,219
— right-of-use assets (Note 12)	<b>1,736</b>	3,299
	<b>3,368</b>	5,518
Impairment loss on property, plant and equipment (Note 10)	–	807
Listing expenses	<b>12,953</b>	23,896
Auditors' remuneration		
— audit services	<b>3,000</b>	3,103
— tax services	<b>24</b>	23
	<b>3,024</b>	3,126
Research and development expenses (ii)	<b>230,485</b>	313,356
Net foreign exchange loss	<b>4,182</b>	3,544

(i) The full-time employees of the Group are entitled to various government-sponsored defined-contribution retirement plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year.

(ii) During the year ended 31 December 2023, research and development expenses included staff costs, depreciation and amortisation expenses of RMB92,373,000 in total (2022: RMB83,468,000), in which the respective amounts were also disclosed separately above.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 6 INCOME TAX

#### (a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

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.

##### (i) The Cayman Islands

Pursuant to the rules and regulations of the Cayman Islands, the Company is currently not subject to income tax.

##### (ii) Hong Kong

The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong Profits Tax at 16.5% of the estimated assessable profits. No provision for Hong Kong Profits Tax had been made for the year ended 31 December 2023 as there were no assessable profits.

##### (iii) The USA

The Company's subsidiary incorporated in the USA is subject to Federal Tax at a rate of 21% and State Profits Tax at a rate of 0.75%–9.50% (2022: 0.75%–9.99%). Operations in the USA have incurred net accumulated operating losses for income tax purposes, and no income tax provisions had been made for the year ended 31 December 2023.

##### (iv) Chinese Mainland

Pursuant to the Corporate Income Tax Law of Chinese Mainland (the "CIT"), the Company's Chinese Mainland subsidiaries are subject to the CIT at a rate of 25%.

According to the new tax incentive policies promulgated by the State Tax Bureau of Chinese Mainland in March 2023, effective from 1 January 2023, an additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income.

#### (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2023 RMB'000	2022 RMB'000
Loss before taxation	(368,814)	(781,594)
Notional tax on loss before taxation, calculated at the rates applicable to losses in the jurisdictions concerned	(65,593)	(82,035)
Tax effect of non-deductible expenses	14,452	20,734
Tax effect of unused tax losses not recognised	62,643	88,302
Tax effect of deductible temporary differences not recognised	6,244	7,389
Tax effect of super deduction for research and development expenses (Note 6(a)(iv))	(17,746)	(34,390)
Actual tax expense	–	–

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 6 INCOME TAX (Continued)

#### (c) Deferred tax assets not recognised

As at 31 December 2023, the Group has not recognised deferred tax assets of certain entities in respect of their respective cumulative tax losses and temporary differences of RMB819,047,000 (2022: RMB594,768,000) respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

### 7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	2023 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors</b>							
LU Chris Xiangyang	-	2,244	385	70	2,699	4,994	7,693
XIE Ling	-	1,768	480	52	2,300	3,019	5,319
GU Xiang Ju Justin	-	1,973	424	70	2,467	2,895	5,362
<b>Non-executive directors</b>							
WANG David Guowei	-	-	-	-	-	-	-
SUN Yuan	-	-	-	-	-	-	-
JI Dongmei (resigned on 29 September 2023)	-	-	-	-	-	-	-
<b>Independent non-executive directors</b>							
YIN Xudong	181	-	-	-	181	-	181
CHAU Kwok Keung	181	-	-	-	181	-	181
LI Min	181	-	-	-	181	-	181
<b>Total</b>	<b>543</b>	<b>5,985</b>	<b>1,289</b>	<b>192</b>	<b>8,009</b>	<b>10,908</b>	<b>18,917</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 7 DIRECTORS' EMOLUMENTS (Continued)

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	2022 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors</b>							
LU Chris Xiangyang	-	1,862	185	65	2,112	-	2,112
XIE Ling	-	1,609	129	65	1,803	4,014	5,817
GU Xiang Ju Justin (appointed on 9 May 2022)	-	1,814	235	65	2,114	2,291	4,405
LIN Dianhai (resigned on 9 May 2022)	-	-	-	-	-	-	-
<b>Non-executive directors</b>							
WANG David Guowei	-	-	-	-	-	-	-
WEI Jun (resigned on 28 April 2022)	-	-	-	-	-	-	-
ZHOU Yi (resigned on 28 April 2022)	-	-	-	-	-	-	-
JI Dongmei (appointed on 28 April 2022)	-	-	-	-	-	-	-
SUN Yuan (appointed on 28 April 2022)	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>5,285</b>	<b>549</b>	<b>195</b>	<b>6,029</b>	<b>6,305</b>	<b>12,334</b>



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2022: two) are directors whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other two (2022: three) individuals are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other emoluments	5,079	7,846
Discretionary bonuses	895	1,165
Retirement scheme contributions	219	188
Share-based payments	5,422	5,089
	<b>11,615</b>	14,288

The emoluments of the two (2022: three) individuals with the highest emoluments are within the following bands:

	2023 Number of individuals	2022 Number of individuals
HKD5,000,001–HKD5,500,000	–	1
HKD5,500,001–HKD6,000,000	1	2
HKD6,500,001–HKD7,000,000	1	–
	<b>2</b>	3

### 9 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB368,814,000 (2022: RMB781,594,000) and the weighted average of 219,592,000 ordinary shares (2022: 76,721,000 shares as disclosed in Note 24(c) retrospectively from 1 January 2022) in issue during the year, calculated as follows:

	2023 '000	2022 '000
Issued ordinary shares at 1 January	7,942	5,942
Effect of warrant exercised (Note 22(b))	–	1,167
Effect of share options exercised (Note 24(c))	–	563
Effect of the share subdivision (Note 24(c))	71,474	69,049
Effect of shares issued upon the completion of initial public offering (Note 24(c))	32,300	–
Effect of conversion of preferred shares into ordinary shares (Note 24(c))	107,876	–
Weighted average number of ordinary shares at 31 December	<b>219,592</b>	76,721

The calculation of diluted loss per share for the year ended 31 December 2023 has not included the potential effects of share options issued by the Company (2022: the deemed conversion of the preferred shares and share options), as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2023 and 2022 are the same as basic loss per share.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

## 10 PROPERTY, PLANT AND EQUIPMENT

	Laboratory equipment <i>RMB'000</i>	Office and other equipment <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost:</b>					
At 1 January 2022	4,959	1,231	5,203	807	12,200
Additions	2,318	215	–	–	2,533
Disposals	–	(7)	–	–	(7)
Exchange adjustments	–	7	–	–	7
At 31 December 2022 and 1 January 2023	7,277	1,446	5,203	807	14,733
Additions	136	21	–	707	864
Disposals	–	–	–	(807)	(807)
Exchange adjustments	–	2	–	–	2
<b>At 31 December 2023</b>	<b>7,413</b>	<b>1,469</b>	<b>5,203</b>	<b>707</b>	<b>14,792</b>
<b>Accumulated depreciation:</b>					
At 1 January 2022	(1,579)	(371)	(4,482)	–	(6,432)
Charge for the year	(1,166)	(332)	(721)	–	(2,219)
Impairment loss	–	–	–	(807)	(807)
Exchange adjustments	–	(2)	–	–	(2)
At 31 December 2022 and 1 January 2023	(2,745)	(705)	(5,203)	(807)	(9,460)
Charge for the year	(1,293)	(339)	–	–	(1,632)
Disposals	–	–	–	807	807
Exchange adjustments	–	(1)	–	–	(1)
At 31 December 2023	<b>(4,038)</b>	<b>(1,045)</b>	<b>(5,203)</b>	<b>–</b>	<b>(10,286)</b>
<b>Net book value:</b>					
<b>At 31 December 2023</b>	<b>3,375</b>	<b>424</b>	<b>–</b>	<b>707</b>	<b>4,506</b>
<b>At 31 December 2022</b>	<b>4,532</b>	<b>741</b>	<b>–</b>	<b>–</b>	<b>5,273</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

## 11 INTANGIBLE ASSETS

The Group	In-licensed rights RMB'000	Software RMB'000	Total RMB'000
<b>Cost:</b>			
At 1 January 2022	108,661	1,804	110,465
Additions	–	4,349	4,349
Exchange adjustments	10,037	–	10,037
At 31 December 2022 and 1 January 2023	118,698	6,153	124,851
Additions	–	449	449
Exchange adjustments	2,013	–	2,013
At 31 December 2023	<b>120,711</b>	<b>6,602</b>	<b>127,313</b>
<b>Accumulated amortisation:</b>			
At 1 January 2022	–	(150)	(150)
Charge for the year	–	(1,070)	(1,070)
At 31 December 2022 and 1 January 2023	–	(1,220)	(1,220)
Charge for the year	–	(1,864)	(1,864)
At 31 December 2023	<b>–</b>	<b>(3,084)</b>	<b>(3,084)</b>
<b>Net book value:</b>			
<b>At 31 December 2023</b>	<b>120,711</b>	<b>3,518</b>	<b>124,229</b>
At 31 December 2022	118,698	4,933	123,631

The Company	In-licensed rights RMB'000
<b>Cost:</b>	
At 1 January 2022	108,661
Exchange adjustments	10,037
At 31 December 2022 and 1 January 2023	118,698
Exchange adjustments	2,013
At 31 December 2023	<b>120,711</b>
<b>Accumulated amortisation:</b>	
At 1 January 2022, 31 December 2022 and 31 December 2023	–
<b>Net book value:</b>	
<b>At 31 December 2023</b>	<b>120,711</b>
At 31 December 2022	118,698

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

## 11 INTANGIBLE ASSETS (Continued)

### (a) In-licensed rights

The balance of in-licensed rights represents payments made to acquire development and commercialization rights of drug products from third parties and are not ready for commercial use. Due to the inherent uncertainties in the research and development processes, these assets are particularly at risk of impairment if the projects are not expected to result in commercialised products. Key terms of these licenses are set out below:

#### (i) LAE001

On 30 June 2017, the Group entered into a license agreement with Novartis Pharma AG (“**Novartis**”), pursuant to which Novartis granted the Group an exclusive license to develop, manufacture and commercialise the licensed product LAE001 world widely.

Under the terms of the agreement, the Group made an one-time and non-refundable upfront payment of USD1 million (equivalent to RMB6.6 million) and granted 776,437 ordinary shares of the Company to Novartis (equaling to 7,764,370 shares after adjusting for the effect of the share subdivision upon the Listing). The Group capitalised an amount of USD1.8 million (equivalent to RMB12.2 million) in total. The Group also agreed to make regulatory milestone payment, as well as royalty payment on net sales to Novartis.

#### (ii) LAE002 & LAE003

On 9 May 2018, the Group entered into a license agreement with Novartis, pursuant to which Novartis granted the Group an exclusive license to develop, manufacture and commercialise the licensed products LAE002 and LAE003 world widely.

Under the terms of the agreement, the Group made an one-time and non-refundable upfront payment of USD5 million (equivalent to RMB31.9 million) and granted 165,200 ordinary shares of the Company to Novartis (equaling to 1,652,000 shares after adjusting for the effect of the share subdivision upon the Listing). The Group capitalised an amount of USD5.2 million (equivalent to RMB33.5 million) in total. The Group also agreed to make regulatory milestone payments, sales milestone payment, as well as royalty payment on net sales to Novartis.

#### (iii) LAE005

On 4 February 2020, the Group entered into a license agreement with Novartis, pursuant to which Novartis granted the Group an exclusive license to develop, manufacture and commercialise the products LAE005 world widely.

Under the terms of the agreement, the Group made an one-time and non-refundable upfront payment of USD10 million (equivalent to RMB69.4 million) to Novartis and capitalised such payment. The Group also agreed to make regulatory milestone payments, sales milestone payment, as well as royalty payment on net sales to Novartis.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 11 INTANGIBLE ASSETS (Continued)

#### (a) In-licensed rights (Continued)

##### (iv) Impairment test

Intangible assets not yet ready for commercial use are tested annually based on the recoverable amount of the cash-generating unit (“CGU”) to which the intangible asset is related. The appropriate CGU is at the product level. The annual impairment test was performed for each drug by engaging an independent appraiser to estimate fair value less costs of disposal as the recoverable amount of each drug. The fair value is based on the multi-period excessive earning method and the Group estimated the forecast period till year 2035 for each drug based on the timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential, and the length of exclusivity for each product. The estimated revenue of each drug is based on management’s expectations of timing of commercialization. The costs and operating expenses are estimated as a percentage over the revenue forecast period based on the current margin levels of comparable companies with adjustments made to reflect the expected future price changes. The discount rates used are post-tax and reflect the general business and market risk of the Group. The discount rates are derived from capital asset pricing model by taking applicable market data into account, such as risk free rate, market premium, beta, company specific risk and size premium, etc.

The key assumptions used in estimating the recoverable amount are as follows:

	2023	2022
<i>LAE001</i>		
Discount rate	18%	18%
Revenue growth rate	-12% to 83%	-14% to 379%
Recoverable amount of CGU (in RMB million)	724.2	573.6
<i>LAE002 &amp; LAE003</i>		
Discount rate	18%	18%
Revenue growth rate	-7% to 523%	-7% to 456%
Recoverable amount of CGU (in RMB million)	963.6	1,252.1
<i>LAE005</i>		
Discount rate	18%	18%
Revenue growth rate	-15% to 24%	-18% to 24%
Recoverable amount of CGU (in RMB million)	278.0	252.4

Based on the result of the above assessment, there were no impairment for the in-licensed rights as at 31 December 2023 and 2022.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

## 11 INTANGIBLE ASSETS (Continued)

### (a) In-licensed rights (Continued)

#### (iv) Impairment test (Continued)

##### Impairment test — sensitivity

The Group has performed sensitivity tests by increasing 1% of the discount rate or decreasing 1% of the revenue growth rate, which are the key assumptions for determining the recoverable amount of the in-licensed rights, with all other variables held constant. The impacts on the amount by which the in-licensed rights' recoverable amount above its carrying amount (headroom) are as below:

	2023	2022
<i>LAE001</i>		
Carrying amount	12.3	12.1
Headroom	711.9	561.5
Impact by increasing discount rate	(57.0)	(57.3)
Impact by decreasing revenue growth rate	(33.6)	(38.1)
<i>LAE002 &amp; LAE003</i>		
Carrying amount	37.6	36.9
Headroom	926.0	1,215.2
Impact by increasing discount rate	(94.9)	(118.6)
Impact by decreasing revenue growth rate	(55.3)	(89.8)
<i>LAE005</i>		
Carrying amount	70.8	69.7
Headroom	207.2	182.7
Impact by increasing discount rate	(20.8)	(21.1)
Impact by decreasing revenue growth rate	(9.9)	(13.8)

Considering there was still sufficient headroom based on the assessment, management believes that a reasonably possible change in any of the key assumptions on which management has based its determination of each in-licensed rights' recoverable amount would not cause its carrying amount to exceed its recoverable amount.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 12 RIGHT-OF-USE ASSETS

The Group has obtained the right to use certain properties through tenancy agreements. The leases typically run for an initial period of 3–10 years. Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. None of the leases includes variable lease payments.

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Office Building RMB'000
At 1 January 2022	23,911
Charge for the year	(3,299)
Termination of leases	(12,366)
At 31 December 2022 and 1 January 2023	8,246
Charge for the year	(1,736)
At 31 December 2023	6,510

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset — properties leased for own use	<b>1,736</b>	3,299
Interest on lease liabilities (Note 5(a))	<b>368</b>	1,216
Expense relating to short-term leases	<b>2,579</b>	2,466
COVID-19-related rent concessions	—	(950)

Details of the total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 17(d) and 20, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 13 INVESTMENTS IN SUBSIDIARIES

The following list contains subsidiaries which affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
			Directly held by the Company	Indirectly held by the Company	
Laekna Limited ("Laekna HK")	26 August 2016 Hong Kong	USD130,000,128	100%	–	Research and development of drug candidates
Laekna LLC ("Laekna LLC")	3 January 2020 The USA	–	100%	–	Research and development of drug candidates
Laekna Therapeutics Shanghai Co., Ltd. ("Laekna Therapeutics") (來凱醫藥科技(上海)有限公司)	28 December 2016 Chinese Mainland	RMB102,177,006	–	100%	Research and development of drug candidates
Laekna Pharmaceutical Shanghai Co., Ltd. ("Laekna Pharmaceutical") (來凱製藥(上海)有限公司)	8 December 2020 Chinese Mainland	RMB22,000,000	–	100%	Pharmaceutical
Laekna Pharmaceutical Ningbo Co., Ltd. ("Laekna Ningbo") (來凱製藥(寧波)有限公司)	29 June 2023 Chinese Mainland	USD20,000,000	–	100%	Research and development of drug candidates and pharmaceutical

All of the subsidiaries incorporated in Chinese Mainland are limited liability companies.

The carrying amount of interest in subsidiaries is listed below:

	2023 RMB'000	2022 RMB'000
Unlisted, at cost		
Laekna LLC	12,440	7,059
Laekna HK	992,098	773,470
	<b>1,004,538</b>	780,529



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 14 OTHER NON-CURRENT ASSETS

	2023 RMB'000	2022 RMB'000
Value-add tax recoverable	6,494	3,251
Prepayments for equipment	1,754	4,110
Long-term rental deposits	615	615
Others	146	107
	<b>9,009</b>	8,083

As at 31 December 2023, value-added tax recoverable amounting to RMB6,494,000 (2022: RMB3,251,000) were recognised as other non-current assets as they were expected to be deducted from future value-added tax payables arising on the Group's revenue which were not expected to be generated within the next 12 months.

### 15 PREPAYMENTS AND OTHER RECEIVABLES

The Group	2023 RMB'000	2022 RMB'000
<b>Current:</b>		
Prepayments to suppliers	8,015	4,267
Deferred listing expenses	–	5,780
Other debtors and deposits	1,099	1,514
	<b>9,114</b>	11,561

The Company	2023 RMB'000	2022 RMB'000
<b>Current:</b>		
Prepayments to suppliers	2,776	202
Deferred listing expenses	–	5,150
	<b>2,776</b>	5,352
<b>Non-current:</b>		
Amounts due from subsidiaries	<b>220,302</b>	41,969

All of the current prepayments and other receivables are expected to be recovered or recognised as expense within one year.

### 16 TIME DEPOSITS

#### The Group and the Company

As at 31 December 2023, time deposits of RMB338,120,000 (2022: nil) in the statement of financial position represented bank deposits with original maturity over three months.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

## 17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

### (a) Cash and cash equivalents comprise:

The Group	2023 RMB'000	2022 RMB'000
Cash at banks	171,626	267,333
Deposits with banks	269,189	55,737
	<b>440,815</b>	323,070
The Company	2023 RMB'000	2022 RMB'000
Cash at banks	987	248,985
Deposits with banks	240,775	–
	<b>241,762</b>	248,985

As at 31 December 2023, cash and cash equivalents of the Group situated in Chinese Mainland amounted to RMB207,172,000 (2022: RMB63,180,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

### (b) Reconciliation of loss before taxation to cash used in operations:

	Note	2023 RMB'000	2022 RMB'000
Loss before taxation		(368,814)	(781,594)
Adjustments for:			
Depreciation of property, plant and equipment	10	1,632	2,219
Impairment loss on property, plant and equipment	10	–	807
Amortisation of intangible assets	11	1,864	1,070
Amortisation of other non-current assets		101	79
Depreciation of right-of-use assets	12	1,736	3,299
Equity settled share-based payment expenses		28,293	26,461
Realised gain on wealth management products	4	(2,284)	(42)
Interest income from bank deposits	4	(13,988)	(823)
Finance costs	5(a)	1,727	1,389
Net loss on disposal of property, plant and equipment		–	7
Net gain on termination of leases	4	–	(3,653)
COVID-19-related rent concessions	12	–	(950)
Fair value changes on financial instruments issued to investors	22	71,210	387,056
Operating loss before changes in working capital		<b>(278,523)</b>	(364,675)
Changes in working capital:			
Decrease in operating receivables		1,420	2,544
(Decrease)/increase in operating payables		(18,500)	55,848
<b>Cash used in operations</b>		<b>(295,603)</b>	(306,283)

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

**17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)****(c) Reconciliation of liabilities arising from financing activities**

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

	Bank loans <i>RMB'000</i> (Note 18)	Lease liabilities <i>RMB'000</i> (Note 20)	Financial instruments issued to investors <i>RMB'000</i> (Note 22)	Total <i>RMB'000</i>
<b>At 1 January 2022</b>	2,000	25,843	1,500,540	1,528,383
<b>Changes from financing cash flows:</b>				
Proceeds from bank loans	19,650	–	–	19,650
Repayment of a bank loan	(2,000)	–	–	(2,000)
Payment for capital element of lease liabilities	–	(511)	–	(511)
Payment for interest element of lease liabilities	–	(439)	–	(439)
Proceeds from issuance of preferred shares	–	–	301,028	301,028
Interest paid	(173)	–	–	(173)
Total changes from financing cash flows	17,477	(950)	301,028	317,555
<b>Exchange adjustments</b>	–	–	170,422	170,422
<b>Other changes:</b>				
Bank loans arising from supplier finance arrangements (Note 18)	132	–	–	132
COVID-19-related rent concessions (Note 12)	–	(950)	–	(950)
Interest expenses (Note 5(a))	173	1,216	–	1,389
Fair value changes on financial instruments issued to investors (Note 22)	–	–	387,056	387,056
Termination of leases	–	(16,640)	–	(16,640)
Shares issued upon exercise of the warrant	–	–	(81,765)	(81,765)
<b>At 31 December 2022 and 1 January 2023</b>	<b>19,782</b>	<b>8,519</b>	<b>2,277,281</b>	<b>2,305,582</b>
<b>Changes from financing cash flows:</b>				
Proceeds from bank loans	54,400	–	–	54,400
Repayment of bank loans	(24,960)	–	–	(24,960)
Payment for capital element of lease liabilities	–	(1,533)	–	(1,533)
Payment for interest element of lease liabilities	–	(368)	–	(368)
Interest paid	(1,359)	–	–	(1,359)
Total changes from financing cash flows	28,081	(1,901)	–	26,180
<b>Exchange adjustments</b>	–	–	86,349	86,349
<b>Other changes:</b>				
Bank loans arising from supplier finance arrangements (Note 18)	178	–	–	178
Interest expenses (Note 5(a))	1,359	368	–	1,727
Fair value changes on financial instruments issued to investors (Note 22)	–	–	71,210	71,210
Conversion of preferred shares into ordinary shares	–	–	(2,434,840)	(2,434,840)
<b>At 31 December 2023</b>	<b>49,400</b>	<b>6,986</b>	<b>–</b>	<b>56,386</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

#### (d) Total cash outflow for leases

The Group	2023 RMB'000	2022 RMB'000
Within operating cash flows	3,038	2,841
Within financing cash flows	1,901	950
	<b>4,939</b>	3,791

### 18 BANK LOANS

The Group	2023 RMB'000	2022 RMB'000
Unsecured bank loans due within 1 year	49,400	19,782

As at 31 December 2023, unsecured bank loans carried interest at annual rates ranging from 3.40% to 4.35% (2022: 2.75% to 4.35%) per annum and were all repayable within one year.

The Group also entered into supplier finance arrangement with China Merchants Bank, under which the Group obtained credit in respect of the amounts due to certain suppliers. Under this arrangement, the bank pays suppliers the amounts owned by the Group on the original due dates, and then the Group settles with the bank 6 months later than the original due dates with the suppliers, with an interest rate of 2.75% (2022: 2.75%) per annum. In the consolidated statements of financial position, the Group has presented payables to the bank under this arrangement as "Bank loans", having compared the nature and function of such liabilities with trade payables to suppliers. In the consolidated statements of cash flows, payments to the banks are included within financing cash flows based on the nature of this arrangement, and payments to the suppliers by the bank amounting to RMB178,000 (2022: RMB132,000) are non-cash transactions. As at 31 December 2023, bank loans arising from supplier finance arrangements were fully repaid.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

## 19 OTHER PAYABLES

The Group	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Payroll payables	14,279	14,700
Accrued research and development expenses	42,939	51,595
Other payables and accrued charges	11,227	9,573
	<b>68,445</b>	75,868

The Company	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Accrued research and development expenses	834	234
Other payables and accrued charges	6,338	3,587
	<b>7,172</b>	3,821

All of the other payables are expected to be settled within one year or repayable on demand.

## 20 LEASE LIABILITIES

At 31 December 2023 and 2022, the lease liabilities were repayable as follows:

	2023		2022	
	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>
Within 1 year	1,917	1,961	1,859	1,900
After 1 year but within 2 years	1,950	2,090	1,828	1,961
After 2 year but within 5 years	3,119	3,568	4,832	5,659
	<b>5,069</b>	<b>5,658</b>	6,660	7,620
	<b>6,986</b>	<b>7,619</b>	8,519	9,520
Less: total future interest expenses		<b>(633)</b>		(1,001)
Present value of lease liabilities		<b>6,986</b>		8,519

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 21 DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
Government grants	3,500	3,500

### 22 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

The Group and the Company	2023 RMB'000	2022 RMB'000
Preferred shares	–	2,277,281
Warrant	–	–
	–	2,277,281

#### (a) Preferred shares

In accordance with the Group's accounting policy set out in Note 2(m)(i), the preferred shares were initially recognised at fair value on the date of issuance and were subsequently re-measured to their fair value at the end of each reporting period. Movements of preferred shares for the year ended 31 December 2023 and 2022 were set out below:

	Preferred Shares RMB'000
As at 1 January 2022	1,402,111
Issuance of preferred shares	326,006
Fair value changes	378,308
Exchange adjustments	170,856
As at 31 December 2022 and 1 January 2023	<b>2,277,281</b>
Fair value changes	<b>71,210</b>
Exchange adjustments	<b>86,349</b>
Conversion of preferred shares into ordinary shares	<b>(2,434,840)</b>
As at 31 December 2023	–

All preferred shares were converted into ordinary shares of the Company upon the completion of the Listing.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 22 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (Continued)

#### (b) Warrant

In accordance with the Group's accounting policy set out in Note 2(m)(ii), the warrant is initially recognised at fair value on the date of issuance and is subsequently re-measured to the fair value at the end of each reporting period. Movements of the warrant for the year ended 31 December 2022 were set out below:

	Warrant RMB'000
As at 1 January 2022	98,429
Fair value changes	8,748
Exchange adjustments	(434)
Exercise of the warrant	(106,743)
As at 31 December 2022	–

On 31 March 2022, the warrant was exercised. Accordingly, the Company issued 1,166,525 ordinary shares and 338,273 preferred shares to the investor.

### 23 EQUITY SETTLED SHARE-BASED PAYMENT

The Company adopted an employee share option scheme ("**Pre-IPO Share Option Scheme**") on 11 April 2018 (which was subsequently amended on 30 October 2019, 20 April 2021 and 31 March 2022), pursuant to which, 42,453,520 ordinary shares (after adjusting for the effect of the share subdivision) of the Company are authorised for issuance of share options to employees, directors, and advisors of the Group. Each option gives the holder the right to subscribe for one ordinary share of the Company.

#### (a) The terms and conditions of the grants are as follows:

	Number of instruments	Contractual life of options
Options granted to directors	11,618,270	10 years
Options granted to employees	22,085,750	10 years
Options granted to advisors	252,500	10 years
Total share options granted	33,956,520	

Unless otherwise approved by the Board of Directors, the Company adopted three vesting conditions for the above share options granted:

- (i) 20% of the share options are expected to vest after twelve months of the grant date, and the remaining are expected to vest ratably over the following sixteen quarters;
- (ii) 40% of the share options are expected to vest after twenty-four months of the grant date, and the remaining are expected to vest ratably over the following twelve quarters; or
- (iii) 100% of the share options are expected to vest upon the grant date.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 23 EQUITY SETTLED SHARE-BASED PAYMENT (Continued)

#### (b) The movement of the number of share options are as follows:

	2023 '000	2022 '000
Outstanding at the beginning of the year	2,954	3,376
Effect of the share subdivision	26,589	–
Granted during the year	4,576	433
Exercised during the year	–	(833)
Forfeited during the year	(162)	(22)
Outstanding at the end of the year	33,957	2,954
Exercisable at the end of the year	18,399	–

All the share options granted are exercisable upon vesting and after the occurrence of an initial public offering (“IPO”) of the Company’s shares unless otherwise approved by the Board of Directors, and will expire on or before the latter of (1) the third anniversary after the aforementioned occurrence of IPO, and (2) the tenth anniversary after the granting date. The share options outstanding at 31 December 2023 had an weighted average exercise price of USD0.18, after adjusting for the effect of the share subdivision (2022: USD1.53) and an weighted average remaining contractual life of 6.8 years (2022: 7.5 years).

#### (c) Key assumptions of share options

	2023	2022
Expected volatility	45.59%	43.00% ~ 43.47%
Expected dividends yield	0%	0%
Risk-free interest rate	3.71% ~ 4.10%	3.03% ~ 3.98%

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 24 CAPITAL, RESERVES AND DIVIDENDS

#### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of each year are set out below:

	Note	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total (deficit)/ equity RMB'000
<b>Balance at 1 January 2022</b>		4	-	-	32,935	22,328	(763,822)	(708,555)
<b>Changes in equity for 2022:</b>								
Total comprehensive income for the year		-	-	-	-	(71,656)	(413,638)	(485,294)
Equity settled share-based payments	23	-	-	-	26,461	-	-	26,461
Shares issued upon exercise of the warrant	24(c)	1	-	81,764	-	-	-	81,765
Shares issued under share option scheme	24(c)	-*	-	11,443	(11,389)	-	-	54
<b>Balance at 31 December 2022 and 1 January 2023</b>		<b>5</b>	<b>-</b>	<b>93,207</b>	<b>48,007</b>	<b>(49,328)</b>	<b>(1,177,460)</b>	<b>(1,085,569)</b>
<b>Changes in equity for 2023:</b>								
Total comprehensive income for the year		-	-	-	-	(79,050)	(82,076)	(161,126)
Equity settled share-based payments	23	-	-	-	28,293	-	-	28,293
Shares issued to trusts under share option scheme	24(c)	2	(2)	-	-	-	-	-
Shares issued through initial public offering, net of issuance costs	24(c)	5	-	704,594	-	-	-	704,599
Conversion of preferred shares into ordinary shares	24(c)	15	-	2,434,825	-	-	-	2,434,840
<b>Balance at 31 December 2023</b>		<b>27</b>	<b>(2)</b>	<b>3,232,626</b>	<b>76,300</b>	<b>(128,378)</b>	<b>(1,259,536)</b>	<b>1,921,037</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 24 CAPITAL, RESERVES AND DIVIDENDS (Continued)

#### (b) Dividends

The directors of the Company did not propose any payment of dividend for the year ended 31 December 2023 (2022: nil).

#### (c) Share capital

As at 31 December 2023, the authorised share capital of the Company was USD50,000 divided into 5,000,000,000 ordinary shares with par value of USD0.00001 each.

Details of the movement of the issued and fully paid share capital of the Company are as follows:

	No. of shares <i>'000</i>	Share capital <i>RMB'000</i>	Treasury shares <i>RMB'000</i>
<b>Ordinary shares, issued and fully paid:</b>			
At 1 January 2022	5,942	4	–
Shares issued under share option scheme (i)	833	–*	–
Shares issued upon exercise of the warrant (ii)	1,167	1	–
At 31 December 2022	7,942	5	–
Effect of the share subdivision (iii)	71,474	–	–
Shares issued to trusts under share option scheme (iv)	34,119	2	(2)
Share issued upon the completion of initial public offering (v)	63,728	5	–
Conversion of preferred shares into ordinary shares (vi)	212,837	15	–
<b>At 31 December 2023</b>	<b>390,100</b>	<b>27</b>	<b>(2)</b>

\* The balance represents an amount less than RMB1,000.

(i) Approved by the Board of Directors on 20 January 2022, 833,475 vested share options were early exercised before the occurrence of the IPO. Accordingly, on 28 April 2022, the Company issued 833,475 ordinary shares with a par value of USD0.0001 to the relevant employees.

(ii) On 31 March 2022, the warrant was exercised. Accordingly, the Company issued 1,166,525 ordinary shares with a par value of USD0.0001 to the holder of the warrant.

(iii) Pursuant to a board resolution dated 9 June 2023, each share in the Company's issued and unissued share capital with a par value of USD0.0001 was subdivided into 10 shares of the corresponding class with a par value of USD0.00001 each.

(iv) Pursuant to a board resolution dated 12 June 2023, 34,118,770 ordinary shares (after adjusting for the effect of the share subdivision) were allotted and issued to Laekna Halley Trust and Laekna Wonderland Trust under share option scheme. The shares held in the trusts are accounted for as treasury shares of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in Renminbi unless otherwise indicated)*

### 24 CAPITAL, RESERVES AND DIVIDENDS (Continued)

#### (c) Share capital (Continued)

- (v) On 29 June 2023, the Company issued 63,728,000 ordinary shares at an offer price of HKD12.41 per share through the Listing. Net proceeds from the Listing amounted to RMB704,599,000 equivalent, after deducting all capitalised listing expenses. Out of the net proceeds, RMB5,000 and RMB704,594,000 were credited to the Company's share capital and share premium account, respectively.
- (vi) Upon the completion of the Listing, 21,283,721 preferred shares were converted into 212,837,210 ordinary shares of the Company in aggregate (after adjusting for the effect of the share subdivision), resulting in a transfer of the carrying amount of financial instruments issued to investors of RMB2,434,840,000 to ordinary share capital of RMB15,000 and share premium of RMB2,434,825,000, respectively.

#### (d) Nature and purpose of reserves

##### (i) Share premium

The application of the share premium account is governed by the Companies Act of the Cayman Islands.

##### (ii) Capital reserve

The capital reserve primarily comprises the fair value of the actual or estimated number of unexercised share options granted to directors, employees and advisors of the Group in accordance with the accounting policy adopted for share-based payments in Note 2(o)(ii).

##### (iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Company and certain subsidiaries within the Group. The reserve is dealt with in accordance with the accounting policies set out in Note 2(s).

#### (e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank loans and lease liabilities but excludes financial instruments issued to investors) less cash and cash equivalents. Adjusted capital comprises all components of equity and financial instruments issued to investors.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 24 CAPITAL, RESERVES AND DIVIDENDS (Continued)

#### (e) Capital management (Continued)

The Group's adjusted net debt-to-capital ratio as at 31 December 2023 and 2022 are as follows:

	Note	2023 RMB'000	2022 RMB'000
Current liabilities:			
— Bank loans	18	49,400	19,782
— Lease liabilities	20	1,917	1,859
		51,317	21,641
Non-current liabilities:			
— Lease liabilities	20	5,069	6,660
Total debt		56,386	28,301
Less: Cash and cash equivalents	17	(440,815)	(323,070)
<b>Adjusted net debt</b>		<b>(384,429)</b>	<b>(294,769)</b>
Total equity/(deficit)		803,972	(1,905,086)
Add: Financial instruments issued to investors	22	—	2,277,281
<b>Adjusted capital</b>		<b>803,972</b>	<b>372,195</b>
<b>Adjusted net debt-to-capital ratio</b>		<b>N/A</b>	<b>N/A</b>

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

### 25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposures to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

#### (a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to other receivables. The Group's exposure to credit risk arising from cash and bank balances is limited because the counterparties are reputable banks, for which the Group considered to have insignificant credit risk.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Management has assessed that other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The management of the Company expect the occurrence of losses from non-performance by counterparties of other receivables to be remote and a loss allowance provision for other receivables to be immaterial.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

#### (b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

	2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	50,170	–	–	–	50,170	49,400
Other payables	68,445	–	–	–	68,445	68,445
Lease liabilities	1,961	2,090	3,568	–	7,619	6,986
	120,576	2,090	3,568	–	126,234	124,831

	2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	19,975	–	–	–	19,975	19,782
Other payables	75,868	–	–	–	75,868	75,868
Lease liabilities	1,900	1,961	5,659	–	9,520	8,519
Preferred shares	–	85,922	1,495,124	–	1,581,046	2,277,281
	97,743	87,883	1,500,783	–	1,686,409	2,381,450

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

## 25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

The Company considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable.

### (d) Currency risk

The Group is exposed to currency risk primarily through purchases which give rise to cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and considers no significant exposure on its foreign currency risk.

### (e) Fair value measurement

The Group applies IFRS 13, Fair value measurement for financial instruments that are measured at fair value at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

During the years ended 31 December 2022 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2023 and 2022.

## 26 COMMITMENT

Commitments outstanding at 31 December 2023 and 2022 not provided for in the financial statements were as follows:

	2023 RMB'000	2022 RMB'000
Contracted for acquisition of property, machinery and equipment	1,966	10,723
Authorised but not contracted for acquisition of property, machinery and equipment	3,451	43,551
	<b>5,417</b>	54,274

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

### 27 MATERIAL RELATED PARTY TRANSACTIONS

#### (a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 7 and certain of the highest paid employees as disclosed in Note 8, is as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other benefits	10,898	10,179
Discretionary bonuses	2,073	802
Equity settled share-based payment expenses	14,887	10,159
	<b>27,858</b>	21,140

#### (b) Other transactions with related parties

Except for the disclosure in Note 27(a), the Group did not enter into other material related party transactions during the years ended 31 December 2023 and 2022.

### 28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2023 RMB'000	2022 RMB'000
<b>Non-current assets</b>			
Intangible assets	11	120,711	118,698
Investments in subsidiaries	13	1,004,538	780,529
Prepayments and other receivables	15	220,302	41,969
		<b>1,345,551</b>	941,196
<b>Current assets</b>			
Prepayments and other receivables	15	2,776	5,352
Time deposits	16	338,120	–
Cash and cash equivalents	17	241,762	248,985
		<b>582,658</b>	254,337
<b>Current liabilities</b>			
Other payables	19	7,172	3,821
		<b>575,486</b>	250,516
<b>Net current assets</b>		<b>1,921,037</b>	1,191,712
<b>Total assets less current liabilities</b>			
<b>Non-current liabilities</b>		–	2,277,281
<b>NET ASSETS/(LIABILITIES)</b>		<b>1,921,037</b>	(1,085,569)
<b>CAPITAL AND RESERVES</b>		24(a)	
Share capital		27	5
Treasury shares		(2)	–
Reserves		1,921,012	(1,085,574)
<b>TOTAL EQUITY/(DEFICIT)</b>		<b>1,921,037</b>	(1,085,569)

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

## 29 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2023, the directors consider that the Group has no immediate and ultimate controlling party.

## 30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<i>Effective for accounting periods beginning on or after</i>
Amendments to IAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current</i> (" <b>2020 amendments</b> ")	1 January 2024
Amendments to IAS 1, <i>Presentation of financial statements: Non-current liabilities with covenants</i> (" <b>2022 amendments</b> ")	1 January 2024
Amendments to IFRS 16, <i>Leases: Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to IAS 7, <i>Statement of cash flows and IFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements</i>	1 January 2024
Amendments to IAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2025
Amendments to IFRS 10 and IAS 28, <i>Sales or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Available for optional adoption/effective date deferred indefinitely

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.



## THREE-YEAR FINANCIAL SUMMARY

*(Expressed in Renminbi)*

	Year ended December 31,		
	2023 RMB'000	2022 RMB'000	2021 RMB'000
Loss from operations	<b>(295,877)</b>	(393,149)	(225,610)
Loss before taxation	<b>(368,814)</b>	(781,594)	(748,964)
Loss for the year	<b>(368,814)</b>	(781,594)	(748,964)
Total comprehensive income for the year	<b>(458,674)</b>	(902,197)	(730,027)

	As of December 31,		
	2023 RMB'000	2022 RMB'000	2021 RMB'000
Non-current assets	<b>144,254</b>	145,233	149,948
Current assets	<b>788,049</b>	334,631	308,897
Total assets	<b>932,303</b>	479,864	458,845
Non-current liabilities	<b>8,569</b>	2,287,441	1,528,024
Current liabilities	<b>119,762</b>	97,509	41,990
Total liabilities	<b>128,331</b>	2,384,950	1,570,014
Total equity/(deficit)	<b>803,972</b>	(1,905,086)	(1,111,169)