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**Everest Medicines Limited**
**雲頂新耀有限公司**
*(incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 1952)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the "**Board**") of Everest Medicines Limited (the "**Company**") announces the audited annual results of the Company and its subsidiaries for the year ended 31 December 2021. This announcement, containing the full text of the 2021 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") in relation to information accompanying preliminary announcements of annual results.

These annual results have been reviewed by the Company's audit committee and the Company's auditors, PricewaterhouseCoopers.

Both the Chinese and English versions of this results announcement are available on the websites of the Company (www.everestmedicines.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). Printed versions of the Company's 2021 Annual Report will be delivered to the shareholders of the Company who have chosen to receive printed version and available for viewing on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and of the Company (www.everestmedicines.com) before the end of April 2022.

By Order of the Board
**Everest Medicines Limited**
**Wei Fu**
*Chairman and Executive Director*

Hong Kong, 29 March 2022

*As at the date of this announcement, the Board comprises Mr. Wei Fu as Chairman and Executive Director, Dr. Kerry Levan Blanchard, Mr. Ian Ying Woo and Mr. Xiaofan Zhang as Executive Directors, Mr. Yubo Gong and Ms. Lan Kang as Non-executive Directors, and Mr. Bo Tan, Mr. Yifan Li and Mr. Shidong Jiang as Independent Non-executive Directors.*

# Contents

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wei Fu (傅唯) (*Chairman of the Board*)
Dr. Kerry Levan Blanchard
Mr. Ian Ying Woo (何穎)
Mr. Xiaofan Zhang (張曉帆)

### Non-Executive Directors

Mr. Yubo Gong (龔聿波)
Ms. Lan Kang (康嵐)

### Independent Non-executive Directors

Mr. Shidong Jiang (蔣世東)
Mr. Yifan Li (李軼梵)
Mr. Bo Tan (譚擘)

## AUDIT COMMITTEE

Mr. Yifan Li (李軼梵) (*Chairman*)
Mr. Shidong Jiang (蔣世東)
Mr. Bo Tan (譚擘)

## REMUNERATION COMMITTEE

Mr. Bo Tan (譚擘) (*Chairman*)
Mr. Wei Fu (傅唯)
Mr. Shidong Jiang (蔣世東)

## NOMINATION COMMITTEE

Mr. Wei Fu (傅唯) (*Chairman*)
Mr. Yifan Li (李軼梵)
Mr. Bo Tan (譚擘)

## JOINT COMPANY SECRETARIES

Ms. Yin Yin (印茵)
(resigned with effect from 31 January 2022)
Ms. Leah Liu (劉栩昕)
(appointed with effect from 28 March 2022)
Ms. Yee Wa Lau (劉綺華)

## AUTHORISED REPRESENTATIVES

Mr. Ian Ying Woo (何穎)
Ms. Yee Wa Lau (劉綺華)

## COMPLIANCE ADVISER

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

## AUDITOR

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

## REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman
KY1-1104, Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Plaza 66, Tower 1, Units 6601–6606
1266 West Nanjing Road
Shanghai, 200040, China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

## LEGAL ADVISORS

### As to Hong Kong law and United States law

Skadden, Arps, Slate, Meagher & Flom
42/F, Edinburgh Tower, The Landmark
15 Queen's Road Central, Hong Kong

### As to PRC law

Zhong Lun Law Firm
6/10/11/16/17F, Two IFC, 8 Century Avenue
Pudong New Area, Shanghai 200120, PRC

**As to Cayman Islands law**
Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong

## PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman KY1-1102
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

## PRINCIPAL BANKERS

Silicon Valley Bank
3003 Tasman Drive, Santa Clara, CA 95054
United States of America

## STOCK CODE

1952

## COMPANY WEBSITE

www.everestmedicines.com

# Chairman's Statement

**Dear Everest Medicines Shareholders,**

While global GDP picked up in 2021 from contracting significantly the prior year, global trade and investment remained depressed by COVID-19 and related anti-pandemic measures worldwide. China's annual GDP remained strong at an annual growth rate of 8.1%, but weakened in the second half of 2021, with the GDP of the fourth quarter slowing to 4%, driven in part by sporadic COVID-19 outbreaks, the downturn in the property market weighing on consumption, and supply shocks escalating the cost of raw materials. Looking ahead, the pandemic is likely to continue to dampen the global economy, which together with the chronic issue of international trade tensions has created a more cautious investment environment.

The biotech sector saw pressure in stock market performance. The Hang Seng Hong Kong-Listed Biotech Index fell by over 27% in 2021, peaking in July and dropping sharply in the second half of the year. Overall the Hang Seng Index fell 14% and the NASDAQ Biotechnology Index ended the year flat, reflecting market uncertainty. The biotech sector stock performance has been impacted by investor concerns on domestic healthcare regulatory policy changes, US-China macroeconomic tensions, and the large supply of biotech IPOs. These macro concerns were often decoupled from the scientific advances delivered by the sector, resulting in high quality companies like Everest Medicines being undervalued.

In contrast to this challenging backdrop, 2021 was a highly productive year for Everest Medicines, as the Company achieved significant milestones across its different business units and made several strategically important license acquisitions. Notably, Everest continued to implement high-quality clinical trials at an accelerated pace, extended its diversified pipeline by licensing potentially best-in-class drug candidates and expanded its global presence by building teams in South Korea, Singapore, and the Taiwan region. Everest grew to over 400 employees, more than doubling in size since the end of 2020.

## Clinical and Regulatory Excellence

The Company's clinical team showed impressive execution capability, exemplified by completing the patient enrollment of its phase 2b bridging study (EVER-132-001) within three months, which delivered topline results with global quality standards. In 2021, the Company completed the submissions of several New Drug Applications (NDAs) and a Biologics License Application (BLA) in Greater China, Singapore, and South Korea for Trodelvy for the treatment of adult patients with second-line and later lines metastatic triple negative breast cancer (TNBC). Everest also submitted NDAs for eravacycline (Xerava) for the treatment of complicated intra-abdominal infections in adult patients in both Mainland China and Hong Kong. In addition, Everest completed the Chinese patient enrollment for a global study evaluating Nefecon as a treatment for IgA Nephropathy (IgAN), while its partner, Calliditas, has received accelerated approval from the United States Food and Drug Administration ("US FDA") for Nefecon in IgAN. Everest is also conducting a phase 3 study for etrasimod for the treatment of moderate-to-severe ulcerative colitis. Achieving these milestones not only demonstrated the Company's clinical capabilities but also highlighted Everest's penetration into international markets. Everest has expanded its footprint across the Asia Pacific region, while establishing itself as a commercial-ready biopharmaceutical company, with NDAs and BLAs expected to receive approvals in 2022.

Furthermore, the Company made progress in extending its late-stage assets into other indications. In addition to second-line and later lines metastatic TNBC, Trodelvy is under development for the treatment of hormone receptor-positive/human epidermal growth factor receptor 2-negative (HR+/HER2-) metastatic breast cancer, urothelial cancer, non-small cell lung cancer, gastric cancer, esophagus cancer and cervical cancer. Likewise, Xerava is under development for the treatment of community-acquired bacterial pneumonia. As a result, the Company looks forward to a steady cadence of clinical data milestones throughout 2022 for Trodelvy, Xerava, Nefecon, etrasimod and other assets in its pipeline.

## Positioning for Future Growth

In parallel to the clinical team's accomplishments, Everest has been building its commercialization capabilities with accelerated momentum. Under the leadership of chief commercial officer Kevin Guo, the Company has rapidly assembled a seasoned leadership team across the different commercial functions. The headcount of the commercial team grew to 128 by the end of the year and will continue to expand with anticipated approvals for Trodelvy and Xerava in China in 2022. In 2021, the Company's efforts were concentrated on forming an integrated commercialization platform to ensure market readiness and market access as well as build advocacy among healthcare professionals, key opinion leaders, and other key stakeholders. An example of the team's success in this area has been the inclusion of Trodelvy in the 2021 Guidelines of the China Anti-Cancer Association, Committee of Breast Cancer Society, reinforcing the potential for its positive and timely reception once approved.

Everest is committed to building a highly effective discovery operation to broaden the Company's pipeline. A discovery team of 26 professionals has been built under chief scientific officer Dr. Jennifer Yang, who we appointed in April 2021. The discovery team is carrying out multiple programs in oncological and renal diseases, including leveraging an AI-powered antibody discovery platform through a multi-target collaboration with AbCellera Biologics Inc.

Moreover, Everest has built a dedicated messenger RNA ("mRNA") vaccine discovery team to jointly execute the pre-clinical development of other mRNA vaccines and work on a new version of the COVID-19 vaccine to address the Omicron variant. This is a part of the comprehensive agreement with Providence Therapeutics Holdings Inc. Given the scarcity of mRNA platforms in China, entering into the mRNA space is of unique strategic importance to the Company. To complement this work on preventative COVID-19 vaccines, the Company has also entered into a global licensing agreement, in January 2022, with Singapore's Experimental Drug Development Centre (EDDC) for the exclusive worldwide rights to EDDC's series of potentially best-in-class oral antiviral treatment against SAR-CoV-2, the virus causing COVID-19 and its variants.

## Business Development Accomplishments

2021 was a breakout year for Everest in broadening its pipeline by licensing potentially best-in-class and first-in-class drug candidates. The Company's commitment to accelerate innovative medicines for the world's most pressing public health issues is demonstrated by its investment in its infectious disease pipeline including its comprehensive licensing agreement with Providence to advance its mRNA COVID-19 vaccine (PTX-COVID19-B) candidate in China and Asia's emerging markets, as well as its global partnership with the EDDC. Separately, Everest has also licensed EVER001 (also known as XNW1011), a covalent reversible Burton's tyrosine kinase (BTK) inhibitor from Suzhou Sinovent Pharmaceuticals Co., Ltd. ("Sinovent") and SinoMab BioScience ("SinoMab") Limited with global rights for renal diseases, continuing the Company's development strategy in this area, complementing our existing product Nefecon.

# Chairman's Statement

The Company's business development strengths have been further validated in 2021 by an industry powerhouse. Everest's partner for etrasimod, Arena Pharmaceuticals Inc., was acquired by Pfizer Inc. for US$6.7 billion with share price premium close to 100%. Etrasimod is the key drug in Arena's portfolio. This demonstrated the value Pfizer now places on etrasimod, which is one that Everest recognized several years ago by bringing the drug candidate to China. Furthermore, Pfizer also made an equity investment in Spero Therapeutics, Inc., Everest's partner for SPR206, again validating the Company's foresight as well as the team's impressive asset selection capability.

## Building on the Momentum

For the year ended 31 December 2021, Everest received several industry accolades recognizing its achievements, innovations, and contributions to China's biopharmaceutical sector, underscoring what was a standout year for the Company. In June 2021, at the inaugural BioChina Summit of the China Biopharmaceutical Forum in Suzhou, the Company was named one of the "Top 10 Leading ADC Drugs Corporations in China". Then in September 2021, Everest was listed in the "Chinese Antibody Drug Companies Innovation TOP 30" at the "2020 Chinese Biopharma Companies Innovation TOP 100 Series Lists", organized by MENET. Both recognitions by these respected industry forums were for Everest's accomplishments with Trodelvy in connection with Antibody-Drug Conjugates (ADC).

The Company received increasing capital markets recognition in 2021, thereby enhancing its visibility within the international investor community. In 2021, Everest Medicines was added to the key global equity index series and became a constituent of the Hang Seng Composite Index, the Hang Seng Healthcare Index and the Hang Seng Hong Kong-listed Biotech Index, granting it eligibility for the Southbound Stock Connect scheme. It was also included in the FTSE Small Cap Index, FTSE All-Cap Index and FTSE Total-Cap Index as well as the MSCI Global Small Cap Indexes — MSCI China Index, further enhancing the liquidity of the Company's stock.

2021 has been a pivotal year with so many achievements. Everest has laid the foundation for the future by establishing impressive growth prospects, with the ability to significantly contribute to patients and their families globally by providing innovative medicines that address their unmet medical needs. In 2022, Everest will continue to strive to achieve these goals, committed as always to the highest standards of quality, integrity, and excellence.

In closing, the Company would like to express its deep gratitude to the Board and employees, partners and investors for their belief in and invaluable support of Everest Medicines as it continues to build and transform into a commercial-ready biopharmaceutical company.

**Mr. Wei Fu**
*Chairman*

Hong Kong
28 March 2022

## IFRS NUMBERS:

- Research and development ("R&D") expenses increased by RMB236.0 million to RMB613.4 million for the year ended 31 December 2021, from RMB377.4 million for the year ended 31 December 2020, primarily due to: (i) increased number of clinical trials for our drug candidates; (ii) expansion of internal discovery team to build up in-house R&D capabilities; and (iii) increased costs occurred in the process of technical transfer for our drug candidates.

- General and administrative expenses decreased by RMB35.1 million to RMB242.7 million for the year ended 31 December 2021, from RMB277.8 million for the year ended 31 December 2020, primarily due to decreased expenses in relation to the public listing of the Company in 2020.

- Distribution and selling expenses increased by RMB165.0 million to RMB198.2 million for the year ended 31 December 2021, from RMB33.2 million for the year ended 31 December 2020, primarily due to expansion of commercial organization and pre-launch and launch activities carried out for product commercialization.

- Net loss for the year ended 31 December 2021 was RMB1,008.7 million, from RMB5,658.2 million for the year ended 31 December 2020, primarily attributable to the decrease in loss from fair value change in financial instruments issued to investors.

- Cash and cash equivalents amounted to RMB2,640.1 million as of 31 December 2021.

## NONE-IFRS MEASURE:

- Adjusted loss for the year[1] was RMB777.3 million for the year ended 31 December 2021, representing an increase of RMB174.4 million from RMB602.9 million for the year ended 31 December 2020, primarily due to increase in R&D expense and distribution and selling expenses.

The table below sets forth a reconciliation of the loss for the year attributable to the equity holders of the Company to adjusted loss for the year during the periods indicated:

| | Year Ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **(RMB in thousands)** | |
| Loss for the year attributable to the equity holders of the Company | **(1,008,719)** | (5,658,165) |
| Added: | | |
| Loss on fair value changes in financial instruments issued to investors | **6,452** | 4,937,983 |
| Share-based compensation expenses | **224,980** | 117,270 |
| **Adjusted loss for the year** | **(777,287)** | (602,912) |

1 Adjusted loss for the year represents the loss for the year attributable to the equity holders of the Company excluding the effect of certain non-cash items and one-time events, namely the loss on fair value changes of preferred shares (non-current financial liabilities measured at fair value through profit or loss) and share-based compensation expenses. For the calculation and reconciliation of this non-IFRS measure, please refer to the paragraph numbered 15 under the heading "Financial Review" below.

# Business Highlights

We have made significant progress on all fronts of our business. In 2021 we continued to advance our portfolio assets with "China Speed and Global Quality" and expanded our pipeline by licensing potentially best-in-class drug candidates with global upside. We broadened our capabilities in discovery, commercial and manufacturing and have transformed our company into a fully integrated biopharmaceutical company in Asia. Our growing discovery team moved into a new 1,700 square meter research facility in Zhangjiang and is working on multiple projects in oncology, renal diseases and mRNA vaccines. We have established a commercial platform with leading commercial talents who have decades of experience detailing innovative medicines in China and Asia. This team has grown to 128 people as of 31 December 2021 and is working on preparing for multiple potential product launches in 2022. Finally, we continue to make solid progress with the construction of our manufacturing facilities in Jiashan, Zhejiang, and expect our facility to be operational in 2022.

***Sacituzumab govitecan (Trodelvy™),*** *our anchor drug candidate in the oncology therapeutic area, is a first-in-class TROP-2 directed antibody-drug conjugate ("ADC").*

- Clinical and regulatory development achievements during the Reporting Period:

  — On 6 January 2021, we submitted a New Drug Application ("NDA") to the Health Sciences Authority ("HSA") of Singapore for sacituzumab govitecan for the treatment of patients with unresectable locally advanced or metastatic triple negative breast cancer ("TNBC") who have received two or more prior systemic therapies, at least one for metastatic disease, and the indication was subsequently amended to second-line and later lines metastatic TNBC.

  — On 6 January 2021, the Centre for Drug Evaluation ("CDE") of the China National Medical Products Administration ("NMPA") approved a China clinical trial application ("CTA") for sacituzumab govitecan for the treatment of patients with metastatic urothelial cancer ("mUC"). This phase 3, global, multicenter, open-label randomized controlled TROPiCS-04 trial evaluates sacituzumab govitecan compared with standard of care chemotherapeutic options in subjects with metastatic or locally advanced unresectable urothelial cancer who have progressed after prior therapy with a platinum-based regimen and a programmed death receptor-1 ("PD-1") or a programmed death-ligand ("PD-L1") therapy. The first person was dosed in China of this trial on 26 August 2021.

  — On 31 March 2021, the CDE of the China NMPA approved a CTA for a phase 2 basket trial for a variety of cancers with high TROP-2 expression. The trial is designed to evaluate sacituzumab govitecan monotherapy in 180 patients with relapse/refractory esophageal squamous cell carcinoma, gastric cancer, and cervical cancer at select sites in China.

  — In April 2021, the Company's partner, Gilead Sciences, Inc. ("Gilead"), received full approval from the US FDA for Trodelvy™ for the treatment of adult patients with second-line metastatic TNBC. The approval is supported by data from the phase 3 ASCENT study. In this study, Trodelvy™ demonstrated a statistically significant and clinically meaningful 57% reduction in the risk of disease worsening or death (progression-free survival ("PFS")), extending the median PFS to 4.8 months from 1.7 months with chemotherapy (HR: 0.43; 95% CI: 0.35–0.54; $p<0.0001$). Trodelvy™ also extended the median overall survival ("OS") to 11.8 months vs. 6.9 months (HR: 0.51; 95% CI: 0.41–0.62; $p<0.0001$), representing a 49% reduction in the risk of death. The most frequent Grade ≥3 adverse reactions for sacituzumab govitecan compared to single-agent chemotherapy in the study were neutropenia (52% vs. 34%), diarrhea (11% vs. 1%), leukopenia (11% vs. 6%) and anemia (9% vs. 6%). Adverse reactions leading to treatment discontinuation occurred in 5% of patients receiving sacituzumab govitecan. The Trodelvy™ U.S. Prescribing Information has a BOXED WARNING for severe or life-threatening neutropenia and severe diarrhea.

— In April 2021, Gilead received accelerated approval from the US FDA for sacituzumab govitecan for the treatment of adult patients with locally advanced or mUC who have previously received a platinum-containing chemotherapy and either PD-1/ PD-L1 inhibitor. The accelerated approval was based on data from the phase 2, single-arm TROPHY study of 112 patients, which found that Trodelvy™ achieved a 27.7% overall response rate ("ORR") with a 7.2-month median duration of response. Continued approval for this indication is contingent upon verification and description of clinical benefit in a confirmatory trial.

— On 17 May 2021, NMPA accepted the Biologics License Application ("BLA") for sacituzumab govitecan for the treatment of second-line and later lines metastatic TNBC in adult patients. Following the BLA acceptance, sacituzumab govitecan was granted priority review by the CDE of China NMPA in May 2021.

— In May 2021, the Ministry of Food and Drug Safety ("MFDS") of South Korea had granted Fast Track Designation and Orphan Drug Designation to sacituzumab govitecan for the treatment of later line metastatic TNBC.

— In July 2021, the Taiwan Food and Drug Administration ("TDFA") granted Pediatric and Rare Severe Disease Priority Review Designation to sacituzumab govitecan for adult patients with second-line metastatic TNBC.

— On 11 November 2021, the Company announced the topline results of its bridging study, EVER-132-001, a single-arm, multi-center phase 2b study of sacituzumab govitecan conducted in China on patients with unresectable locally advanced or metastatic TNBC who have received two or more prior systemic therapies, at least one for metastatic disease. Sacituzumab govitecan met its primary endpoint with an ORR of 38.8%, as evaluated by an Independent Review Committee. Its safety profile was similar to that reported in prior studies, and no new safety signals were identified.

— On 15 December 2021, MFDS of South Korea accepted the Company's NDA for sacituzumab govitecan for the treatment of second-line and later lines metastatic TNBC in adult patients.

— In December 2021, TFDA accepted the NDA submission of sacituzumab govitecan for the treatment of second-line and later lines metastatic TNBC in adult patients.

— The phase 3 Asia study was ongoing, which is designed to assess and compare the efficacy and safety of sacituzumab govitecan versus treatment of physician's choice in Asian patients with hormone receptor positive, HER2 negative metastatic breast cancer ("HR+/HER2- mBC") who have failed at least two prior chemotherapy regimens. The trial will enroll approximately 330 HR+/HER2- mBC patients in Greater China and South Korea. The enrollment of this study is expected to complete enrollment by the first half of 2022.

- Post-Reporting Period achievements and expected milestones:

  — On 10 January 2022, the Company announced it will participate in a study pursuant to a clinical trial collaboration between Gilead and Merck & Co., Inc. (MSD) to evaluate the combination of sacituzumab govitecan and MSD's anti-PD-1 therapy Keytruda® (pembrolizumab) in first-line metastatic non-small cell lung cancer ("NSCLC"). As part of the collaboration, MSD will sponsor this trial. The Company will participate in the global phase 3 study in Asia through its existing collaboration agreement with Gilead.

  — In January 2022, the HSA of Singapore approved the Company's NDA for sacituzumab govitecan for the treatment of second-line and later lines metastatic TNBC.

  — On 7 March 2022, our partner Gilead announced results from the phase 3 TROPiCS-02 study evaluating Trodelvy in patients with HR+/HER2- mBC who received prior endocrine therapy, CDK4/6 inhibitors and two to four lines of chemotherapy. The study met its primary endpoint with a statistically significant improvement in PFS versus physician's choice of chemotherapy. The trial targeted a 30% reduction in the risk of disease progression or death. The primary endpoint results were consistent with those observed in the phase 1/2 IMMU-132-01 study in a subset of HR+/HER2- metastatic breast cancer patients. The first interim analysis of the key secondary endpoint of overall survival in the TROPiCS-02 study demonstrated a trend in improvement for overall survival. The safety profile for Trodelvy was consistent with prior studies, and no new safety concerns emerged in this patient population.

  — We anticipate receiving the BLA decision from China NMPA and NDA decision from the TDFA for sacituzumab govitecan for the treatment of second-line metastatic TNBC in 2022.

***Nefecon (Tarpeyo™),*** *our anchor drug candidate in cardio-renal therapeutic area, is a novel oral formulation of budesonide (budesonide delayed release capsules) in the development for the treatment of primary immunoglobulin A nephropathy ("IgAN").*

- Clinical and regulatory development achievements during the Reporting Period:

  — The Company completed the Chinese patient enrollment into the NefIgArd phase 3 global registrational study evaluating Nefecon as a treatment for primary IgAN.

  — Our partner, Calliditas Therapeutics AB ("Calliditas"), in April 2021 granted an accelerated assessment procedure on its marketing authorization application ("MAA") for Nefecon in IgAN and submitted the MAA in May 2021. In September 2021, Calliditas announced that the European Medicine Agency's ("EMA") Committee for Human Medicinal Products ("CHMP") has decided to continue the assessment of the MAA for Nefecon under standard procedure assessment timelines, with potential conditional approval in second quarter of 2022.

  - On 15 December 2021 (US time), our partner Calliditas announced that the US FDA approved TARPEYO™ (developed under project name NEFECON) delayed release capsules, the first and only treatment indicated to reduce proteinuria in adults with primary IgAN at risk of rapid disease progression, generally a urine protein-to-creatinine ratio ("UPCR") ≥1.5g/g. TARPEYO™ is approved under accelerated approval based on achieving its primary endpoint of reduction in proteinuria in Part A of the NeflgArd pivotal phase 3 study. Patients taking TARPEYO (n=97) showed a statistically significant 34% reduction in proteinuria from baseline vs 5% with RASi alone (n=102) at 9 months. The treatment effects for the primary endpoint of UPCR at 9 months were consistent across key subgroups, including key demographic and baseline disease characteristics.

- Post-Reporting Period achievements and expected milestones:

  - On 14 March 2022, the Company has entered into a license agreement with Calliditas to develop and commercialize NEFECON for the treatment of primary IgAN in South Korea, expanding its license in addition to rights held in Greater China and Singapore. The deal signals the Company's latest efforts to further enhance its international commercial footprint.

  - We expect to conduct an interim analysis of the Chinese patients in the global phase 3 NeflgArd study and this is expected to lead to a regulatory submission in China in the second half of 2022.

***PTX-COVID19-B,*** *a potentially best-in-class lipid nanoparticle-formulated mRNA COVID-19 vaccine with a strong immunogenicity and tolerability profile.*

- Clinical and regulatory development achievements during the Reporting Period:

  - On 1 December 2021, we announced jointly with Providence Therapeutics ("Providence") that scientists from both companies had analyzed the sequence of the SARS-CoV-2 Omicron variant, selected viral sequences and designed plasmid clones to develop a new version of the COVID-19 vaccine specifically targeting the new Omicron variant.

  - On 20 December 2021, PTX-COVID19-B was selected to be part of a World Health Organization ("WHO") Solidarity Trial Vaccines ("STV") clinical trial, an international, randomized clinical trial designed to rapidly evaluate the efficacy and safety of promising new candidate vaccines. The participation was approved by an independent vaccine prioritization advisory group based on pre-defined criteria, including their safety and proven potential for effectiveness, stability of the vaccine, whether they can be produced quickly for global distribution, and the ease with which they can be given to individuals. STV trials have started recruitment in selected sites in the Philippines, Mali, and Colombia. The trial will be sponsored by and paid by WHO.

- Post-Reporting Period achievements and expected milestones:

  - Providence will readout the data for the phase 2 trial of PTX-COVID19-B around mid-2022 and initiate a phase 3 trial for booster indication in mid-2022 as well.

***Eravacycline (Xerava™),*** *is a novel, fully synthetic fluorocycline intravenous antibiotic developed for use as first-line empiric monotherapy for the treatment of multidrug resistant ("MDR") infections, including MDR Gram-negative infections.*

- Clinical and regulatory development achievements during the Reporting Period:
  - In March 2021 and September 2021 respectively, the China NMPA and the Department of Health of Hong Kong accepted an NDA for eravacycline for the treatment of complicated intra-abdominal infections ("cIAI").
  - In August 2021, the CDE of the China NMPA approved the CTA for eravacycline for the treatment of community-acquired bacterial pneumonia ("CABP").
- Post-Reporting Period milestones and expected achievements:
  - We expect NDA approval for eravacycline for the treatment in cIAI in China within 2022.

***Other clinical-stage assets***

- Clinical and regulatory development achievements during the Reporting Period:
  - In August 2021, the phase 1b/2 study evaluating FGF401 in combination with PD-1 inhibitor, pembrolizumab, in patients with advanced solid tumors, such as hepatocellular carcinoma (HCC) reached recommended phase 2 dose. The trial is ongoing.
  - In September 2021, we received the approval from the CDE of the China NMPA for the investigational new drug application under the Class One category for SPR206 (also known as EVER206), a novel, intravenous next-generation polymyxin product candidate in development for the treatment of MDR gram-negative bacterial infections.
  - Ralinepag is a potentially best-in-class oral, selective potent, once-daily IP receptor agonist intended for the treatment of pulmonary arterial hypertension ("PAH"). We continue to progress our phase 3 registrational trial for PAH in China as part of a global phase 3 study conducted together with our partner United Therapeutics.
- Post-Reporting Period milestones and expected achievements:
  - On 10 March 2022, our licensing partner, Venatorx Pharmaceuticals, reported positive results from its pivotal phase 3 study, CERTAIN-1 (Cefepime Rescue with Taniborbactam in cUTI), evaluating cefepime-taniborbactam, an investigational new drug, versus meropenem as a potential treatment for hospitalized adult patients with complicated urinary tract infections ("cUTI"), including acute pyelonephritis. The CERTAIN-1 trial enrolled 661 adult patients globally, including China, who were randomized 2:1 to receive cefepime-taniborbactam 2.5g q8h or meropenem 1g q8h for 7 days (up to 14 days for patients with bacteremia). Cefepime-taniborbactam met the primary efficacy endpoint of statistical non-inferiority ("NI") to meropenem in the microbiological intent-to-treat (microITT) population at Test of Cure ("TOC") with composite microbiologic and clinical success occurring in 70.0% of cefepime-taniborbactam treated patients and 58.0% of meropenem treated patients (treatment difference 11.9; 95% CI, 2.4, 21.6). A prespecified superiority test following confirmation of NI demonstrated the statistical superiority of cefepime-taniborbactam for the composite endpoint at TOC. The superiority of cefepime-taniborbactam was sustained in the composite microbiologic and clinical response at the Late-Follow-Up (Day 28-35) visit.

— On 23 March 2022, our partner, Pfizer Inc. (NYSE: PFE) announced positive topline results from a phase 3 study of etrasimod in development for the treatment moderately to severely active ulcerative colitis ("UC") patients. In the study, etrasimod patients achieved statistically significant improvements in the primary endpoint of clinical remission at week 12 as compared with placebo. Statistically significant improvements were achieved in all key secondary endpoints in the trial as well. The safety profile was consistent with previous phase 2 studies. These data along with results from ELEVATE 52 are expected to form the basis for planned future regulatory filings. Results from the ELEVATE 52 study will be available by the end of first quarter 2022.

— We anticipate initiating the phase 1b/2 trial of the EVER-001 (also known as XNW1011), a next-generation covalent reversible Bruton's tyrosine kinase ("BTK") inhibitor for the treatment of renal diseases in 2022.

— We expect phase 1 clinical trial of EDDC-2214, as oral antiviral treatment against SAR-CoV-2 and its variants, to commence by the end of 2022.

— We are conducting a phase 3 study for etrasimod for the treatment of moderately to severely active UC, which is expected to complete enrollment in 2023.

**Cautionary Statement required by Rule 18A.08(3) of the Listing Rules:** The Company cannot guarantee that it will be able to develop, or ultimately market, any of the above drug candidates successfully. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

## KEY CORPORATE DEVELOPMENTS

- On 18 February 2021, we appointed Kevin Guo as our chief commercial officer. Mr. Guo has more than 22 years of commercial leadership and business management experience across a number of multinational pharmaceutical companies. Under Mr. Guo's leadership, we continue to remain focused on advancing our work across four strategic pillars to launch strategy formulation, develop commercial capabilities, embrace and deploy innovative solutions, and expand our international footprint.

- Effective 15 March 2021, the Company was selected as a constituent stock of the Hang Seng Composite Index, the Hang Seng Healthcare Index and the Hang Seng Hong Kong-Listed Biotech Index in accordance with the latest index series release by Hang Seng Indexed Company Limited. At the same time, the Company became eligible for Southbound Trading under the Stock Connect Scheme, which is a channel that facilitates stock trading and investment between Hong Kong and a broader base of Chinese investors.

- On 15 April 2021, we appointed Dr. Jennifer Yang as our chief scientific officer, whose deep expertise in drug discovery and translational medicine will help the Company establish a robust discovery organization that contributes to the strategic expansion of our clinical development pipeline.

- Effective 18 June 2021, the Company's stock was included as a constituent stock of the Small Cap Index, FTSE All-Cap Index and FTSE Total-Cap Index in the FTSE Global Equity Index Series.

- Effective 30 November 2021, the Company's stock was added to the MSCI Global Small Cap Indexes — MSCI China Index.

## BUSINESS DEVELOPMENT UPDATES

- In July 2021, the Company established key strategic partnerships with Tencent Holdings Limited ("Tencent"), Medbanks Health Technology Co., Ltd ("Medbanks") and MediTrust Health Co., Ltd. ("MediTrust") to explore innovative tools in digital marketing, patients' access to novel medicines and payment solutions. These are just first steps to achieving our strategic commercial goals of delivering a differentiated omni-channel approach to better engage with healthcare providers, payors and patients.

- In September 2021, the Company entered into two separate definitive agreements with Providence, a clinical stage biotechnology company developing mRNA therapeutics and vaccines, to (i) license rights to Providence's mRNA COVID-19 vaccine candidates in Asia's emerging markets, including Greater China, Southeast Asia and Pakistan, and (ii) establish a broad, strategic partnership to develop mRNA products globally leveraging Providence's cutting-edge mRNA technology platform.

- In September 2021, we entered into an exclusive licensing agreement with Sinovent and SinoMab to develop, produce and commercialize EVER-001 (also known as XNW1011), a covalent reversible BTK inhibitor, globally for the treatment of renal diseases.

- In September 2021, we announced a multi-year collaboration and license agreement with AbCellera Biologics Inc. ("AbCellera") to discover therapeutic antibodies for up to 10 targets selected by the Company. The partnership will help to expand Company's portfolio of novel medicines across multiple indications, with the initial programs focusing on targets in oncology and the renal space.

- In January 2022, we entered into a global licensing agreement with Singapore's national platform for drug discovery and development, the EDDC for the exclusive worldwide rights to develop, manufacture and commercialize EDDC's series of viral 3C-like ("3CL") protease inhibitors as a potentially best-in-class oral antiviral treatment against SAR-CoV-2 (the virus causing COVID-19) and its variants. The Company has full rights to sub-license the drug further and will receive full technology transfer.

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

## OVERVIEW

The Group is a biopharmaceutical company that integrates discovery, licensing, clinical development, commercialization and manufacturing of potentially novel or differentiated therapies to address critical unmet medical needs initially in the Asia Pacific markets, and eventually around the world. Since the founding of the Company in July 2017, we have strategically built a portfolio of eleven promising clinical-stage drug candidates across oncology, immunology, cardio-renal disease and infectious disease. We have targeted these four therapeutic areas based on the severity of the unmet medical needs, the size of the at-risk patient population, and the emergence of innovative products globally.

Between January 2021 and January 2022, we have added three new drugs to our portfolio through in-licensing. These are all earlier stage potentially first-in-class or best-in-class drug candidates, to which we have obtained global rights. The licensing deal in mRNA space enables us gaining access to the cutting-edge mRNA platform, which presents significant long-term opportunities for the Group. We will continue to build our portfolio using this strategy as well as advance our own internally discovered assets to clinical stage. We aspire to advance novel therapies for the global market by leveraging our discovery and clinical expertise.

## PRODUCT PIPELINE

Our product pipeline includes eleven potentially first-in-class or best-in-class assets in our four therapeutic areas of focus: oncology, immunology, cardio-renal disease and infectious disease.

The following table summarizes our pipeline and the development status of each drug candidate as of the Latest Practicable Date:

| | Molecule (Modality) | Partner | Commercial Right | Indication | Everest Development Phase | | | | BLA/NDA Application | Clinical Status | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | IND | Phase1 | Phase2 | Phase3 | | Global | APAC |
| Oncology | Trodelvy (sacituzumab govitecan) | GILEAD / Immunomedics | Greater China, South Korea, Mongolia, SE Asia | mTNBC (2L) | | | | | | BLA approved in US, EU, Australia, Canada, Great Britain and Switzerland | NDA approved in Singapore; BLA accepted in China with priority review; NDA submitted in South Korea and Taiwan |
| | | | | HR+/HER2-(3L) | | | | | | Phase 3 | Phase 3 |
| | | | | mUC (2/3L) | | | | | | BLA approved in US | Seek BLA approval based on US approval |
| | | | | NSCLC (1L) | | | | | | Phase 3 | Join Gilead and Merck's trial |
| | | | | Asia basket trial | | | | | | Phase 2 | Phase 2 |
| | | | | mTNBC (1L) | | | | | | Phase 3 | |
| Immunology | FGF401 (Small Molecule) | NOVARTIS | Worldwide | HCC | | | | | | Phase 1/2 | / |
| | Etrasimod (Small Molecule) | ARENA | Greater China, South Korea | Ulcerative Colitis | | | | | | Phase 3 | South Korea and Taiwan included in multi-regional trial |
| | | | | Other autoimmune diseases (CD and AD) | | | | | | Phase 2/3[1] | |
| Cardio-renal | Tarpeyo (Nefecon) (Small Molecule) | calliditas | Greater China, Singapore, South Korea | IgA nephropathy | | | | | | NDA approved in US | Seek NDA approval based on US approval |
| | Ralinepag (Small Molecule) | United Therapeutics | Greater China, South Korea | PAH | | | | | | Phase 3 | |
| | XNW1011 (EVER-001) | Sinovent / SINOMAB | Worldwide | Renal disease | | | | | | | Phase 1b/2 |
| Infectious Disease | PTX-COVID19-B | | Greater China, SE Asia, Pakistan | COVID-19 vaccine | | | | | | Phase 2/3 | |
| | Xerava™ (eravacycline) (Small Molecule) | La Jolla / TETRAPHASE | Greater China, South Korea, SE Asia | cIAI | | | | | | NDA approved in US, EU, UK | NDA approved in Singapore; NDA filed in China and Hong Kong |
| | | | | CABP | | | | | | | Phase 3 |
| | Taniborbactam (Small Molecule) | Venatorx | Greater China, South Korea, SE Asia | cUTI | | | | | | Phase 3 | |
| | SPR206 (Small Molecule) | SPERO THERAPEUTICS | Greater China, South Korea, SE Asia | Gram negative infections | | | | | | Phase 1 | Phase 1 |
| | EDDC-2214 | | Worldwide | COVID-19 oral antiviral treatments | | | | | | Phase 1 | |

Abbreviations: mTNBC=metastatic triple-negative breast cancer; HR+/HER2-=hormone receptor-positive/human epidermal growth factor receptor 2-negative; mUC=metastatic urothelial cancer; NSCLC=non-small cell lung cancer; HCC=hepatocellular carcinoma; CD=Crohn's disease; AD=atopic dermatitis; IgA=immunoglobulin A; PAH=pulmonary arterial hypertension; COVID-19=coronavirus disease 2019; cIAI=complicated intra-abdominal infections; CABP=community-acquired bacterial pneumonia cUTI=complicated urinary tract infections; IND=investigational new drug; BLA=biologics license application; NDA=new drug application; 1L=first-line of treatment; 2L=second-line of treatment; 3L=third-line of treatment; SE Asia=Southeast Asia; US=United States; Greater China=PRC, Hong Kong SAR, Macau SAR and Taiwan.

Note:

(1) Arena is conducting a phase 2/3 program for CD and is planning on initiating a phase 3 development program for AD.

## Business Review

### Business Development

Through our business development efforts, we extended our pipeline in 2021 with two new licensing agreements and a discovery collaboration. One of these new partnerships was with Providence on the rights to their mRNA platform, which includes a COVID-19 vaccine candidate for China and Asia's emerging markets and other vaccines to be developed with global rights for the Company. The second was a global licensing arrangement with Sinovent and SinoMab to develop, produce and commercialize EVER001, a covalent reversible BTK inhibitor for the treatment of renal diseases. The multi-target discovery collaboration we entered into in 2021 was with AbCellera to leverage their AI-powered antibody discovery platform to pursue discovery projects in oncology and renal diseases, enabling us to advance our plans to build our own organic discovery platform.

After the Reporting Period, we entered into a global licensing arrangement to obtain exclusive worldwide rights to develop, manufacture and commercialize EDDC's series of viral 3CL protease inhibitors as a COVID-19 oral antiviral treatment and complements our existing COVID-19 vaccine program, including PTX-COVID19-B.

These agreements reflect our growth strategy to license early-stage assets and secure global rights, allowing us to showcase our discovery efforts and allow the Company to realize value beyond our core Asia Pacific markets, offer potential out-licensing opportunities, further establishing the Company as a leading player in the Asian biotechnology sector.

### Commercialization

Transitioning to the next phase of growth as a commercial-stage company, we have built an industry-leading commercial team under the leadership of our chief commercial officer, Kevin Guo, with three key therapeutical areas in oncology, internal medicines and infectious diseases with shared functions including medical affairs, market access, key account & channel management, strategic planning and commercial excellence.

Our commercial team have been working extensively on launch preparation, optimizing brand and communication strategy, organizing education tactics, and to build brand awareness through engagements with different stakeholders. Meanwhile, access readiness, distribution network building and sale force readiness are well in progress. In oncology, more than 90 symposiums were conducted with about 400 expert speakers and healthcare personnel participating over 300,000 times. With the improvement of awareness and acceptance level among physicians, sacituzumab govitecan has been included in China Anti-cancer Association Committee of Breast Cancer Society (CACA-CBCS) for Clinical Diagnosis and Treatment of Advanced Breast Cancer in China (2021 edition). Simultaneously, key opinion leaders (KOL) engagements and medical education activities about IgAN and cIAI are executed as planned, building advisory endorsement and unmet medical needs among target audience after launch.

Besides Mainland China, we have also expanded our geographical footprint by establishing new offices with general managers and core teams in South Korea, Taiwan and Singapore to ensure commercial success in those markets. We started various activities to educate physicians and promote Trodelvy™ and Xerava™ in Singapore since they obtained NDA approval.

As of 31 December 2021, the headcount of the commercial team reached 128. The team will continue to be further expanded at an appropriate time when approaching the expected approval decision dates for Trodelvy™ and Xerava™ in Mainland China and other Asian markets.

In addition to prioritizing the building of its commercial team, Everest Medicines regards innovation and partnership as the foundation of its strategic roadmap. In July 2021, Everest Medicines entered into a series of strategic collaborations with Tencent, Medbanks and MediTrust in digital platforms, mobile terminals, medical insurance, innovative payment solutions and other initiatives as part of the commercialization pillars. In January 2022, the Company announced a strategic commercialization cooperation with Yuanxin Group. As of the Latest Practicable Date, all major players of third-party payment solution for innovative drug have become the Company's partners. Additionally, Everest reached a strategic cooperation with the Sinopharm Group ("Sinopharm") in January 2022. By leveraging on Sinopharm's pharmaceutical distribution and supply chain services, the Company is well positioned to gain better market access, penetration of lower tier cities and wider coverage of the end market.

**Future Development**

Looking ahead, we will continue to drive progress towards our corporate goal of becoming a leading biopharmaceutical company that integrates discovery, licensing, clinical development, commercialization and manufacturing of globally innovative therapies and vaccines to address critical unmet medical needs, initially in the Asia Pacific markets, and eventually around the world.

In 2022, we will endeavor to work with our partner Gilead on the expansion of new indications for sacituzumab govitecan in mUC, HR+/HER2- mBC, NSCLC and other high TROP-2 expression cancers. Regarding Nefecon, we will file an NDA in China with a view to launching it in 2023. Outside of China, there is the potential to launch PTX-COVID19-B in 2023 in Southeast Asia. Through the licensing of EDDC-2214, we have formed a multi-pronged approach to combat COVID-19, from virus prevention to virus treatment in China and internationally.

We will continue to expand our innovative drug portfolio in areas of high unmet medical needs through in-licensing and organic growth of internal discovery capabilities. We are building our discovery team by recruiting experienced talents in drug discovery and translational research. The team has established collaboration with AbCellera's AI powered antibody discovery

platform to quickly advance to discovery programs. Through our strategic collaboration with Providence, the Company is expanding into vaccine discovery via the use of important mRNA platform in developing mRNA prophylactic vaccines for infectious diseases. Our new research laboratory in Zhangjiang, Shanghai is fully operationalized with 1700 square meter state-of-the-art facility equipped with 1000 square meter of lab space including a BSL-2 lab.

Business development efforts are ongoing as we continue to identify assets and technologies that complement our existing portfolio and offer opportunities for commercial synergy, as well as a potential share of global economics.

We will continue to build our commercial infrastructure with deep expertise, especially in sales, marketing, and medical affairs across therapeutic areas to support our upcoming commercial launch of Trodelvy™ and Xerava™. Meanwhile, we will be actively exploring innovative insurance solutions in addition to finalizing our market access and pricing strategy for Trodelvy™.

We are building our own good manufacturing practice ("GMP")/Good Supply Practice manufacturing facilities in China for mRNA COVID-19 vaccine production and also for other molecules. The mRNA manufacturing facilities is expected to begin production in the second half of 2022.

## Financial Review

***Year Ended 31 December 2021 Compared to Year Ended 31 December 2020***

| | Years Ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **(RMB in thousands)** | |
| Revenue | **54** | — |
| Cost of revenue | **(23)** | — |
| **Gross Profit** | **31** | — |
| General and administrative expenses | **(242,676)** | (277,833) |
| Research and development expenses | **(613,433)** | (377,411) |
| Distribution and selling expenses | **(198,150)** | (33,246) |
| Other income | **4,956** | 1,084 |
| Other gains/(losses) — net | **22,940** | (1,051) |
| **Operating loss** | **(1,026,332)** | (688,457) |
| Finance income/(costs) — net | **24,065** | (31,725) |
| Fair value change in financial instruments issued to investors | **(6,452)** | (4,937,983) |
| **Loss before income tax** | **(1,008,719)** | (5,658,165) |
| Income tax expense | **—** | — |
| **Loss for the year attributable to the equity holders of the Company** | **(1,008,719)** | (5,658,165) |
| Total comprehensive loss for the year attributable to the equity holders of the Company | **(1,121,208)** | (5,246,910) |
| | | |
| ***Non-IFRS measure:*** | | |
| Adjusted loss for the year | **(777,287)** | (602,912) |

## 1. Overview

For the year ended 31 December 2021, the Group recorded a loss of RMB1,008.7 million. The general and administrative expenses were RMB242.7 million for the year ended 31 December 2021 as compared with RMB277.8 million for the year ended 31 December 2020. The research and development expenses of the group were RMB613.4 million for the year ended 31 December 2021, as compared with RMB377.4 million for the year ended 31 December 2020.

## 2. Revenue

For the year ended 31 December 2021, the Group generated revenue of RMB54 thousand from sales of eravacycline in Singapore.

## 3. R&D Expenses

Our R&D expenses increased from RMB377.4 million for the year ended 31 December 2020 to RMB613.4 million for the year ended 31 December 2021. The increase was primarily attributable to (i) increased number of clinical trials of our drug candidates; (ii) expansion of internal discovery team to build in-house R&D capabilities; and (iii) increased costs occurred in the process of technical transfer for our drug candidates.

The following table sets forth the components of our research and development expenses for the periods indicated:

| | Years Ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | (RMB in thousands) | |
| Clinical trial and research expenses | **292,822** | 211,304 |
| Employee benefit expenses | **283,251** | 136,001 |
| Professional expenses | **12,601** | 10,691 |
| Depreciation | **14,149** | 11,973 |
| Office and travelling expenses | **8,891** | 6,683 |
| Others | **1,719** | 759 |
| **Total** | **613,433** | 377,411 |

## 4. Distribution and Selling Expenses

Our distribution and selling expenses increased from RMB33.2 million for the year ended 31 December 2020 to RMB198.2 million for the year ended 31 December 2021. The increase was primarily due to expansion of commercial organization and pre-launch and launch activities carried out for product commercialization.

**5. General and Administrative Expenses**

Our general and administrative expenses decreased from RMB277.8 million for the year ended 31 December 2020 to RMB242.7 million for the year ended 31 December 2021. The decrease was primarily attributable to decreased expenses in relation to the listing of the Company in 2020.

**6. Other Income**

Other income increased from RMB1.1 million for the year ended 31 December 2020 to RMB5.0 million for the year ended 31 December 2021. The increase of other income was primarily attributable to government grants.

**7. Other Gains/(Losses) — Net**

The Group's other gains for the year ended 31 December 2021 was RMB22.9 million, compared to other losses of RMB1.1 million for the year ended 31 December 2020, primarily attributable to foreign exchange gains from operating activities.

**8. Operating Loss**

The operating loss of the Group increased from RMB688.5 million for the year ended 31 December 2020 to RMB1,026.3 million for the year ended 31 December 2021. The increase was primarily attributable to (i) employee remuneration increases in connection with organization expansion; (ii) expanded research and development activities; and (iii) commencement of commercial activities.

**9. Finance Income/(Costs) — Net**

The Group's finance income for the year ended 31 December 2021 was RMB24.1 million, compared to finance costs of RMB31.7 million for the year ended 31 December 2020, primarily attributable to interest income on bank balances.

**10. Fair Value Change in Financial Instruments Issued to Investors**

The Group recorded a loss from fair value change of financial instruments issued to investors of RMB6.5 million for the year ended 31 December 2021 and RMB4,938.0 million for the year ended 31 December 2020. Apart from the preferred shares issued by our subsidiary, EverNov Medicines Limited ("EverNov"), all of the Group's preferred shares were converted to ordinary shares upon the Global Offering of the Company, the loss from fair value change of financial instruments issued to investor for the period ended 31 December 2021 were due to the increase in per share fair value of preferred shares issued by EverNov.

**11. Income Tax Expense**

For the years ended 31 December 2021 and 2020, the Company did not incur any income tax expense as the Company did not generate taxable income in both years.

**12. Loss for the Year Attributable to the Equity Holders of the Company**

The loss for the year attributable to equity holders of the Company decreased by RMB4,649.5 million to RMB1,008.7 million for the year ended 31 December 2021 from RMB5,658.2 million for the year ended 31 December 2020, primarily attributable to the decrease in loss from fair value change of financial instruments issued to investors.

**13. Other Comprehensive (Loss)/Income**

Other comprehensive loss for the year ended 31 December 2021 was RMB112.5 million, compared to other comprehensive income of RMB411.3 million for the year ended 31 December 2020. Such change was primarily attributable to decreased fair value change from Group's equity investment in I-Mab Biopharma ("I-Mab") on 31 December 2021 comparing to 31 December 2020, which is measured based on quoted market share price of I-Mab and such change is recorded in other comprehensive income.

**14. Total Comprehensive Loss for the Year Attributable to the Equity Holders of the Company**

As a result of the foregoing, the Group's loss for the year ended 31 December 2021 was RMB1,121.2 million, compared to a loss for the year ended 31 December 2020 was RMB5,246.9 million.

**15. Non-IFRS Measure**

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS, the Company also uses adjusted loss for the year, which is not required by, or presented in accordance with the IFRS. The Company believes that the adjusted loss for the year provides useful information to shareholders and potential investors in understanding and evaluating the Group's consolidated results of operations.

Adjusted loss for the year represents the loss for the year attributable to the equity holders of the Company excluding the effect of certain non-cash items and one-time events, namely the loss on fair value changes in financial instruments issued to investors and share-based compensation expenses. The term adjusted loss for the year is not defined under the IFRS. The use of this non-IFRS measures have limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS. The Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. However, the Company believes that this measure is a reflection of the Group's normal operating results by eliminating potential impacts of items that the management do not consider to be indicative of the Group's operating performance, and thus facilitate comparisons of operating performance from period to period and company to company to the extend applicable.

The table below sets forth a reconciliation of the loss for the year attributable to the equity holders of the Company to adjusted loss for the year during the periods indicated:

| | Years Ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **(RMB in thousands)** | |
| Loss for the year attributable to the equity holders of the Company | **(1,008,719)** | (5,658,165) |
| Added: | | |
| Loss on fair value changes in financial instruments issued to investors | **6,452** | 4,937,983 |
| Share-based compensation expenses | **224,980** | 117,270 |
| **Adjusted loss for the year** | **(777,287)** | (602,912) |

## 16. Liquidity and Source of Funding

As of 31 December 2021, the Group's cash and cash equivalents decreased to RMB2,640.1 million from RMB4,481.1 million as of 31 December 2020. The decrease primarily resulted from upfront payments to Providence, Sinovent and Sinomab in connection with the licensing agreements we entered into in 2021, investment in ongoing R&D projects, commercialization activities and other business related activities.

As of 31 December 2021, the current assets of the Group were RMB2,687.9 million, including bank balances and cash of RMB2,640.1 million and other current assets of RMB47.8 million. As of 31 December 2021, the current liabilities of the Group were RMB270.3 million, including trade payable of RMB241.4 million, lease liabilities of RMB28.3 million and amounts due to related party of RMB0.6 million. As of 31 December 2021, the Group has borrowings from Jiashan Shanhe Equity Investment Company ("Jiashan Shanhe") of RMB360.9 million.

Details of cash and cash equivalents are set out in Note 20 to the consolidated financial statements.

***Operating Activities***

Net cash used in our operating activities for the year ended 31 December 2021 was RMB729.9 million. Our net loss was RMB1,008.7 million for the same period. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to (i) changes in the working capital and (ii) partially offset by share-based compensation to employees in the amount of RMB225.0 million.

Net cash used in our operating activities for the year ended 31 December 2020 was RMB471.9 million. Our net loss was RMB5,658.2 million for the same year. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to (i) the fair value loss of financial instruments in the amount of RMB4,938.0 million and (ii) increased share-based compensation to employees in the amount of RMB102.4 million.

***Investing Activities***

Net cash used in investing activities for the year ended 31 December 2021 was RMB975.8 million, attributable to purchase of intangible assets of RMB865.9 million mainly in connection with (i) payments of USD100 million (equivalent to RMB645.2 million) to Providence for the comprehensive agreement the Company entered on 13 September 2021; (ii) payment of USD12 million (equivalent to RMB77.4 million) to Sinovent and Sinomab for the licensing agreement of a novel BTK inhibitor in renal diseases signed on 16 September 2021; and (iii) milestone payment for taniborbactam and Nefecon.

Net cash used in investing activities for the year ended 31 December 2020 was RMB520.0 million, primarily attributable to our purchase of intangible assets of RMB475.9 million in connection with our milestone payment for sacituzumab govitecan.

***Financing Activities***

Net cash used in financing activities for the year ended 31 December 2021 was RMB76.5 million, primarily attributable to share buy-back of RMB58.7 million.

Net cash generated from financing activities for the year ended 31 December 2020 was RMB5,637.9 million, primarily attributable to the Global Offering and Series C financing.

## 17. Treasury Policy

Majority of our cash arises from equity funding. Such cash can only be invested in relatively liquid and low-risk instruments such as bank deposits or money market instruments. The primary objective of our investments is to generate finance income at a yield higher than the interest rate of current bank deposits, with an emphasis on preserving principal and maintaining liquidity.

## 18. Key Financial Ratios

The following table sets forth the key financial ratios for the periods indicated:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Current ratio[(1)] | **9.95** | 24.06 |

Note:

(1) Current ratio is calculated using current assets divided by current liabilities as of the same date.

Gearing ratio is calculated using interest-bearing borrowings less bank balances and cash, divided by total equity and multiplied by 100%. As at 31 December 2021, the Group was in a net cash position and thus, gearing ratio is not applicable.

**19. Significant Investments**

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 31 December 2021) for the year ended 31 December 2021.

**20. Material Acquisitions and Disposals**

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the year ended 31 December 2021.

**21. Future Plans for Material Investments or Capital Asset**

Except as disclosed in this annual report, the Company has no other future plans for material investments and capital assets.

The construction of quality control building, production building, warehouse building and other facilities of Jiashan manufacturing site is ongoing and we will continue the build as well as equipment installation.

**22. Pledge of Assets**

As at 31 December 2021, the land for our Jiashan manufacturing facility has been pledged to Jiashan Shanhe.

**23. Contingent Liabilities**

The Group had no material contingent liabilities as of 31 December 2021.

**24. Foreign Exchange Exposure**

The Company's functional currency is United States Dollars and the functional currency of the Company's subsidiaries in China is Renminbi. For the year ended 31 December 2021, the Group mainly operated in China and the majority of the transactions were settled in Renminbi, the functional currency of the operating entities. Our financial assets and liabilities are subject to foreign currency risk as a result of certain bank deposits and trade and other payables denominated in non-functional currency. Therefore, the fluctuations in the exchange rate of functional currency against non-functional currency could affect our results of operations. We have not entered into any hedging transactions to manage the potential fluctuation in foreign currency as at 31 December 2021.

# Report of Directors

The Board is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended 31 December 2021.

## DIRECTORS

The Directors who held office during the year ended 31 December 2021 and up to the Latest Practicable Date are:

### Executive Directors:

Mr. Wei Fu (傅唯) *(Chairman of the Board)*
Dr. Kerry Levan Blanchard
Mr. Ian Ying Woo (何穎)
Mr. Xiaofan Zhang (張曉帆)

### Non-Executive Directors:

Mr. Yubo Gong (龔聿波)
Ms. Lan Kang (康嵐)

### Independent Non-Executive Directors:

Mr. Shidong Jiang (蔣世東)
Mr. Yifan Li (李軼梵)
Mr. Bo Tan (譚擘)

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 50 to 56 of this annual report.

In accordance with Article 16.19 of the Article of Association, Dr. Kerry Levan Blanchard, Mr. Yubo Gong and Mr. Shidong Jiang shall retire at the AGM. All of the above Directors, being eligible, will offer themselves for re-election at the AGM.

## CHANGES IN DIRECTORS' INFORMATION

Changes in Directors' information are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

| Name of Director | Details of Change |
|---|---|
| Ms. Lan Kang | appointed as a non-executive board director of I-MAB Biopharma (NASDAQ: IMAB) on 31 August 2021 and an independent board director of Avantor (NYSE: AVTR) on 14 May 2021. |
| Mr. Shidong Jiang | appointed as the head of sales and marketing of Beijing Astellas Medical Co., Ltd. on 1 January 2022. |
| Mr. Wei Fu | resigned as a director of Everest Medicines II (BVI) Limited, a subsidiary of the Group, which was deregistered on 19 November 2021. |
| Mr. Yifan Li | resigned as an independent director of Shanghai International Port Group Co., Ltd. (SSE: 600018) on 15 September 2021. |

Save as disclosed above, the Company is not aware of other changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 14 July 2017 as an exempted company with limited liability. The Company's Shares were listed on the Main Board of the Stock Exchange on 9 October 2020.

## PRINCIPAL ACTIVITIES

We are a biopharmaceutical company that integrates licensing, clinical development and commercialization of potentially novel or differentiated therapies to address critical unmet medical needs in Greater China and other emerging Asia Pacific markets.

## RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of comprehensive loss on page 78 of this annual report.

## BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 6 and pages 15 to 25 of this report. These discussions form part of this report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Important Events After the Reporting Period" on page 49 in this 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:

- the financial position and need for additional capital;
- uncertain outcomes of clinical development of our drug candidates;
- its ability to identify, discover or in-license new drug candidates;

- all material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated;
- commercialization of our drug candidates;
- reliance on our business partners and third parties;
- the patent and other intellectual property protection for our drug candidates; and
- risks related to industry, business and operations.

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

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth.

For more details, please refer to the Environmental, Social and Governance Report to be published by the Company in due course.

## 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. For the year ended 31 December 2021, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

## EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 405 (2020: 149) employees, 384 based in China, 10 based in the United States, 6 based in South Korea, 3 based in Singapore, 1 based in France and 1 based in Indonesia, including a total of 60 employees with a Ph.D. degree or an M.D. degree.

The following table sets forth the total number of employees by function as of 31 December 2021:

| Function | Number of employees | % of total |
|---|---|---|
| Business Development | 7 | 1.73% |
| Clinical Development | 127 | 31.36% |
| Commercialization | 128 | 31.60% |
| Chemistry, Manufacturing, and Controls | 20 | 4.94% |
| Discovery | 26 | 6.42% |
| Operations and Administrative | 97 | 23.95% |
| **Total** | **405** | **100%** |

The remuneration of the employees of the Group comprises salaries, bonuses, social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees.

Employees are important resources for the Group's sustainable operation and steady development. The Company has formulated policies related to employees' remuneration, rights and interests and conducted various staff training, details of which are further set out in the Environmental, Social and Governance Report to be published by the Company in due course.

The Company has also adopted the Share Schemes to provide incentives for the Group's employees. Please refer to the sections headed "Pre-IPO Share Incentive Plans" and "Post-IPO Share Incentive Plans" on pages 37 to 39 and pages 40 to 44 in this report for further details.

The total remuneration cost incurred by the Group for the year ended 31 December 2021 was RMB574.8 million, as compared to RMB309.3 million for the year ended 31 December 2020.

For the year ended 31 December 2021, the Group did not experience any significant labour arbitration or litigation or any difficulty in recruiting employees.

## MAJOR CUSTOMERS AND SUPPLIERS

We have generated revenue from eravacycline sales in Singapore during the Reporting Period of RMB54 thousand. 100% of sales are generated from Apex Pharma Marketing Pte. Ltd in Singapore.

For the year ended 31 December 2021, purchases from the Group's five largest suppliers accounted for approximately 21.1% (2020: 33.9%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended 31 December 2021 accounted for approximately 7.3% (2020: 10.2%) of the Group's total purchase amount for the same year.

None of the Directors, their respective close associates, or any shareholder of the Company 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.

For the year ended 31 December 2021, the Group did not experience any significant disputes with its customers or suppliers.

## FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out on page 176 of this annual report. This summary does not form part of the audited consolidated financial statements.

## PRE-EMPTIVE RIGHTS

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

## TAX RELIEF AND EXEMPTION

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

## SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 1 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group for the year ended 31 December 2021 are set out in Note 13 to the consolidated financial statements.

## SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended 31 December 2021 and details of the Shares issued for the year ended 31 December 2021 are set out in Note 25 to the consolidated financial statements.

## DONATION

For the year ended 31 December 2021, the Group made nil charitable donation (2020: RMB0.1 million).

## DEBENTURE ISSUED

The Group did not issue any debenture for the year ended 31 December 2021.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Pre-IPO Share Incentive Scheme" and "Post-IPO Share Incentive Schemes" as set out on pages 37 to 39 and pages 40 to 44 in this annual report, no equity-linked agreements were entered into by the Group, or existed for the year ended 31 December 2021.

## DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2021. No dividend was paid or declared by the Company or other members of the Group for the year ended 31 December 2020.

No shareholder has waived or agreed to waive any dividends for the year ended 31 December 2021.

## PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the year ended 31 December 2021. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

## DISTRIBUTABLE RESERVES

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

As at 31 December 2021, the Company had distributable reserves for share premium of RMB13,623,367 (2020: RMB13,392,531).

Reference is made to page 25 of the annual report of the Company for the year ended 31 December 2020 published on 29 April 2021 (the "2020 Annual Report") in respect of the Company's distributable reserves. The Company would like to clarify that as at 31 December 2020, the Company had distributable reserves for share premium of RMB13,392,531. Save as disclosed above, all other information in the 2020 Annual Report remains unchanged.

Details of movements in the reserves of the Group and the Company for the year ended 31 December 2021 are set out in the consolidated statement of changes in equity on page 81 and in Note 27 to the consolidated financial statements, respectively.

## BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2021 are set out in Note 23 to the consolidated financial statements.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date or until the third annual general meeting of the Company since the Listing Date (whichever is sooner), upon which their service contracts will be automatically renewed for successive periods of three years. Either party has the right to give not less than three months' written notice to terminate the contract.

Mr. Yubo Gong, a non-executive Director, has signed a letter of appointment with the Company for an initial term of three years with effect from the date of Prospectus or until the third annual general meeting of the Company since the Listing Date (whichever is sooner), upon which his appointment will be automatically renewed for successive periods of three years. Either party has the right to give not less than three months' written notice to terminate the contract. Ms. Lan Kang, a non-executive Director has signed a letter of appointment with the Company for an initial term of three years with effect from the date of her letter of appointment or until the third annual general meeting of the Company since the Listing Date (whichever is sooner), upon which her appointment will be automatically renewed for successive periods of three years. Either party has the right to give not less than three months' written notice to terminate the contract.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the date of the Prospectus until the third annual general meeting of the Company the Listing Date (whichever is sooner) unless terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' notice in writing.

The above appointments are always subject to the provisions of retirement and rotation of directors under the Articles of Association.

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

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

Save as disclosed in Note 9 to the consolidated financial statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting for the year ended 31 December 2021.

## CONTRACTS WITH CONTROLLING SHAREHOLDERS

CBC Group is the Controlling Shareholders of our Company. Save as disclosed in the Prospectus and in this annual report, to the best knowledge and belief of our Directors, CBC Group has no contracts of significance with us apart from their interest in our Company.

## 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 for the year ended 31 December 2021.

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

As at 31 December 2021, the interests and short positions of the Directors or chief executives of the Company in any of the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

| Name of Director | Capacity/Nature of interest | Number of ordinary shares | Approximate percentage of holding[8] | Long position/ Short position |
|---|---|---|---|---|
| Mr. Wei Fu[1] | Founder of a discretionary trust who can influence how the trustee exercises his discretion | 133,932,652 | 44.87% | Long position |
| Dr. Kerry Levan Blanchard[2] | Beneficial owner | 4,733,196 | 1.59% | Long position |
| Mr. Ian Ying Woo[3] | Beneficial owner | 448,403 | 0.15% | Long position |
| Mr. Xiaofan Zhang[4] | Beneficial owner | 2,692,305 | 0.90% | Long position |
| Mr. Shidong Jiang[5] | Beneficial owner | 20,000 | 0.01% | Long position |
| Mr. Yifan Li[6] | Beneficial owner | 20,000 | 0.01% | Long position |
| Mr. Bo Tan[7] | Beneficial owner | 20,000 | 0.01% | Long position |

Notes:

(1) The sole shareholder of C-Bridge Investment Everest Limited is C-Bridge Healthcare Fund II, L.P. while its General Partner is C-Bridge Healthcare Fund GP II, L.P.. The General Partner of C-Bridge Healthcare Fund GP II, L.P. is C-Bridge Capital GP, Ltd. while TF Capital, Ltd. and TF Capital II, Ltd. ("TF Capital II") jointly have controlling interest in it. Nova Aqua Limited has a controlling interest in TF Capital II. C-Bridge IV Investment Two Limited and C-Bridge IV Investment Nine Limited is wholly owned by C-Bridge Healthcare Fund IV, L.P. ("CBH IV"). The General Partner of CBH IV is C-Bridge Healthcare Fund GP IV, L.P. which is under the management by its General Partner C-Bridge Capital GP IV, Ltd. ("CBC IV"). The controlling shareholder of CBC IV is TF Capital IV Ltd. which is wholly owned by Nova Aqua Limited. Everest Management Holding Co., Ltd. is owned as to 78.32% by C-Bridge Joint Value Creation Limited. C-Bridge Joint Value Creation Limited is wholly-owned by Nova Aqua Limited. The sole shareholder of C-Bridge IV Investment Sixteen Limited is Nova Aqua Limited. The entire interest in Nova Aqua Limited is held by Vistra Trust (Singapore) Pte. Limited as trustee for a trust established by Mr. Wei Fu (as settlor) for the benefit of Mr. Wei Fu and his family.

(2) Dr. Kerry Levan Blanchard's entitlement to receive up to 3,250,000 shares and 1,483,196 shares pursuant to the exercise of options under the Pre-IPO Share Schemes and the Post-IPO Share Option Scheme respectively, subject to the conditions of those options. The exercise prices of these options are USD2.26 (up to 250,000 shares), USD3.24 (up to 3,000,000 shares) and HKD72.49 (up to 1,483,196 shares).

(3) Mr. Ian Ying Woo's entitlement to receive up to 110,000 shares and 338,403 shares pursuant to the exercise of options under the Pre-IPO Share Schemes and the Post-IPO Share Option Scheme respectively, subject to the conditions of those options. The exercise prices of these options is USD2.26 (up to 110,000 shares) and HKD72.49 (up to 338,403 shares).

(4) Mr. Xiaofan Zhang's entitlement to receive up to 2,353,902 shares and 338,403 shares pursuant to the exercise of options under the Pre-IPO Share Schemes and Post-IPO Share Option Scheme respectively, subject to the conditions of those options. The exercise prices of these options is USD0.18 (up to 2,353,902 shares) and HKD72.49 (up to 338,403 shares).

(5) Mr. Shidong Jiang's entitlement to receive up to 20,000 shares pursuant to the exercise of options under the Post-IPO Share Option Scheme, subject to the conditions of those options. The exercise price of these options is HKD72.49.

(6) Mr. Yifan Li's entitlement to receive up to 20,000 shares pursuant to the exercise of options under the Post-IPO Share Option Scheme, subject to the conditions of those options. The exercise price of these options is HKD72.49.

(7) Mr. Bo Tan's entitlement to receive up to 20,000 shares pursuant to the exercise of options under the Post-IPO Share Option Scheme, subject to the conditions of those options. The exercise price of these options is HKD72.49.

(8) The calculation is based on the total number of 298,522,435 Shares in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

As at 31 December 2021, so far as the Directors are aware, the interests or short positions of every person (other than Directors or chief executives of the Company) in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange:

| Name of Shareholder | Capacity/Nature of interest | Number of ordinary shares | Approximate percentage of holding[5] | Long position/ Short position |
|---|---|---|---|---|
| VISTRA TRUST (SINGAPORE) PTE. LIMITED[1] | Trustee and other | 133,932,652 | 44.87% | Long position |
| Nova Aqua Limited[1] | Interest in a controlled corporation | 133,932,652 | 44.87% | Long position |
| C-Bridge Capital GP, Ltd.[1][2] | Interest in a controlled corporation | 52,777,778 | 17.68% | Long position |
| C-Bridge Healthcare Fund GP II, L.P.[1] | Interest in a controlled corporation | 52,777,778 | 17.68% | Long position |
| C-Bridge Healthcare Fund II, L.P.[1] | Interest in a controlled corporation | 52,777,778 | 17.68% | Long position |
| C-Bridge Investment Everest Limited[1] | Beneficial owner | 52,777,778 | 17.68% | Long position |
| TF Capital II Ltd.[1] | Interest in a controlled corporation | 52,777,778 | 17.68% | Long position |
| TF Capital, Ltd.[2] | Interest in a controlled corporation | 52,777,778 | 17.68% | Long position |
| Dan Yang[2] | Interest in a controlled corporation | 52,777,778 | 17.68% | Long position |
| Kang Hua Investment Company Limited[2] | Interest in a controlled corporation | 52,777,778 | 17.68% | Long position |
| C-Bridge Capital GP IV, Ltd.[1] | Interest in a controlled corporation | 52,522,482 | 17.59% | Long position |
| C-Bridge Healthcare Fund GP IV, L.P.[1] | Interest in a controlled corporation | 52,522,482 | 17.59% | Long position |
| C-Bridge Healthcare Fund IV, L.P.[1] | Interest in a controlled corporation | 52,522,482 | 17.59% | Long position |
| TF Capital IV Ltd.[1] | Interest in a controlled corporation | 52,522,482 | 17.59% | Long position |
| C-Bridge IV Investment Two Limited[1] | Beneficial owner | 37,244,704 | 12.48% | Long position |
| C-Bridge Joint Value Creation Limited[1] | Interest in a controlled corporation | 24,005,392 | 8.04% | Long position |

| Name of Shareholder | Capacity/Nature of interest | Number of ordinary shares | Approximate percentage of holding[5] | Long position/ Short position |
|---|---|---|---|---|
| Everest Management Holding Co., Ltd.[1] | Beneficial owner | 24,005,392 | 8.04% | Long position |
| Anna Inge Leonore Haas Kolchinsky[3] | Interest of spouse | 22,744,611 | 7.62% | Long position |
| Peter Kolchinsky[3] | Beneficiary of a trust (other than a discretionary interest) | 22,744,611 | 7.62% | Long position |
| RA Capital Management, L.P.[3] | Investment manager | 22,744,611 | 7.62% | Long position |
| RA Capital Healthcare Fund GP, LLC[3] | Interest in a controlled corporation | 21,162,033 | 7.09% | Long position |
| RA Capital Healthcare Fund, L.P.[3] | Beneficial owner | 21,162,033 | 7.09% | Long position |
| Wellington Management Group LLP[4] | Investment manager | 17,531,529 | 5.87% | Long position |
| Janchor Partners Limited | Investment manager | 17,421,444 | 5.84% | Long position |
| C-Bridge IV Investment Nine Limited[1] | Beneficial owner | 15,277,778 | 5.12% | Long position |

Notes:

(1) The sole shareholder of C-Bridge Investment Everest Limited is C-Bridge Healthcare Fund II, L.P. while its General Partner is C-Bridge Healthcare Fund GP II, L.P.. The General Partner of C-Bridge Healthcare Fund GP II, L.P. is C-Bridge Capital GP, Ltd. while TF Capital, Ltd. and TF Capital II jointly have controlling interest in it. Nova Aqua Limited has a controlling interest in TF Capital II. C-Bridge IV Investment Two Limited and C-Bridge IV Investment Nine Limited is wholly owned by CBH IV. The General Partner of CBH IV is C-Bridge Healthcare Fund GP IV, L.P. which is under the management by its General Partner CBC IV. The controlling shareholder of CBC IV is TF Capital IV Ltd. which is wholly owned by Nova Aqua Limited. Everest Management Holding Co., Ltd. is owned as to 78.32% by C-Bridge Joint Value Creation Limited. C-Bridge Joint Value Creation Limited is wholly-owned by Nova Aqua Limited. The sole shareholder of C-Bridge IV Investment Sixteen Limited is Nova Aqua Limited. The entire interest in Nova Aqua Limited is held by Vistra Trust (Singapore) Pte. Limited as trustee for a trust established by Mr. Wei Fu (as settlor) for the benefit of Mr. Wei Fu and his family.

(2) TF Capital, Ltd. has controlling interest in C-Bridge Capital GP, Ltd.. Kang Hua Investment Company Limited has controlling interest in TF Capital, Ltd. Mr. Dan Yang is the sole shareholder of Kang Hua Investment Company Limited.

(3) The investment manager of RA Capital Healthcare Fund, L.P. is RA Capital Management L.P. ("RAC Management"). Mr. Peter Kolchinsky has controlling interest in RAC Management. Ms. Anna Inge Leonore Kolchinsky is Mr. Peter Kolchinsky's spouse. RA Capital Healthcare Fund GP, LLC is the general partner of RA Capital Healthcare Fund, L.P..

(4) The investment manager of Wellington Group Holdings LLP is Wellington Management Group LLP. Wellington Group Holdings LLP has controlling interests in Wellington Investment Advisors Holdings LLP which in turn has controlling interest in Wellington Management Global Holding, Ltd, and Wellington Management Company LLP. The sole shareholder of Wellington Management Singapore Pet. Ltd is Wellington Management Global Holding, Ltd.

(5) The calculation is based on the total number of 298,522,435 Shares in issue as at 31 December 2021.

Save as disclosed above, as at the date 31 December 2021 based on publicly available information, no other person (other than the Directors or chief executives of the Company) had an interest or short position in the shares or 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 required to be kept under section 336 of the SFO.

## PRE-IPO SHARE INCENTIVE PLANS

### 1. Pre-IPO MSOP

The purpose of the Pre-IPO MSOP is to advance the interests of the Company by providing for the grant to participants of the options, and to motivate the selected participants to contribute to the Company's growth and development. The Pre-IPO MSOP, which will be in the form of options, will enable the Company to recruit, incentivize and retain key employees.

Further details of the Pre-IPO MSOP are set out in the Prospectus and Note 26 to the consolidated financial statements.

A summary of the principal terms of the Pre-IPO MSOP is set out below:

**Eligible Participants**

Those eligible to participate in the Pre-IPO MSOP include employees, officers, directors, contractors, advisors or consultants of the Group as determined, authorized and notified by the Board or a committee authorized by the Board (the "Committee"). The Board or the Committee may, from time to time select from among all eligible individuals ("Participants") to whom awards in the form of options ("Options") will be granted ("Grantees") and will determine the nature and amount of each grant.

**Maximum Number of Shares Available for Issue under the Pre-IPO MSOP**

The maximum number of Shares in respect of which Options may be granted under this Pre-IPO MSOP shall not exceed 5,048,779 Shares in the aggregate, subject to any adjustments in the event of any alteration in the capital structure of the Company.

No Employee shall be granted an Option which, if exercised in full, would result in such Employee becoming entitled to subscribe for an aggregate number of Shares (including all previous Options) exceeding 10% of the aggregate number of Shares for the time being issued and issuable under the Pre-IPO MSOP.

**Price**

The strike price of the Options shall be US$0.18.

**Life of the Pre-IPO MSOP**

The term of the Pre-IPO MSOP commenced on 23 November 2017 (the "Adoption Date") and will expire on the tenth anniversary of the Adoption Date. Upon expiry of the Pre-IPO MSOP, no further Options will be granted but any Option that is outstanding shall remain in force according to the terms of the Pre-IPO MSOP and the Options shall be exercised in accordance with the terms upon which the Options are granted.

As at 31 December 2021, the remaining life of the Pre-IPO MSOP was approximately 6 years.

## 2. Pre-IPO ESOP

The purpose of the Pre-IPO ESOP is to advance the interests of the Company by providing for the grant to participants of the Awards (defined below), and to motivate the selected participants to contribute to the Company's growth and development. The Pre-IPO ESOP, which will be in the form of Options (defined below) and RSU (defined below), will enable the Company to recruit, incentivize and retain key employees.

Further details of the Pre-IPO ESOP are set out in the Prospectus.

A summary of the principal terms of the Pre-IPO ESOP is set out below:

**Eligible Participants**

Those eligible to participate in the Pre-IPO ESOP include employees, officers, directors, contractors, advisors or consultants of the Group as determined, authorized and notified by the Board or a committee authorized by the Board (the "Committee"). The Board or the Committee may, from time to time select from among all eligible individuals ("Participants") to whom awards ("Awards") in the form of options ("Options") and restricted stock units ("RSU"), will be granted ("Grantees") and will determine the nature and amount of each grant.

**Maximum Number of Shares Available for Issue under the Pre-IPO Employee Share Option Plan**

The maximum number of Shares in respect of which Awards may be granted under this Pre-IPO ESOP shall not exceed 22,932,908 Shares in the aggregate, subject to any adjustments in the event of any alteration in the capital structure of the Company.

No employee shall be granted an Award which, if exercised in full, would result in such employee becoming entitled to subscribe for an aggregate number of Shares (including all previous Awards) exceeding 10% of the aggregate number of Shares for the time being issued and issuable under the Pre-IPO ESOP.

The Pre-IPO Employee Share Option Plan may be altered in any respect by the prior approval of the Board provided that no such alteration shall operate to affect adversely the terms of issue of any Award granted or agreed to be granted prior to such alteration, except with the consent or sanction of such majority of the Grantees as would be required of the shareholders of the Company under the Memorandum and Articles for the time being of the Company for a variation of the rights attached to the Shares.

**Price**

The strike price of the Options and RSUs shall be approved by the Board and shall be set out in the offer letter.

**Life of the Pre-IPO Employee Share Option Plan**

The term of the Pre-IPO ESOP commenced on 25 December 2018 and will expire on the tenth anniversary (being 25 December 2028). Upon expiry of the Pre-IPO Employee Share Option Plan, no further Awards will be granted but any Award that is outstanding shall remain in force according to the terms of the Pre-IPO ESOP and the Awards shall be exercised or settled in accordance with the terms upon which the Awards are granted.

As at 31 December 2021, the remaining life of the Pre-IPO ESOP was approximately 7 years.

**Outstanding Share Options and RSU under Pre-IPO Share Incentive Plans**

As at 31 December 2021, the Company had share options outstanding under the Pre-IPO Share Schemes to subscribe for an aggregate of 19,365,757 shares granted to 105 grantees (including Directors, senior management, other connected persons of the Company and other employees of the Company). The exercise price of the share options under the Pre-IPO Share Schemes is between US$0.18 to US$3.24.

The table below shows the details of share options granted to the Directors and other employees under the Pre-IPO Share Schemes:

| Name or category of grantees | Date of Grant | Vesting Period | Exercise Price (USD) | Number of Shares underlying options outstanding as at 1 January 2021 | Number of options exercised during the Reporting Period and the exercise price | Number of options lapsed during the Reporting Period | Number of options cancelled during the Reporting Period | Number of Shares underlying option outstanding as at 31 December 2021 |
|---|---|---|---|---|---|---|---|---|
| Kerry Levan Blanchard | 16 July 2020 | 4 years[1] | 2.26–3.24 | 3,250,000 | – | – | – | 3,250,000 |
| Ian Ying Woo | 16 July 2020 | 4 years[2] | 2.26 | 110,000 | – | – | – | 110,000 |
| Xiaofan Zhang | 6 March 2020; 16 July 2020 | 4 years[1] | 0.18 | 2,353,902 | – | – | – | 2,353,902 |
| Other 102 individuals | Between 23 November 2017 to 31 July 2020 | 4 years[1] | 0.18–3.24 | 15,667,274 | 1,581,647 | 433,772 | – | 13,651,855 |

Notes:

(1) A portion of options granted subject to immediate vesting upon Listing.

(2) All options granted subject to immediate vesting upon Listing.

As at 31 December 2021, the Company had RSUs with an aggregate of 3,248,021 underlying Shares outstanding pursuant to the Pre-IPO Share Schemes. For further details of the RSU granted under the Pre-IPO ESOP during the Reporting Period, please refer to the announcements published by the Company on 22 June 2021 and 15 July 2021.

## POST-IPO SHARE INCENTIVE PLANS

### 1. Post-IPO Share Option Scheme

The purpose of the Post-IPO Share Option Scheme is to provide Eligible Persons (defined below) with the opportunity to acquire proprietary interests in our Company and to encourage the Eligible Person to work towards enhancing the value of our Company and our Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to Eligible Persons.

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

A summary of the principal terms of the Post-IPO Share Option Scheme is set out below:

**Eligible Participants**

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of our Group or any of our Group's affiliates who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options ("Eligible Person(s)").

However, no individual who is resident in a place where the grant, acceptance, vesting or exercise of options pursuant to the Post-IPO Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

**Maximum Number of Shares**

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of our Company is 28,369,038, being no more than 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes) (the "Option Scheme Mandate Limit"). Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of our Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of our Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the "Option Scheme Limit"). No options may be granted under any schemes of our Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

The Option Scheme Mandate Limit may be refreshed at any time subject to prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the Option Scheme Mandate Limit as refreshed cannot exceed 10% of the Shares in issue as at the date of such approval. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, canceled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

Our Company may also seek separate approval of our Shareholders in general meeting for granting options beyond the Option Scheme Mandate Limit, provided such grant is to Eligible Person specifically identified by our Company before the aforesaid Shareholders' meeting where such approval is sought.

**Limit of Each Participant**

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company to each Eligible Person (including both exercised and outstanding options) in any 12 month period shall not exceed 1% of the total number of Shares in issue (the "Individual Limit"). Any further grant of options to an Eligible Person which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Person (including exercised, canceled and outstanding options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders in general meeting (with such Eligible Persons and their associates abstaining from voting).

**Life of the Post-IPO Share Option Scheme**

The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted), but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Post-IPO Share Option Scheme.

As at 31 December 2021, the remaining life of the Post-IPO Share Option Scheme was approximately 9 years.

**Option Period**

Option period (a period within which an option may be exercised) is to be determined and notified by the Board to each grantee at the time of making an offer, and shall not expire later than 10 years from the grant of the option.

**Grant of Option**

The Board or its delegates shall be entitled to make an offer, which shall specify the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part.

**Exercise Price**

The exercise price of each option will be determined by the Board or its delegate(s). Options, once granted, may be repriced only in accordance with the applicable requirements of the Post-IPO Share Option Scheme and the Grant Agreement.

**Consideration**

An amount of HKD1.00 is payable by the grantees upon acceptance of the awards granted under the Post-IPO Share Option Scheme.

The table below shows the details of share options granted to the Directors and other employees under the Post-IPO Share Option Scheme:

| Name or category of grantees | Date of Grant | Vesting Period | Option Term | Exercise Price (HKD) | Number of Shares underlying options outstanding as of 1 January 2021 | Number of Shares underlying options granted during the Reporting Period | Number of options exercised during the Reporting Period | Number of options lapsed during the Reporting Period | Number of options cancelled during the Reporting Period | Number of Shares underlying option outstanding as of 31 December 2021 | Closing price of the Shares immediately before the date of grant (HKD) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Kerry Levan Blanchard | 14 July 2021 | 4 years | 7 years | 72.49 | 0 | 1,483,196 | – | – | – | 1,483,196 | 72.30 |
| Ian Ying Woo | 14 July 2021 | 4 years | 7 years | 72.49 | 0 | 338,403 | – | – | – | 338,403 | 72.30 |
| Xiaofan Zhang | 14 July 2021 | 4 years | 7 years | 72.49 | 0 | 338,403 | – | – | – | 338,403 | 72.30 |
| Shidong Jiang | 14 July 2021 | 1 year | 7 years | 72.49 | 0 | 20,000 | – | – | – | 20,000 | 72.30 |
| Yifan Li | 14 July 2021 | 1 year | 7 years | 72.49 | 0 | 20,000 | – | – | – | 20,000 | 72.30 |
| Bo Tan | 14 July 2021 | 1 year | 7 years | 72.49 | 0 | 20,000 | – | – | – | 20,000 | 72.30 |
| Other 7 individuals | Between 6 May 2021 to 14 July 2021 | 4 years | 7 years | 67.97–72.49 | 0 | 1,730,337 | – | – | – | 1,730,337 | 65.20–72.30 |

For further details of the share options granted under the Post-IPO Share Option Scheme during the Reporting Period, please refer to the announcements published by the Company on 7 May 2021 and 15 July 2021.

## 2. Post-IPO Share Award Scheme

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

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

A summary of the principal terms of the Post-IPO Share Award Scheme is set out below:

**Eligible Participants**

Any individual, being an employee, director, officer, consultant, adviser, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of our Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them) who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to our Group is eligible to receive an Award (as defined below). However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Post-IPO Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO Share Award Scheme.

**Maximum Number of Shares**

The maximum aggregate number of Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding Shares which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 14,184,519 Shares (representing approximately 5% of the total issued Shares immediately after completion of the global offering, assuming the Over-allotment Option is not exercised and no Share are issued pursuant to the Share Schemes) without further Shareholders' approval (the "Share Award Scheme Limit"), subject to an annual limit of 2% of the total number of issued Shares of the relevant times.

**Limit of Each Participant**

Save as otherwise restricted by the Share Award Scheme Limit or the Listing Rules, there shall be no limit on the total number of non-vested Shares that may be granted to a selected participant under the Scheme.

**Life of the Post-IPO Share Award Scheme**

The Post-IPO Share Award Scheme shall be valid and effective for ten years from the Listing Date (the "Award Period") (after which no Awards will be granted), and thereafter for so long as there are any non-vested Shares granted prior to the expiration of the Post-IPO Share Award Scheme, in order to give effect to the vesting of such Shares or otherwise as may be required in accordance with the rules of the Post-IPO Share Award Scheme. Subject to the foregoing, the Post-IPO Share Award Scheme shall terminate on the earlier of: (i) the end of the Award Period except in respect of any non-vested Shares granted prior to the expiration of the Post-IPO Share Award Scheme, for the purpose of giving

effect to the vesting of such Shares or otherwise as may be required in accordance with the provisions of the Post-IPO Share Award Scheme; and (ii) such date of early termination as determined by our Board provided that such termination shall not affect any subsisting rights in respect of the Shares granted to a selected participant under the Post-IPO Share Award Scheme.

As at 31 December 2021, the remaining life of the Post-IPO Share Award Scheme was approximately 9 years.

**Consideration**

An amount of HKD1.00 is payable by the grantees upon acceptance of the awards granted under the Post-IPO Share Award Scheme.

The table below shows the details of RSU granted under the Post-IPO Share Award Scheme as of 31 December 2021:

| Date of Grant | Number of Shares underlying RSU outstanding as of 1 January 2021 | Number of RSU granted during the Reporting Period | Number of RSU exercised during the Reporting Period | Number of RSU lapsed during the Reporting Period | Number of Shares underlying RSU outstanding as of 31 December 2021 |
|---|---|---|---|---|---|
| Between 5 May 2021 to 14 July 2021 | 0 | 2,553,475 | 163,794 | 40,272 | 2,349,409 |

For further details of the RSU granted under the Post-IPO Share Award Scheme during the Reporting Period, please refer to the announcements published by the Company on 7 May 2021, 22 June 2021 and 15 July 2021.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time for the year ended 31 December 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

## EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Share Schemes. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 9 to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

For the year ended 31 December 2021, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances, and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors was approximately RMB106.4 million (as set out in Note 9 to the consolidated financial statements) including discretionary bonuses of a total sum of RMB9.7 million.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2021, none of our Directors control a business similar to principal business of our Group that competes or is likely to compete, either directly or indirectly, with our Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

## CONTINUING CONNECTED TRANSACTIONS

Save as disclosed in the Prospectus and in this annual report, the Group has not entered into any non-exempt continuing connected transactions during the Reporting Period. Details of related party transactions of the Group for the year ended 31 December 2021 are set out in Note 30 to the consolidated financial statements, none of which fall under the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules for which disclosure is required. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules during the Reporting Period.

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

During the Reporting Period, the Company repurchased a total of 1,615,500 Shares (the "Shares Repurchased") of the Company on the Stock Exchange at an aggregate consideration (including transaction cost) of approximately HK$70,963,275. Particulars of the Shares Repurchased are as follows:

| Month of repurchase | No. of Shares repurchased | Highest price paid (HK$) | Lowest price paid (HK$) | Aggregate consideration (HK$) |
|---|---|---|---|---|
| October 2021 | 1,095,000 | 50.00 | 42.85 | 49,962,125 |
| November 2021 | 520,500 | 42.50 | 36.65 | 21,001,150 |
| | 1,615,500 | | | 70,963,275 |

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

## MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration for the year ended 31 December 2021. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group for the year ended 31 December 2021.

## USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company's Shares were listed on the Stock Exchange on 9 October 2020 with a total of 73,079,000 offer shares (including shares issued as a result of the full exercise of the over-allotment option) issued and the net proceeds raised during the Global Offering were approximately HK$3,795 million. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus in the upcoming 20 months. This expected timeline was based on best estimation on future market conditions and business operations made by the Company, and remains subject to changes based on current and future development of market conditions and actual business needs.

Set out below is the status of the use of proceeds from the Global Offering as at 31 December 2021.

| Purpose | % of use of proceeds | Net proceeds (HK$ million) | Utilised for the year ended 31 December 2020 (HK$ million) | Unutilised as at 31 December 2020 (HK$ million) | Utilised for the year ended 31 December 2021 (HK$ million) | Unutilised as at 31 December 2021 (HK$ million) |
|---|---|---|---|---|---|---|
| Funding ongoing and planned clinical trials (including any potential clinical studies for new indications if appropriate), preparation for registration filings and other steps or activities related to commercialization (including provision of scientific and clinical support by medical affairs team, key opinion leader development, strategic planning and market access analysis) of eravacycline, one of our Core Drug Candidates | 15% | 569 | 22 | 547 | 159 | 388 |
| Funding ongoing and planned clinical trials (including any potential clinical studies for new indications if appropriate), preparation for registration filings and other steps or activities related to commercialization (including provision of scientific and clinical support by medical affairs team, key opinion leader development, strategic planning and market access analysis) of etrasimod, one of our Core Drug Candidates | 15% | 569 | 13 | 556 | 118 | 438 |
| Funding ongoing and planned clinical trials, preparation for registration filings and potential commercialization of sacituzumab govitecan-hziy | 20% | 759 | 13 | 746 | 402 | 344 |
| Funding ongoing and planned clinical trials, preparation for registration filings and potential commercialization of Nefecon | 10% | 380 | 43 | 337 | 97 | 240 |

| Purpose | % of use of proceeds | Net proceeds (HK$ million) | Utilised for the year ended 31 December 2020 (HK$ million) | Unutilised as at 31 December 2020 (HK$ million) | Utilised for the year ended 31 December 2021 (HK$ million) | Unutilised as at 31 December 2021 (HK$ million) |
|---|---|---|---|---|---|---|
| Funding ongoing and planned clinical trials, preparation for registration filings and potential commercialization of other drug candidates in our pipeline | 15% | 569 | 31 | 538 | 211 | 327 |
| Funding our business development activities and the expansion of our drug pipeline. To further expand our portfolio, we will continue to bring in high value and differentiated innovative assets with attractive risk-return profiles for our four current core therapeutic areas | 15% | 569 | — | 569 | 569 | — |
| Working capital and general and administrative purposes | 10% | 380 | 49 | 331 | 184 | 147 |
| **Total** | **100%** | **3,795** | **171** | **3,624** | **1,740** | **1,884** |

Other than the proceeds reserved for the business development activities and the expansion of the drug pipeline which were fully utilised as at 31 December 2021, the Company expects to gradually apply the remaining unutilised proceeds in accordance with the intended purposes and fully utilise the proceeds by the second half of 2023.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the Latest Practicable Date, the Company has maintained the prescribed percentage of public float under the Listing Rules.

## AUDITOR

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers, Certified Public Accountants and Registered Public Interest Entity Auditor, who will retire and, being eligible, offer themselves for reappointment at the AGM.

## IMPORTANT EVENTS AFTER THE REPORTING PERIOD

(a) On 13 January 2022, Everest SG entered into the License Agreement with A*ccelerate, pursuant to which A*ccelerate granted Everest SG an exclusive, non-transferable, sublicensable, royalty-bearing and revocable for cause license under the Licensed Technology to research, develop, manufacture, commercialize, or otherwise make, have made, use, offer for sale, sell, import, export, and otherwise exploit the Licensed Products worldwide for the treatment of coronavirus and other diseases and to make enhancements to the Licensed Technology.

For further details of the above, please refer to the announcement published by the Company on 14 January 2022.

(b) Ms. Yin Yin has resigned as a joint company secretary of the Company with effect from 31 January 2022.

For further details of the above, please refer to the announcement published by the Company on 31 January 2022.

(c) Ms. Leah Liu has been appointed as the joint company secretary of the Company with effect from 28 March 2022. After the aforesaid appointment, the existing company secretary of the Company, Ms Lau Yee Wa will continue to serve as the other joint company secretary.

For further details of the above, please refer to the announcement published by the Company on 28 March 2022.

Save as disclosed in this annual report, no important events affecting the Company occurred since the end of the Reporting Period and up to the Latest Practicable Date.

By the order of the Board
**Mr. Wei Fu**
*Chairman*
Hong Kong
28 March 2022

# Directors and Senior Management

The Board consists of four executive Directors, two non-executive Director and three independent non-executive Directors.

## DIRECTORS

### Executive Directors

**Mr. Wei Fu (傅唯)**, aged 39, is an executive Director of our Company, chairman of the Board, chairperson of the nomination committee and member of the remuneration committee. Mr. Fu was appointed as our Director in July 2017 and was re-designated as an executive Director in July 2020. Mr. Fu is also a director of Everest Medicines II (HK) Limited, EverOnc Medicines Inc., EverOnc Medicines Limited, Everest Medicines II Limited and Everest Medicines (Singapore) Pte. Ltd..

Mr. Fu has served as the chief executive officer and managing director of CBC Group, a healthcare dedicated private equity firm, since April 2014. From August 2011 to December 2013, Mr. Fu served as the general manager of the investment department at a wholly-owned subsidiary of Far East Horizon Limited, a financial services organization listed on the Stock Exchange (HKEX: 3360). From March 2008 to April 2010, Mr. Fu worked as an associate director at Standard Chartered Business Consulting (Beijing) Co., Ltd., where he was mainly responsible for private equity investments in infrastructure projects. From July 2006 to March 2008, Mr. Fu worked at Macquarie Capital (Singapore) Pte. Limited, where his last position was as a business analyst.

Mr. Fu received his bachelor's degree in electrical and electronic engineering from Nanyang Technological University in Singapore in February 2005.

Mr. Fu has been a director of I-Mab (NASDAQ: IMAB) since June 2018, and was a non-executive director of Ascletis Pharma Inc. (HKEX: 1672) from April 2018 to December 2018.

**Mr. Kerry Levan Blanchard, M.D., Ph.D.**, aged 66, was appointed as our Director in February 2020, was re-designated as an executive Director in July 2020, and was appointed as our chief executive officer in February 2020. Dr. Blanchard is also a director of Everest Medicines II Limited, EverNov Medicines (Zhuhai Hengqin) Co., Ltd., Everest China and Everstar Medicines (Shanghai) Limited.

Dr. Blanchard is an operating partner of CBC Group and most recently served as chief scientific officer at a subsidiary of Innovent Biologics, Inc. (HKEX: 1801), from January 2018 to June 2019. He was a senior executive at Eli Lilly (NYSE: LLY) and its subsidiaries from 2000 to December 2017, playing multiple roles including senior vice president of Lilly China and co-chairman of the Lilly Asia Venture investment committee. Dr. Blanchard's scientific and leadership positions in Eli Lilly included Oncology Discovery Biology Research, Lilly Singapore Systems Biology, Discovery operations, and Tailored Therapeutics in Indianapolis.

Dr. Blanchard worked at the Feist-Weiller Cancer Center, Department of Medicine, Louisiana State University Medical Center from 1992 to 1999, including as an associate professor of Louisiana State University, and was a research fellow, a clinical fellow and an instructor in Medicine at the Brigham and Women's Hospital in Boston, Massachusetts, United States, and at Harvard Medical School in Massachusetts, United States from 1985 to 1992.

Dr. Blanchard received his bachelor's degree in chemistry in August 1977, Ph.D. in biochemistry in September 1982 and M.D. in April 1985, each from Indiana University in the United States.

**Mr. Ian Ying Woo (何穎)**, aged 49, is an executive Director of our Company, our president and chief financial officer. Mr. Woo was appointed as our Director in December 2018 and was re-designated as an executive Director in July 2020. Mr. Woo is also a director of Everest Medicines II Limited and Everest Medicines (US) Limited.

Mr. Woo is an operating partner of CBC Group and served as a managing director of CBC Group from June 2018 to June 2019. Prior to joining our Company in June 2018, Mr. Woo served as a managing director in the healthcare advisory team at Lazard Frères & Co. LLC ("LFNY"), a subsidiary of the financial advisory and asset management firm Lazard Ltd (NYSE: LAZ). Mr. Woo joined LFNY in March 2005 and was based in New York until June 2018, other than from January 2012 to June 2016 during which period he worked at Lazard Asia (Hong Kong) Limited, LFNY's Hong Kong office and an SFC licensed corporation.

Mr. Woo received his bachelor's degree in biology from Tufts University in the United States in May 1994, his master's degree in cellular, molecular and biomedical studies from the Columbia University Graduate School of Arts and Sciences in the United States in May 1998 and his master of business administration degree from the Columbia University Graduate School of Business in the United States in May 2003.

**Mr. Xiaofan Zhang (張曉帆)**, aged 38, was appointed as our Director in November 2017, was re-designated as an executive Director in July 2020, and was appointed as our chief operating officer in November 2017. Mr. Zhang is also a director of Everest Medicines II (HK) Limited, Everest Medicines II Limited, Everest Medicines (Singapore) Pte. Ltd., Everstar Therapeutics Limited, EverID Medicines (Beijing) Limited, Everstar Medicines (Shanghai) Limited, EverNov Medicines Limited, EverNov Medicines (HK) Limited, EverNov Medicines (Zhuhai Hengqin) Co., Ltd., Everest Medicines (Suzhou) Inc. and Everest China.

Mr. Zhang has been with CBC Group since January 2014, most recently serving as a director and responsible for the fund's investments in pharmaceutical and biotech industry prior to joining the Company. Prior to joining CBC Group, Mr. Zhang worked in various capacities in private equity and investment banking, including as a private equity investment officer at Capital International, Inc., a private equity arm of Capital Group, from March 2011 to February 2013, at Morgan Stanley Asia Limited, a subsidiary of Morgan Stanley (NYSE: MS), from May 2007 to March 2011 where his last position held was associate, and at BOCI Research Limited and BOCI Securities Limited from 2006 to 2007.

Mr. Zhang received his bachelor's degree in mathematics with honors from The University of Hong Kong in December 2006.

### Non-executive Directors

**Mr. Yubo Gong (龔聿波)**, aged 36, was appointed as our Director in June 2020 and was re-designated as a non-executive Director in July 2020.

Mr. Gong has been an industrialist investor at Janchor Partners Limited, a company licensed by the SFC to conduct asset management, focusing on investments in China and the healthcare sector, since 2014. Prior to joining Janchor Partners Limited, he was an associate at TPG Capital, Limited in Hong Kong from August 2009 to February 2014. Prior to that, Mr. Gong worked as an analyst in the investment banking division of a subsidiary of Morgan Stanley (NYSE: MS) in New York.

Mr. Gong received his bachelor's degree in economics and biomedical engineering in May 2007 from Duke University in the United States.

**Ms. Lan Kang (康嵐)**, aged 53, was appointed as a non-executive Director in December 2020.

Ms. Kang is currently a managing director of CBC Group where she is a member of the management committee and heads the portfolio management function of CBC Group. She serves as a non-executive board director at I-MAB Biopharma (NASDAQ: IMAB), as well as an Independent board director at Avantor (NYSE: AVTR).

Prior to joining CBC Group in 2020, she was executive board director and senior vice president of Fosun International Limited (HKEX: 0656). She also held the role of non-executive board director at a number of healthcare related companies, including Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (HKEX: 2196) and Fosun United Health Insurance. Ms. Kang started her career as an oncology research scientist in the US, and later worked as a senior client partner with Korn Ferry and a management consultant at McKinsey & Company in China.

Ms. Kang obtained her bachelor's degree in biological science and technology from Zhejiang University in China, her MBA degree in healthcare management from The Wharton School of the University of Pennsylvania, and her master's degree in biochemistry from Tulane University, Louisiana, USA.

### Independent Non-executive Directors

**Mr. Shidong Jiang (蔣世東)**, aged 54, was appointed as an independent non-executive Director and a member of the audit and remuneration committees of our Company in September 2020.

Mr. Jiang has over a decade of experience in the pharmaceutical industry and serves as the Head of Sales and Marketing of Beijing Astellas Medical Co., Ltd. (北京安斯泰來醫藥有限公司) to oversee both Hospital & Specialty Business Unit and Oncology Business Unit from 1 January 2022. He has been appointed as the Head of Hospital & Specialty Care Business Unit & Founding Partner of Astellas Pharmaceutical (China) Co, Ltd. since January 2021. He was previously the general manager of Hemony Pharma Co., Ltd., a private pharmaceuticals business in China, including in 2017, the chief executive officer of Hisun-Pfizer Pharmaceuticals Ltd., a joint venture between Pfizer Inc. (NYSE: PFE) and Zhejiang Hisun Pharmaceuticals Co., Ltd. (SSE: 600267), in 2015, the president of St. Jude Medical (Shanghai) Limited, St. Jude Medical, Inc.'s (NYSE: STJ, delisted) Chinese subsidiary, including in 2012, and employed by the Pfizer Inc. (NYSE: PFE) pharmaceutical group including as general manager for specialty/anti-infectives in 2010 and 2011.

Mr. Jiang received his bachelor's degree in power engineering from the Dalian University of Technology in Dalian, China in July 1989.

**Mr. Yifan Li (李軼梵)**, aged 54, was appointed as an independent non-executive Director, chairperson of the audit committee and member of the nomination committee of our Company in September 2020.

Mr. Li has been a chief financial officer of Human Horizons Group Inc. since April 2021. He served as a vice president of Zhejiang Geely Holding Group Co., Ltd. from October 2014 to April 2021, a chief financial officer of Sanpower Group Limited from May 2014 to September 2014, and of China Zenix Auto International Limited (NYSE: ZXAIY) from December 2010 to February 2014.

Mr. Li received his bachelor's degree of economics in world economy from Fudan University in China in July 1989, his master's degree in management and administrative sciences from the University of Texas at Dallas in the United States in May 1994 and his master of business administration from the University of Chicago in the United States in June 2000.

Mr. Li is a certified public accountant in the United States and a chartered global management accountant with the American Institute of Certified Public Accountants.

Mr. Li has been an independent non-executive director of Frontage Holdings Corporation (HKEX: 1521) since April 2018 and Xinyuan Property Management Service (Cayman) Ltd. (HKEX: 1895) since September 2019. He has also been an independent director of Xinyuan Real Estate Co., Ltd. (NYSE: XIN) since February 2017, Qudian Inc. (NYSE: QD) since October 2017, Sunlands Technology Group (formerly known as Sunlands Online Education Group) (NYSE: STG) since July 2019, and 36Kr Holdings Inc. (NASDAQ: KRKR) since November 2019. Mr. Li was a director of Zhejiang Qianjiang Motocycle Co., Ltd. (SZSE: 000913) from November 2016 to April 2018. He was an independent director of Heilongjiang Interchina Water Treatment Co., Ltd. (SSE: 600187) from May 2015 to May 2021 and Zhejiang Tiantie Industry Co., Ltd. (SZSE: 300587) from December 2017 to April 2021 and Shanghai International Port Group Co., Ltd. (SSE: 600018) from September 2015 to September 2021. He was also an independent non-executive director of ZhongAn Online P & C Insurance Co., Ltd. (HKEX: 6060) from December 2016 to July 2021.

**Mr. Bo Tan (譚擘)**, aged 48, was appointed as an independent non-executive Director, chairperson of the remuneration committee and member of the audit and nomination committees of our Company in September 2020.

Mr. Tan has extensive experience within the financial and pharmaceutical industries, and has worked in private equity, equity research and commercial sectors. He served in various capacities at 3SBio Inc. (HKEX: 1530) from February 2009 to December 2019, including as its vice president, chief financial officer, and executive director. He worked at Lehman Brothers Asia Limited from March 2006 to March 2007 and as a senior analyst at Macquarie Securities Asia from October 2004 to February 2006.

Mr. Tan received his bachelor's degree in economics from Renmin University of China in July 1994, his master's degree in economics from the University of Connecticut, in the United States in December 1996 and his master of international management from the American Graduate School of International Management (now known as Thunderbird School of Global Management) in Arizona, United States in August 1998.

Mr. Tan has served as an independent non-executive director of Globe Metals & Mining (ASX: GBE) since October 2013 and Akeso, Inc. (HKEX: 9926) since April 2020.

## SENIOR MANAGEMENT

**Mr. Jason Brown, Ph.D.**, aged 50, has served as our chief business officer since August 2019. Dr. Brown joined us as our senior vice president, business development in July 2017.

Dr. Brown served as a managing director of CBC Group from October 2016 to July 2018 and now serves as an operating partner of CBC Group. From July 2007 to June 2016, Dr. Brown held multiple positions at Thomas, McNerney & Partners, a healthcare venture firm that invests in life science and medical technology companies, and his last position held was partner. From June 2003 to June 2007, Dr. Brown was employed by Forward Ventures, a life science venture capital firm located in San Diego, California, and his last position held was associate.

Dr. Brown received his bachelor's degree in biochemistry and molecular biology from Purdue University in the United States in May 1993 and his Ph.D. in biology from the University of California, San Diego in the United States in June 2000.

**Ms. Yang Shi (時陽)**, aged 46, has served as our chief medical officer, oncology since February 2019. Ms. Shi is also a director of EverNov Medicines (Zhuhai Hengqin) Co., Ltd..

Before joining our Company, Ms. Shi was the head of China clinical development at Merck Serono (Beijing) Pharmaceutical Research and Development Co., Ltd. (默克雪蘭諾(北京)醫藥研發有限公司) in China from February 2015 to February 2019. Ms. Shi was global clinical project lead for oncology at Boehringer Ingelheim International Trading (Shanghai) Co., Ltd. in China and Germany from September 2010 to February 2015. Ms. Shi worked as a product physician, medical advisor and senior manager in oncology consecutively at Pfizer Investment Co., Ltd. in China, a subsidiary of Pfizer Inc. (NYSE: PFE), from September 2005 to September 2010.

Ms. Shi received her bachelor's degree in medicine from the Capital University of Medical Sciences, China in July 1998 and her master's degree in oncology from the Academy of Military Medical Sciences, China in July 2002.

**Ms. Sunny Xu Zhu (朱煦)**, aged 51, has served as our chief medical officer, infectious disease since October 2017.

Before joining our Company, Ms. Zhu served as a global clinical leader in the anti-infective therapeutic area of general medicine at Bayer Healthcare Company Limited from April 2013 to October 2017. Ms. Zhu held multiple positions at AstraZeneca Pharmaceutical Technology (Beijing) Co., Ltd., a subsidiary of AstraZeneca plc (LSE: AZN), in China and the United Kingdom from January 2003 to April 2013 and her last position held was executive director of drug development project and portfolio management. Ms. Zhu held multiple positions at MSD China from October 1995 to January 2003 and her last held position was clinical research manager.

Ms. Zhu received her bachelor's degree in preventive medicine from Beijing Medical University (now the Peking University Health Science Center), in July 1994 and her master's degree of medicine in public health and epidemiology and statistics from the Peking University Health Science Center in July 2009.

**Ms. Zhengying Zhu, M.D., Ph.D. (朱正纓)**, aged 49, has served as our chief medical officer, internal medicine since November 2017. Dr. Zhu is also a director of Everstar Therapeutics Limited and Everstar Medicines (Shanghai) Limited.

Before joining our Company, Dr. Zhu served as chief medical officer and head of the business development at Luoxin Biological Technology (Shanghai) Co., Ltd. (羅欣生物科技(上海)有限公司) (now known as Luoxin Pharmaceuticals (Shanghai) Co., Ltd (羅欣藥業(上海)有限公司)), a wholly owned subsidiary of Shandong Luoxin Pharmaceutical Group Stock Co., Ltd. (HKEX: 8058, delisted), from October 2014 to October 2017. From November 2006 to October 2014, Dr. Zhu held multiple positions at Sino-American Shanghai Squibb Pharmaceuticals Limited, a subsidiary of Bristol-Myers Squibb (NYSE: BMY), and her last position held was senior medical director. Dr. Zhu worked as a physician at AstraZeneca Pharmaceutical Co., Ltd. in China from April 2005 to November 2006.

Dr. Zhu received her M.D. in clinical medicine in July 1996 and her Ph.D. in clinical medicine and internal medicine in July 2001, both from Shanghai Medical University (now known as Fudan University, School of Medicine). Dr. Zhu completed her post-doctoral fellowship training at the Division of Nephrology, University of Texas Southwestern Medical Center in Dallas, Texas, United States in December 2004.

**Mr. Steven Xinhui Hu, Ph.D. (胡新輝)**, aged 48, is chief technology officer (CTO) and served as our senior vice president, chemistry, manufacturing and controls since September 2018 prior to his promotion to this role.

Dr. Hu served as the senior director and head of chemistry, manufacturing and controls in Roche R&D Center (China) Ltd. from July 2013 to October 2018, director of new product development in GlaxoSmithKline (China) Investment Co., Ltd., a subsidiary of GlaxoSmithKline plc (NYSE: GSK), from July 2010 to July 2013, and senior scientist research pharmacy in Merck & Co, Inc. (NYSE: MRK) from March 2008 to July 2010.

Dr. Hu received his Ph.D. in science mechanics from Brown University in the United States in May 2004 and was a postdoctoral associate in the Chemical Engineering Department at Massachusetts Institute of Technology in the United States from December 2003 to June 2005.

**Mr. Kevin Guo (郭永)**, aged 53, has served as chief commercial officer of the Company since 18 February 2021. Mr. Guo has more than 23 years of commercial leadership and business management experience across a number of multinational pharmaceutical companies. Mr. Guo joins the Company after holding leadership positions at Eisai, where he most recently served as vice president and deputy global brand lead for LENVIMA, driving the development and execution of global product launch strategies, including in markets such as China, Japan and other Asia regions. Prior to this, he was vice president and head of the pharmaceutical business division of Eisai China Inc., where he managed several key business functions and was also appointed as chairman of the Board and president of Eisai (Suzhou) Trading Co., Ltd. In addition, Mr. Guo was the vice president of Oncology Business Unit 1 in Shanghai Roche Pharmaceutical Ltd., among other key commercial and business development positions at prominent global pharmaceutical companies, including GlaxoSmithKline plc, Wyeth Pharmaceutical Co., Ltd. (now part of Pfizer Inc.), Sino-American Shanghai Squibb Pharmaceutical Limited and Eli Lilly Asia Inc..

Mr. Guo obtained his bachelor's degree in clinical medicine from Fourth Military University in China and his Executive MBA from China Europe International Business School.

**Ms. Wei Jennifer Yang, Ph.D (楊煒)**, aged 53, has served as chief scientific officer since April 2021. Dr. Yang has more than 20 years of drug discovery and development experience in pharmaceutical companies. Before joining Everest Medicines, Dr. Yang was a vice president, head of China Lung Cancer Initiative at Johnson and Johnson from 2019 to 2021. Dr. Yang transitioned into this role from Janssen China R&D, where she spent 6 years as a senior director, head of discovery center. Prior to Johnson and Johnson, Dr. Yang held various leadership positions at Eli Lilly and Company in Indianapolis from 2002 to 2010 and Pfizer Oncology in La Jolla from 2010 to 2012.

Dr. Yang received her bachelor's degree from Fudan University in China and Ph.D from Eccles Institute of Human Genetics at University of Utah.

## JOINT COMPANY SECRETARIES

**Ms. Leah Liu (劉栩昕)**, aged 37, is our joint company secretary and the vice president of corporate affairs, responsible for overseeing the compliance affairs in relations to capital markets, public relations, board of directors, and the Stock Exchange.

Prior to joining the Company, Ms. Liu was chief financial officer of Laekna Therapeutics and head of capital markets at I-Mab (NASDAQ: IMAB) where she led financing and capital markets efforts, including listing preparations. Ms. Liu also worked in CloudMinds Technology (Hong Kong) Limited and Xtep International Holdings Limited (HKEX: 1368) as the head of capital markets and director of investor relations respectively and was the recipient of multiple industry awards. Ms. Liu has extensive experience in the financial services and investment industries and held positions at major international investment banks including The Hongkong and Shanghai Banking Corporation Limited, Daiwa Capital Markets Hong Kong Limited and Lazard Ltd.

Ms. Liu received double bachelor's degrees in biology and international studies and a master's degree in cellular molecular biology from The Johns Hopkins University. Ms. Liu also received a master's degree in corporate governance from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong) in 2020. Ms. Liu is an associate member of each of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

**Ms. Yee Wa Lau (劉綺華)**, aged 49, is our joint company secretary and an associate director of corporate services of Tricor Services Limited. She is a chartered secretary, a corporate governance professional and an associate member of both The Hong Kong Institute of Chartered Secretaries (now known as The Hong Kong Chartered Governance Institute) and The Institute of Chartered Secretaries and Administrators (now known as The Chartered Governance Institute). Ms. Lau received her bachelor's degree in business administrative management from the University of South Australia.

Ms. Lau has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Lau is currently the named company secretary of five listed companies on the Stock Exchange, namely, BAIOO Family Interactive Limited (HKEX: 2100), Meituan (HKEX: 3690), Transmit Entertainment Limited (HKEX: 1326), Jiayuan International Group Limited (HKEX: 2768) and Li Auto Inc. (HKEX: 2015).

The Board is pleased to present the corporate governance report for the Company for the year ended 31 December 2021.

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieve high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions of the CG Code contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices.

During the Reporting Period, the Company has complied with all applicable code provisions set out in the CG Code.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees in securities of the Company and other matters covered by the Model Code.

Specific enquiry has been made to all the Directors and they have confirmed that they have complied with the Model Code during the Reporting Period. No incident of non-compliance of the Model Code by the relevant employees has been noted by the Company for the year ended 31 December 2021.

## BOARD OF DIRECTORS

### Board Composition

During the Reporting Period and as at the Latest Practicable Date, the Board comprised four executive Directors, two non-executive Directors and three independent non-executive Directors.

The composition of the Board is as follows:

### Executive Directors

Mr. Wei Fu (傅唯) *(Chairman of the Board)*
Dr. Kerry Levan Blanchard *(Chief executive officer)*
Mr. Ian Ying Woo (何穎) *(President, Chief financial officer)*
Mr. Xiaofan Zhang (張曉帆) *(Chief operating officer)*

### Non-executive Directors

Mr. Yubo Gong (龔聿波)
Ms. Lan Kang (康嵐)

### Independent non-executive Directors

Mr. Shidong Jiang (蔣世東)
Mr. Yifan Li (李軼梵)
Mr. Bo Tan (譚擘)

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 50 to 56 of this annual report.

None of the members of the Board is related to one another.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman and Chief Executive Officer are held by Mr. Wei Fu and Dr. Kerry Levan Blanchard, respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and the daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

## BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETINGS

The attendance records of the Directors at Board meetings, committee meetings and annual general meeting of the Company during the Reporting Period are set out in the following table below:

| | Number of Attendance/Number of Meetings | | | | |
|---|---|---|---|---|---|
| Name of Director | Board | Remuneration Committee | Nomination Committee | Audit Committee | Annual General Meeting |
| **Executive Directors:** | | | | | |
| Mr. Wei Fu | 4/4 | 1/1 | 1/1 | — | 1/1 |
| Dr. Kerry Levan Blanchard | 4/4 | — | — | — | 1/1 |
| Mr. Ian Ying Woo | 4/4 | — | — | 1/2 | 1/1 |
| Mr. Xiaofan Zhang | 4/4 | — | — | — | 1/1 |
| **Non-executive Directors:** | | | | | |
| Mr. Yubo Gong | 4/4 | — | — | — | 1/1 |
| Ms. Lan Kang | 4/4 | 1/1 | — | — | 1/1 |
| **Independent Non-executive Directors:** | | | | | |
| Mr. Shidong Jiang | 4/4 | 1/1 | — | 2/2 | 1/1 |
| Mr. Yifan Li | 4/4 | — | 1/1 | 2/2 | 1/1 |
| Mr. Bo Tan | 4/4 | 1/1 | 1/1 | 2/2 | 1/1 |

Apart from regular Board meetings, the Chairman of the Board also held one meeting with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

The Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date (whichever is sooner).

## 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 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.

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service agreement or a letter of appointment with the Company. The term of service for each of the Directors is three years from the date of appointment or reappointment. All the Directors are subject to retirement by rotation and re-election at annual general meeting.

At every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. The retiring Directors shall be eligible for re-election.

## RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

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

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

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

## DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of the Company arising out of corporate activities.

## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference.

## AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Yifan Li, Mr. Shidong Jiang and Mr. Bo Tan. Mr. Yifan Li (being the independent non-executive Director with the appropriate professional qualifications) is the chairman of the Audit Committee.

The primary duties of the Audit Committee include, without limitation to, the following:

- monitoring the integrity of our financial statements, annual reports, accounts, half-yearly reports and our compliance with the Listing Rules and legal requirements in relation to financial reporting;

- making recommendations to the Board on the appointment, reappointment and removal of external auditor, approving the remuneration and terms of engagement of external auditor, and monitoring the independence and objectivity of external auditors and the effectiveness of the audit process in accordance with applicable standards; and

- reviewing our financial controls, risk management and internal control systems; and dealing with other matters that are authorized by the Board.

The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Audit Committee met twice to review the Company's annual results and annual report for the year ended 31 December 2020 and the interim results and interim report for the six months ended 30 June 2021. During the meetings, the Audit Committee also reviewed the significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, and arrangements for employees to raise concerns about possible improprieties.

## REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee consists of three Directors, namely Mr. Bo Tan, Mr. Wei Fu and Mr. Shidong Jiang. Mr. Wei Fu is an executive Director, Mr. Bo Tan and Mr. Shidong Jiang are both independent non-executive Directors. Mr. Bo Tan is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, among other things:

- making recommendations to the Board on the Company's policy and structure for the executive Directors and senior management remuneration and on the compensation of non-executive Directors;
- evaluating the performance of Directors and senior management of our Company;
- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- establishing formal and transparent procedures for developing remuneration policy; and
- dealing with other matters that are authorized by the Board.

The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Remuneration Committee met once to review to the Board on the remuneration packages of individual executive directors and senior management.

Details of the Directors' remuneration for the year ended 31 December 2021 are set out in Note 9 to the consolidated financial statements.

The remuneration of the senior management (other than Directors) of the Group by band for the year ended 31 December 2021 is set out below:

| Remuneration bands (HKD) | Number of persons |
|---|---|
| HK$14,000,001–HK$15,000,000 | — |
| HK$21,000,001–HK$22,000,000 | 2 |
| HK$23,000,001–HK$24,000,000 | 2 |
| HK$27,000,001–HK$28,000,000 | — |
| HK$28,000,001–HK$29,000,000 | — |
| HK$38,000,001–HK$39,000,000 | — |
| HK$79,000,001–HK$80,000,000 | 1 |
| **Total** | 5 |

## NOMINATION COMMITTEE

The Company established the Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee consists of three members, namely, Mr. Wei Fu, Mr. Bo Tan and Mr. Yifan Li. Mr. Wei Fu is an executive Director, Mr. Yifan Li and Mr. Bo Tan are both independent non-executive Directors. Mr. Wei Fu is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession.

The primary duties of the Nomination Committee also include, among other things:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board composition to complement the Company's corporate strategies;
- assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment or reappointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive of the Company; and
- performing tasks as assigned by the Board from time to time.

The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and consider the qualifications of the retiring directors standing for election at the forthcoming annual general meeting.

## BOARD DIVERSITY POLICY

Our Company has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the nomination committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the Board Diversity Policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

The Company has been taking, and will continue to take, steps to promote gender diversity at the Board and management levels. In particular, all of our chief medical officers, who are each responsible for specific therapeutic areas, are female and form part of our senior management team. Going forward, we will continue to work to enhance gender diversity of the Board. Our Board appointed a female director, Ms. Lan Kang, on 22 December 2020 to our Board after the Listing (keeping in mind the importance of management continuity and the timeline for retirement and reappointment of Directors under the Articles) and our Nomination Committee will continue to use its best endeavors and on suitable basis to, within three years after the Listing, identify and recommend multiple suitable female candidates to our Board for its consideration on appointment of a Director. At present, all of the Company's chief medical officers, namely Ms. Sunny Xu Zhu, Dr. Zhengying Zhu and Ms. Yang Shi, are female and each are responsible for clinical development of the Company's products in their respective therapeutic areas. The Company will continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of the Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

Pursuant to the Board Diversity Policy, the Nomination 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. In relation to reviewing and assessing the Board composition, the Nomination 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 regional and industry experience.

## DIRECTOR NOMINATION POLICY

The Company has adopted a director nomination policy (the "Director Nomination Policy") in accordance with the CG Code. The Director Nomination Policy 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 requirements of the Company's business.

The Nomination Committee shall identify, consider and recommend to the Board appropriate candidates to serve as Directors and to make recommendations to the Shareholders. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

The Director Nomination Policy sets out the non-exhaustive factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- reputation for integrity;
- professional qualifications and skills;
- accomplishment and experience in the biopharmaceutical sector;
- commitment in respect of available time and relevant interest;
- independence of proposed independent non-executive Directors; and
- diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

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

## CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code.

The Board would review 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 CG 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 joint company secretaries 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.

## DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends in accordance with code provision F.1.1 of the CG Code.

The Company does not have any pre-determined dividend payout ratio. According to the Dividend Policy, payment of dividends depends on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. Dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

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

The statement of the independent auditor of the Company, PricewaterhouseCoopers, about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 72 to 77 of this annual report.

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors would be arranged and reading material on relevant topics would be provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

For the year ended 31 December 2021, the Directors have attended seminars and training sessions arranged by professional/financial institutions, and have read relevant materials relating to regulatory updates, accounting, financial or professional skills and/or directors' duties and responsibilities. The relevant details are set out below:

| | Training Areas | | |
|---|---|---|---|
| Name of Director | Corporate Governance | Legal and Regulatory | Business and Industry Development |
| **Executive Directors:** | | | |
| Mr. Wei Fu | – | ✓ | |
| Dr. Kerry Levan Blanchard | – | ✓ | ✓ |
| Mr. Ian Ying Woo | – | ✓ | ✓ |
| Mr. Xiaofan Zhang | – | ✓ | – |
| **Non-executive Directors:** | | | |
| Mr. Yubo Gong | ✓ | ✓ | – |
| Ms. Lan Kang | – | ✓ | – |
| **Independent Non-executive Directors:** | | | |
| Mr. Shidong Jiang | – | ✓ | – |
| Mr. Yifan Li | – | ✓ | ✓ |
| Mr. Bo Tan | – | ✓ | – |

## AUDITORS' RESPONSIBILITY AND REMUNERATION

The Company appointed PricewaterhouseCoopers ("PwC") as the external auditor for the year ended 31 December 2021. A statement by PwC about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 72 to 77.

Fees for auditing and non-auditing services provided by PwC for the year ended 31 December 2021 are included in Note 5 to the consolidated financial statements. The major non-audit services provided by our external auditor for the year ended 31 December 2021 mainly included services in relations to tax consultation.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the Company's risk management and internal control systems and reviewing their effectiveness. 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 Reporting Period, the Board had conducted a review of the effectiveness of the risk management internal control system of the Company and considered the system effective and adequate.

## RISK MANAGEMENT

The Company recognizes that risk management is critical to the success of the business operation. Key operational risks faced by the Company include changes in the general market conditions and the regulatory environment of the Chinese and global pharmaceutical markets, the ability to develop, manufacture and commercialize the drug candidates, and the ability to compete with other pharmaceutical companies. The Company also face various market risks. In particular, the Company is exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of the business.

The Company has adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with the strategic objectives on an on-going basis. The Audit Committee, and ultimately the Directors, supervise the implementation of risk management policies. Risks identified by management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated by the Group and reported to the Directors.

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

- The executive committee which is comprised of senior management and functional heads will oversee and manage the overall risks associated with the business operations, including (i) reviewing and approving the risk management policy to ensure that it is consistent with the corporate objectives; (ii) reviewing and approving the corporate risk tolerance; (iii) monitoring the most significant risks associated with the business operation and the management's handling of such risks; (iv) reviewing the corporate risk in the light of corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of risk management framework across the Group.

- The Company's chief operating officer, Mr. Xiaofan Zhang, is responsible for (i) formulating and updating risk management policy and target; (ii) reviewing and approving major risk management issues of the Company; (iii) promulgating risk management measures; (iv) providing guidance on risk management approach to the relevant departments in the Company; (v) reviewing the relevant departments' reporting on key risks and providing feedbacks; (vi) supervising the implementation of risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competencies are in place across the Group; and (viii) reporting to the executive committee on the material risks.

- The relevant departments in the Company, including but not limited to, the finance department, the legal department and the human resources department, are responsible for implementing risk management policy and carrying out day-to-day risk management practice. In order to formalize risk management across the Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) prepare a risk management report annually for the chief executive officer's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of risk management framework.

The Company consider that the Directors and members of the senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control. See "Directors and Senior Management" for details of their qualification and experiences.

## INTERNAL CONTROL

The Board is responsible for establishing the internal control system and reviewing its effectiveness. The Company established an internal control function to develop and maintain an appropriate internal control framework. A dedicated workforce was hired in January 2021 to build up internal control metrics, which include both entity-level and business process level controls. In addition, an internal audit function was also established to perform independent monitoring responsibilities.

The Company regularly reviews and enhances the internal control system. Below is a summary of the internal control policies, measures and procedures the Company has implemented:

- The Company has adopted various measures and procedures regarding each aspect of the business operation, such as contract management policy, segregation of duty conflicts management, financial closing process, risk management and protection of intellectual property. They provide periodic training about these measures and procedures to the employees as part of the employee training program. The internal audit team conducts audit field work to monitor the implementation of the internal control policies, reports the weakness identified to the management and audit committee and follows up on the rectification actions.

- Comprehensive trainings were delivered to employees to enhance the execution of internal control procedures, especially in the area of purchase to pay and manufacturing project management.

- The Directors (who are responsible for monitoring the corporate governance of the Group), with help from the legal advisers, also periodically review the compliance status with all relevant laws and regulations after the Listing.

- The Company has established the Audit Committee which (i) makes recommendations to the Directors on the appointment and removal of external auditors; and (ii) reviews the financial statements and renders advice in respect of financial reporting as well as oversees internal control procedures of the Group.

- During 2021, the Company changed ERP system from Oracle to SAP, and set up Sales & Distribution module to have the process ready for product commercial launch.

- The Company has engaged Somerley Capital Limited as the compliance adviser to provide advice to the Directors and management team until the end of the first fiscal year after the Listing regarding matters relating to the Listing Rules. The compliance adviser is expected to ensure the use of funding complies with the section entitled "Future Plans and Use of Proceeds" in the Prospectus after the Listing, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

- The Company has engaged the PRC Legal Adviser to advise us on and keep us abreast with PRC laws and regulations after the Listing. The Company continue to arrange various trainings to be provided by external legal advisers from time to time when necessary and/or any appropriate accredited institution to update the Directors, senior management, and relevant employees on the latest PRC laws and regulations.

The Group has adopted an information disclosure management system (the "system") which sets out comprehensive guidelines in respect of handling and dissemination of material non-public information ("MNPI"). The Board and senior management of the Group are responsible for monitoring and implementing the procedural requirements in the system. Release of MNPI shall be overseen by the Board. Except for designated persons, no person of the Group is permitted to disseminate MNPI relating to the Group to any external parties and to respond to media or public which may materially affect the trading price or volume of the Shares on the market.

## JOINT COMPANY SECRETARIES

Ms. Yin Yin (印茵) was a joint company secretary of the Company from the Listing Date until her resignation with effect from 31 January 2022.

Ms. Leah Liu (劉栩昕) (appointed with effect from 28 March 2022) and Ms. Yee Wa Lau (劉綺華) have been appointed as the Company's joint company secretaries. Ms. Yee Wa Lau is an associate director of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Lau's primary contact person at the Company is Ms. Liu.

For the year ended 31 December 2021, Ms. Lau has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules. Ms. Liu was appointed as a joint company secretary on 28 March 2022 which is after the Reporting Period thus Rule 3.29 of the Listing Rules is not applicable.

## SHAREHOLDERS' RIGHTS

### Convening of Extraordinary General Meetings ("EGM") by Shareholders

Pursuant to article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. EGMs shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in

Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

### Putting Forward Proposals at General Meetings

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Act of Cayman Islands (as revised and amended from time to time) or the Articles of Association. However, shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an extraordinary general meeting following the procedures set out in paragraph above.

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

### Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company, for the attention of the Board by mail to Plaza 66, Tower 1, Units 6601–6606, 1266 West Nanjing Road, Shanghai, 200040, China. The Company will not normally deal with verbal or anonymous enquiries.

### Communication with Shareholders and Investors Relations

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

To promote effective communication, the Company maintains a website at www.everestmedicines.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

During the Reporting Period, the Company did not make any significant changes to its constitutional documents.

A latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

# Independent Auditor's Report

To the Shareholders of Everest Medicines Limited
(incorporated in the Cayman Islands with limited liability)

## OPINION

### What we have audited

The consolidated financial statements of Everest Medicines Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 78 to 175, comprise:

- the consolidated statement of comprehensive loss for the year ended 31 December 2021;
- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of changes in equity for the year ended 31 December 2021;
- the consolidated statement of cash flows for the year ended 31 December 2021; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

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

### Independence

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

## KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of intangible assets
- Accrued service fees to contract research organizations ("CROs")

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Impairment assessment of intangible assets**<br><br>*Refer to Note 2.6(a), Note 4(b) and Note 15 to the consolidated financial statements.*<br><br>As at 31 December 2021, the Group had intangible assets of RMB2,465.5 million, which were significant to the consolidated financial statements. Such intangible assets included in-licenses and acquired in-process research and development of drug products which are not ready for use. These intangible assets are subject to impairment assessment annually, or when there are indicators that these intangible assets might be impaired. The impairment assessment is based on the recoverable amount of each individual asset.<br><br>Impairment assessment of intangible assets was considered a key audit matter because it involved significant management estimates and judgements, including assumptions relating to the expected achievement of drug development milestones and the outcome of new drug development, revenue growth rate and discount rate. | Our procedures performed in relation to management's impairment assessment of intangible assets mainly included the following:<br><br>• Understanding, evaluating and testing key controls relating to management's impairment assessment of intangible assets, including the significant estimates and judgements applied;<br><br>• Inquiring management and inspecting the relevant supporting documents about the expected achievement of drug development milestones and the outcome of new drug development for each drug candidate;<br><br>• Evaluating, with the assistance of our valuation specialist, the appropriateness of the discounted cash flow model used by management to determine the fair value of intangible assets in the impairment assessment and the reasonableness of key assumptions used, including revenue growth rate and discount rate by comparing with the Group's business plan and market data;<br><br>• Performing retrospective review by evaluating the outcome of prior period forecast to assess the effectiveness of management's estimation process;<br><br>• Assessing sensitivities over the key assumptions including revenue growth rate and discount rate in the discounted cash flow model to consider the sufficiency of headroom between recoverable amount and carrying amount of each individual asset;<br><br>• Evaluating the adequacy of disclosure of key assumptions used in the impairment assessment in the consolidated financial statement.<br><br>Based on the audit procedures performed, we found management's estimates and judgements in impairment assessment of intangible assets to be supportable by the available evidence. |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Accrued service fees to contract research organizations ("CROs")**<br><br>*Refer to Note 2.6(b), Note 4(c) and Note 24 to the consolidated financial statements.*<br><br>As at 31 December 2021, the Group had accrued service fees to third party CROs of RMB50.7 million related to the services provided by CROs that are payable as at 31 December 2021.<br><br>Management applies estimates and judgment in the measurement of the progress of activities and milestones of services provided by CROs on a contract-by-contract basis, which is the basis of assessing service fees to CROs that had incurred and therefore should be accrued as at 31 December 2021.<br><br>Accrued service fees to CROs was considered a key audit matter because significant efforts were spent on auditing management's measurement of the progress of services provided by CROs due to multiple CROs involved and different contract terms with each CRO. | Our procedures performed in relation to accrued service fees to CROs mainly included the following:<br><br>• Understanding, evaluating and testing key controls relating to management's measurement of the progress of activities and milestones of services provided by CROs;<br><br>• Inspecting the terms of CRO contracts and testing the reasonableness of management's measurement of the progress of the activities and milestones of services provided by CROs by examining relevant supporting documents, on a sample basis;<br><br>• Sending confirmations to CROs, on a sample basis, to check the information used by management to measure the progress of activities and milestones of services provided by CROs;<br><br>• Comparing billings received from and/or payments made to CROs subsequently with the year end balances of accrued service fees to CROs, on a sample basis.<br><br>Based on the audit procedures performed, we found management's estimates and judgements in the measurement of the progress of activities and milestones of services provided by CROs to be supportable by the available evidence. |

## OTHER INFORMATION

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

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

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

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

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jack Li.

**PricewaterhouseCoopers**
Certified Public Accountants

Hong Kong, 28 March 2022

# Consolidated Statement of Comprehensive Loss

(Expressed in thousands of RMB unless otherwise stated)

| | Note | Years ended 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| Revenue | | **54** | — |
| Cost of revenue | | **(23)** | — |
| GROSS PROFIT | | **31** | — |
| General and administrative expenses | 5 | **(242,676)** | (277,833) |
| Research and development expenses | 5 | **(613,433)** | (377,411) |
| Distribution and selling expenses | 5 | **(198,150)** | (33,246) |
| Other income | 6 | **4,956** | 1,084 |
| Other gains/(losses) — net | 7 | **22,940** | (1,051) |
| OPERATING LOSS | | **(1,026,332)** | (688,457) |
| Finance income/(costs) — net | 8 | **24,065** | (31,725) |
| Fair value change in financial instruments issued to investors | 21 | **(6,452)** | (4,937,983) |
| LOSS BEFORE INCOME TAX | | **(1,008,719)** | (5,658,165) |
| Income tax expense | 10 | **—** | — |
| LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY | | **(1,008,719)** | (5,658,165) |
| OTHER COMPREHENSIVE (LOSS)/INCOME: | | | |
| ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS: | | | |
| Change in foreign currency translation adjustments | | **(121,902)** | (160,396) |
| Change in fair value of financial assets at fair value through other comprehensive income ("FVOCI") | 16 | **9,413** | 571,651 |
| OTHER COMPREHENSIVE (LOSS)/INCOME | | **(112,489)** | 411,255 |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY | | **(1,121,208)** | (5,246,910) |
| BASIC LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY | 12 | **(3.44)** | (66.29) |
| DILUTED LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY | 12 | **(3.44)** | (66.29) |

(The accompanying notes on page 85 to 175 are an integral part of these consolidated financial statements.)

# Consolidated Statement of Financial Position

(Expressed in thousands of RMB unless otherwise stated)

| | Note | As at 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 13 | **112,335** | 11,411 |
| Right-of-use assets | 14 | **150,304** | 110,563 |
| Intangible assets | 15 | **2,471,298** | 2,006,056 |
| Investments | 16 | **830,403** | 845,697 |
| Other non-current assets | 17 | **393,555** | 7,045 |
| | | **3,957,895** | 2,980,772 |
| CURRENT ASSETS | | | |
| Inventory | | **447** | — |
| Prepayments and other current assets | 19 | **47,379** | 15,287 |
| Trade receivables | | **49** | — |
| Cash and cash equivalents | 20 | **2,640,053** | 4,481,122 |
| | | **2,687,928** | 4,496,409 |
| TOTAL ASSETS | | **6,645,823** | 7,477,181 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Financial instruments issued to investors | 21 | **26,778** | 20,880 |
| Lease liabilities | 22 | **95,851** | 58,878 |
| Other non-current liabilities | 23 | **360,932** | 369,438 |
| | | **483,561** | 449,196 |
| CURRENT LIABILITIES | | | |
| Lease liabilities | 22 | **28,251** | 19,015 |
| Trade and other payables | 24 | **241,433** | 167,459 |
| Amounts due to related parties | 29 | **582** | 440 |
| | | **270,266** | 186,914 |
| TOTAL LIABILITIES | | **753,827** | 636,110 |

# Consolidated Statement of Financial Position

(Expressed in thousands of RMB unless otherwise stated)

| | Note | As at 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| EQUITY | | | |
| EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY | | | |
| Share capital | 25 | **202** | 198 |
| Reserves | 27 | **13,564,660** | 13,392,531 |
| Accumulated deficit | | **(7,924,735)** | (6,916,016) |
| Accumulated other comprehensive income | 28 | **251,869** | 364,358 |
| TOTAL EQUITY | | **5,891,996** | 6,841,071 |
| TOTAL EQUITY AND LIABILITIES | | **6,645,823** | 7,477,181 |

(The accompanying notes on page 85 to 175 are in integral part of these consolidated financial statements.)

The financial statements on pages 78 to 175 were approved by the board of directors on 28 March 2022 and were signed on its behalf.

**Kerry Levan Blanchard**
*Chief Executive Officer*

**Ian Ying Woo**
*President & Chief Financial Officer*

# Consolidated Statement of Changes in Equity

(Expressed in thousands of RMB unless otherwise stated)

| | Share capital RMB'000 (Note 25) | Capital reserve RMB'000 (Note 27) | Treasury shares RMB'000 (Note 27) | FVOCI reserve RMB'000 (Note 28) | Exchange reserve RMB'000 (Note 28) | Accumulated deficit RMB'000 | Total equity/ (deficit) RMB'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2021 | 198 | 13,392,531 | – | 571,651 | (207,293) | (6,916,016) | 6,841,071 |
| COMPREHENSIVE LOSS | | | | | | | |
| Loss for the year | – | – | – | – | – | (1,008,719) | (1,008,719) |
| Foreign currency translation | – | – | – | – | (121,902) | – | (121,902) |
| | – | – | – | – | (121,902) | (1,008,719) | (1,130,621) |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS | | | | | | | |
| Issuance of ordinary shares to Share Scheme Trust | 3 | – | – | – | – | – | 3 |
| Exercise of stock options | 1 | 5,856 | – | – | – | – | 5,857 |
| Shares buy-back | – | – | (58,707) | – | – | – | (58,707) |
| Change in fair value of financial assets at FVOCI | – | – | – | 9,413 | – | – | 9,413 |
| Share-based compensation | – | 224,980 | – | – | – | – | 224,980 |
| | 4 | 230,836 | (58,707) | 9,413 | – | – | 181,546 |
| Balance at 31 December 2021 | 202 | 13,623,367 | (58,707) | 581,064 | (329,195) | (7,924,735) | 5,891,996 |

# Consolidated Statement of Changes in Equity

(Expressed in thousands of RMB unless otherwise stated)

| | Share capital RMB'000 (Note 25) | Capital reserve RMB'000 (Note 27) | Treasury shares RMB'000 (Note 27) | FVOCI reserve RMB'000 (Note 28) | Exchange reserve RMB'000 (Note 28) | Accumulated deficit RMB'000 | Total equity/ (deficit) RMB'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2020 | 17 | 443,649 | – | – | (46,897) | (1,257,851) | (861,082) |
| COMPREHENSIVE LOSS | | | | | | | |
| Loss for the year | – | – | – | – | – | (5,658,165) | (5,658,165) |
| Foreign currency translation | – | – | – | – | (160,396) | – | (160,396) |
| | – | – | – | – | (160,396) | (5,658,165) | (5,818,561) |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS | | | | | | | |
| Issuance of ordinary shares, net of transaction costs | 181 | 12,758,488 | – | – | – | – | 12,758,669 |
| Exercise of stock options | – | 1,318 | – | – | – | – | 1,318 |
| Cancellation of warrants | – | 71,806 | – | – | – | – | 71,806 |
| Change in fair value of financial assets at FVOCI | – | – | – | 571,651 | – | – | 571,651 |
| Share-based compensation | – | 117,270 | – | – | – | – | 117,270 |
| | 181 | 12,948,882 | – | 571,651 | – | – | 13,520,714 |
| Balance at 31 December 2020 | 198 | 13,392,531 | – | 571,651 | (207,293) | (6,916,016) | 6,841,071 |

(The accompanying notes on page 85 to 175 are an integral part of these consolidated financial statements.)

# Consolidated Statement of Cash Flows

(Expressed in thousands of RMB unless otherwise stated)

| | Note | Years ended 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before income tax | | **(1,008,719)** | (5,658,165) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 13 | **6,209** | 4,481 |
| Depreciation of right-of-use assets | 14 | **24,549** | 15,914 |
| Amortisation of intangible assets | 15 | **366** | — |
| Fair value change in financial instruments issued to investors | 21 | **6,452** | 4,937,983 |
| Share-based compensation | 26 | **224,980** | 117,270 |
| Interest income | 8 | **(28,870)** | (2,040) |
| Unrealized foreign exchange losses | 7 | **(22,940)** | 847 |
| Interest expense | 8 | **4,805** | 23,820 |
| Issuance cost of Series C Convertible Redeemable Preferred Shares financing | 8 | **—** | 10,046 |
| Changes in working capital: | | | |
| — Trade receivables | | **(49)** | — |
| — Prepayment and other current assets | | **(32,089)** | (8,812) |
| — Inventory | | **(447)** | — |
| — Amounts due from related parties | | **—** | 18,616 |
| — Trade and other payables | | **73,974** | 86,678 |
| — Amounts due to related parties | | **142** | (16,793) |
| — Other non-current assets | | **(7,180)** | (3,784) |
| Interest received | 8 | **28,881** | 2,040 |
| Net cash used in operating activities | | **(729,936)** | (471,899) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | **(78,990)** | (8,599) |
| Purchase of land use right | | **—** | (35,397) |
| Prepayment for intangible assets | | **(348,381)** | — |
| Prepayment for purchase of property, plant and equipment | | **(30,960)** | — |
| Purchase of intangible assets | | **(517,485)** | (475,934) |
| Net cash used in investing activities | | **(975,816)** | (519,930) |

# Consolidated Statement of Cash Flows

(Expressed in thousands of RMB unless otherwise stated)

| | Note | Years ended 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Principal elements of lease liabilities | | **(23,658)** | (19,463) |
| Proceeds from initial global offering | | **—** | 3,385,233 |
| Proceeds from issuance of Series C convertible redeemable preferred shares (net of issuance cost of 10,046) | | **—** | 1,922,206 |
| Payment for shares buy-back | | **(58,707)** | — |
| Proceeds from Jiashan Shanhe Equity Investment Company ("Jiashan Shanhe") borrowing | 23 | **—** | 348,590 |
| Proceeds from exercise of stock option | 27 | **5,857** | 1,318 |
| Net cash (used in)/generated from financing activities | | **(76,508)** | 5,637,884 |
| Effect of exchange rate changes on cash and cash equivalents | | **(58,809)** | (270,994) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | **(1,841,069)** | 4,375,061 |
| Cash and cash equivalents at the beginning of the year | | **4,481,122** | 106,061 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 20 | **2,640,053** | 4,481,122 |

(The accompanying notes on page 85 to 175 are an integral part of these consolidated financial statements.)

(Expressed in thousands of RMB unless otherwise stated)

## 1. GENERAL INFORMATION

Everest Medicines Limited (the "Company" or "Everest") was incorporated under the law of Cayman Islands as an exempted company with limited liability on 14 July 2017. The Company and its subsidiaries (collectively referred to as the "Group") engages primarily in license-in, development and commercialization of innovative therapies in Greater China and other emerging Asia Pacific markets.

The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company listed its shares on the Main Board of the Stock Exchange of Hong Kong Limited on 9 October 2020 (the "Listing").

As at 31 December 2021, the Company has direct or indirect interests in the following subsidiaries:

| Subsidiaries | Place of incorporation | Date of incorporation/ acquisition | Issued and paid up capital | Interests held by the Group At 31 December 2021 | 2020 | Principal activities |
|---|---|---|---|---|---|---|
| **Directly held by the Company** | | | | | | |
| Everest Medicines (US) Limited | The United States of America | 15 September 2017 | USD500 | 100% | 100% | Business development and administrative office |
| Everonc Medicines Inc. | British Virgin Islands | 19 April 2017 | USD50,000 | 100% | 100% | Holding company |
| Everest Medicines (Singapore) Pte. Limited | Singapore | 22 November 2018 | SGD70,000,000 | 100% | 100% | International activities |
| EverNov Medicines Limited ("EverNov") | Cayman Islands | 14 June 2018 | USD50,000 | 92% | 92% | Holding company |
| Everest Medicines II Limited ("Everest II") | Cayman Islands | 25 November 2019 | USD50,000 | 100% | 100% | Holding company |

(Expressed in thousands of RMB unless otherwise stated)

## 1. GENERAL INFORMATION (CONTINUED)

| Subsidiaries | Place of incorporation | Date of incorporation/ acquisition | Issued and paid up capital | Interests held by the Group At 31 December 2021 | 2020 | Principal activities |
|---|---|---|---|---|---|---|
| **Indirectly held by the Company** | | | | | | |
| Everonc Medicines Limited | Hong Kong | 12 May 2017 | HKD10,000 | **100%** | 100% | Holding company |
| EverSun Medicines Limited | Hong Kong | 28 February 2018 | HKD1 | **100%** | 100% | Holding company |
| Everstar Therapeutics Limited | Hong Kong | 3 January 2018 | HKD1 | **100%** | 100% | Holding company |
| EverNov Medicines (HK) Limited | Hong Kong | 13 December 2018 | USD5,000,000 | **92%** | 92% | Holding company |
| Everest Medicines II (HK) Limited ("Everest II HK") | Hong Kong | 25 November 2019 | HKD1 | **100%** | 100% | Holding company |
| Everest Medicines (Suzhou) Inc[a] | People's Republic of China ("PRC") | 11 October 2017 | USD5,000,000 | **62.96%** | 62.96% | Research and development of innovative therapies |
| EverID Medicines (Beijing) Limited[a] | PRC | 30 March 2018 | USD5,000,000 | **62.96%** | 62.96% | Research and development of innovative therapies |
| Everstar Medicines (Shanghai) Limited[a] | PRC | 16 April 2018 | USD5,000,000 | **62.96%** | 62.96% | Research and development of innovative therapies |

(Expressed in thousands of RMB unless otherwise stated)

## 1. GENERAL INFORMATION (CONTINUED)

| Subsidiaries | Place of incorporation | Date of incorporation/ acquisition | Issued and paid up capital | Interests held by the Group At 31 December 2021 | 2020 | Principal activities |
|---|---|---|---|---|---|---|
| **Indirectly held by the Company (continued)** | | | | | | |
| Everest Medicines (China) Co., Ltd[c] | PRC | 3 April 2020 | USD70,000,000 | **62.96%** | 62.96% | PRC holding company |
| EverNov Medicines (Zhuhai Hengqin) Limited[b] | PRC | 13 February 2019 | USD500,000 | **92%** | 92% | Research and development of innovative therapies |
| Everest Medicines Korea, LLC | Korea | 12 July 2021 | KRW200,000,000 | **100%** | — | International activities |

Notes:

(a) These entities are PRC limited liability companies.

(b) This entity is a limited liability company (registered as wholly foreign owned enterprise under PRC law).

(c) This entity is a limited liability company (registered as sino-foreign equity joint venture under PRC law).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standards Board ("IASB") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial instruments issued to investors which are carried at fair value.

The consolidated financial statements have been prepared on a going concern basis. The Group is primarily in the drug candidates research and development phase and has been incurring losses from operations since incorporation. The Group incurred net loss of RMB1,008,719 thousand for the year ended 31 December 2021 (for the year ended 31 December 2020: RMB5,658,165 thousand), and net cash used in operating activities was RMB729,936 thousand for the year ended 31 December 2021 (for the year ended 31 December 2020: RMB471,899 thousand). The Company obtained funding from financing activities from external investors in history and the Listing. Management believes that its existing cash and cash equivalents are sufficient to fund its operating expenses and capital expenditure requirements and meet its payment obligations for the next twelve months from 31 December 2021.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

**(a) New standards and interpretations that are effective for the current year**

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

| Standards | Key requirements | Effective for accounting periods beginning on or after |
|---|---|---|
| IFRS 9, IAS39, IFRS 7, IFRS 4 and IFRS 16 (Amendments) | Interest Rate Benchmark Reform — Phase 2 | 1 January 2021 |

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(Expressed in thousands of RMB unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

**(b) New standards and interpretations not yet adopted**

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2021 and have not been early adopted by the Group. These new standards and amendments are set out below:

| Standards | Key requirements | Effective for accounting periods beginning on or after |
|---|---|---|
| IAS 16 (Amendment) | Property, plant and equipment — proceeds before intended use | 1 January 2022 |
| IFRS 3 (Amendment) | Reference to the Conceptual Framework | 1 January 2022 |
| IAS 37 (Amendment) | Onerous Contracts — Cost of Fulfilling a Contract | 1 January 2022 |
| Annual Improvements | Annual Improvements to IFRS Standards 2018–2020 | 1 January 2022 |
| IFRS 17 | Insurance Contracts | 1 January 2023 |
| IAS 1 (Amendment) | Classification of liabilities as current or non-current | 1 January 2023 |
| IAS 12 (Amendments) | Deferred Tax related to Assets and Liabilities arisin from a Single Transaction | 1 January 2023 |
| Amendments to IAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| IFRS 10 and IAS 28 (Amendments) | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

# 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between entities within the Group are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

### 2.2.1 Business combinations

***(a) Business combinations not under common control***

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

# 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 2.2 Subsidiaries (continued)

### 2.2.1 Business combinations (continued)

***(a) Business combinations not under common control (continued)***

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

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

When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

The Group early adopted Amended IFRS 3, Business Combination to clarify the definition of a business. Among the amendment when no output are present, a workforce on access to a workflow must be obtained, at minimum, in order for a set to qualify as business.

***(b) Changes in ownership interests in subsidiaries without change of control***

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

***(c) Disposal of subsidiaries***

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Subsidiaries (continued)

#### 2.2.2 Separate financial statements

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

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

### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

During all the years presented, the Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results including operating expenses and operating loss at a consolidated level only. The Group has been focusing on research and development of innovative drug candidates. Accordingly, the management considers that the Group is operated and managed as a single operating segment and hence no segment information is presented.

### 2.4 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is United States Dollars ("USD"). However, the consolidated financial statements are presented in RMB. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Foreign currency translation (continued)

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statements of comprehensive income within other losses.

**(c) Group companies**

The results and financial position of all the group entities (none of which has the currency of a hyper- inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognized in other comprehensive income.

### 2.5 Property, plant and equipment

Property, plant and equipment include furniture and fixtures, office equipment, leasehold improvements and construction-in-progress and are stated at historical cost less depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| — Furniture and fixtures | 3 years |
| — Office equipment | 3 years |
| — Leasehold improvements | Over the shorter of the lease term or the estimated useful life |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statements of comprehensive income.

Construction-in-progress represents plant under construction and is stated at cost less impairment. This includes cost of construction, equipment and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Intangible assets

**(a) In-licenses and In-Process Research and Development (IPR&D)**

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

Certain intangible assets are for in-licenses and IPR&D, with non-refundable upfront payment, milestone payment and royalty payment. Upfront payment is capitalized when paid. The milestone payment is capitalized as intangible assets when incurred if the payment is due on a verifiable outcome, and is expensed if it is due for the execution of activities or is treated as research and development expenditures following the policy in Note 2.6 (b) if the payment is due for outsourced research and development work. Royalty payment is accrued for in line with the underlying sales and recognized as a cost of sales. However, if an IPR&D is acquired in a business combination, it is capitalized as intangible asset measured at fair value at initial recognition.

IPR&D acquired is subsequently stated at cost less accumulated amortization and any impairment losses.

Research or development expenditures which are related to an IPR&D project acquired separately or in a business combination and incurred after the acquisition of that project, are accounted for in accordance with the capitalization policy in Note 2.6(b).

The intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized when ready for use and over the estimated economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Intangible assets with indefinite useful lives or not ready for use are not amortized but tested for impairment annually either individually or at the cash-generating unit level. The impairment test would compare the recoverable amount of the intangible asset to its carrying value. The estimated 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 estimated life assessment from indefinite to finite is accounted for on a prospective basis.

In-licenses and IPR&D with finite useful life is amortized using the straight-line basis over the estimated economic life of the underlying product, commencing from the date when the product is put into commercial production.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Intangible assets (continued)

**(b) Research and development expenditures**

The Group incurs significant costs and efforts on research and development activities. Development costs are recognized as assets if they can be directly attributable to a newly developed drug products and all the following can be demonstrated:

(i) the technical feasibility of completing the development project so that it will be available for use or sale;

(ii) the Group's intention to complete the development project to use or sell it;

(iii) the Group's ability to use or sell the development project;

(iv) how the development project will generate probable future economic benefits for the Group;

(v) the Group's availability of adequate technical, financial and other resources to complete the development and to use or sell the development project; and

(vi) the ability to measure reliably the expenditures attributable to the development project.

The cost of an internally generated intangible asset is the sum of the expenditures incurred from the date the asset meets the recognition criteria described above to the date when it is available for use. The costs capitalized in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads. The Group generally considers capitalization criteria for internally generated intangible assets is met when obtaining regulatory approval of new drug license.

Capitalized development expenditures are amortized using the straight-line method over the estimated economic life of the related drug product. Amortization begins when the asset is available for use. Subsequent to initial recognition, internally generated intangible assets are reported as cost less accumulated amortization and accumulated impairment losses (if any).

Development expenditures not satisfying the above criteria are recognized in profit or loss as incurred and development expenditures previously recognized as an expense are not recognized as an asset in a subsequent period.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Intangible assets (continued)

**(c) Software**

Costs incurred to acquire and bring to use of software are capitalized as intangible assets and amortized over their estimated useful lives generally 3 years.

### 2.7 Impairment of non-financial assets

Intangible assets of indefinite useful lives or not ready for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The intangible assets related to in-license and IPR&D are not ready for use and the Group is continuing research and development work, it is subject to an annual impairment test based on the recoverable amount of the cash generating unit to which the intangible asset is related to. Other non-financial assets including right-of-use assets and property and equipment and other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

The fair value was estimated using the discounted cash flow approach. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 2.8 Investments and other financial assets

**2.8.1 Classification**

The Group classifies its financial assets in the following measurement categories:

(i) those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

(ii) those to be measured at amortized cost.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Investments and other financial assets (continued)

#### 2.8.1 Classification (continued)

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

For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this depends on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

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

#### 2.8.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

#### 2.8.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

***(a) Debt instruments***

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Investments and other financial assets (continued)

#### 2.8.3 Measurement (continued)

*(a) Debt instruments (continued)*

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are resented in other gains/(losses) and impairment expenses are presented as separate line item in he statements of proft or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

*(b) Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### 2.8.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. See Note 3.1 (b) for details.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Offsetting financial instruments

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

### 2.10 Prepayments and other current assets

Prepayments mainly represent upfront cash payments made to contract research organizations ("CROs"), which are organizations that provide support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis. During the ordinary course of business, the Group largely involves services from CROs as a cost-effective solution.

Prepayments to CROs are subsequently recorded as research and development expenses in accordance with the progress of services provided by CROs.

Prepayments are generally due for settlement within one year or less and therefore are all classified as current assets.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

### 2.11 Inventories

Inventories, mainly consisting of finished goods, are stated at the lower of cost and net realizable value. Cost comprises amounts related to procurement cost, packagings and freight. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### 2.12 Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business and are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are classified as current asset as they are expected to be settled within 12 months.

### 2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

### 2.15 Financial instruments issued to investors

Financial instruments issued to investors consist of Preferred Shares and warrants for purchase of Preferred Shares. Accounting policies and other explanatory information of these financial instruments are elaborated as follows:

**(a) Preferred Shares**

Before the Listing, the Company entered into a series of share purchase agreements with financial investors and issued Series A-1, A-2, B-1, B-2, B-3, C-1 and C-2 Convertible Redeemable Preferred Shares (the "Preferred Shares"). Refer to Note 21(a) for details. In addition, EverNov entered into a license agreement with Novartis and issued Convertible Preferred Shares to Novartis accordingly. Refer to Note 21(b) for details.

The Preferred Shares issued by the Company or EverNov are redeemable upon occurrence of certain future events. These instruments can be converted into ordinary shares of the Company or EverNov at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering of the Company or EverNov.

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value.

Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognized in the consolidated statements of comprehensive loss.

If the Company's own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts.

Upon the completion of the Listing, the Preferred Shares issued by the Company were automatically converted to the Company's ordinary shares.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.15 Financial instruments issued to investors (continued)

**(b) Warrants**

The Company issued warrants under which the holders have the rights to subscribe for the Company's Preferred Shares at a predetermined price during a specific period (Note 21).

Warrant liabilities are initially recognized at fair value on the date a warrant contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

### 2.16 Provision

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

### 2.17 Share Capital

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

### 2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

**(a) Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

**(b) Deferred income tax**

***Inside basis differences***

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Also, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 Current and deferred income tax (continued)

**(b) Deferred income tax (continued)**

***Inside basis differences (continued)***

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Also, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

***Outside basis differences***

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

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

**(c) Offsetting**

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Employee benefits

**(a) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

**(b) Pension obligations**

Employees of the Group are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leaves the Group.

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

**(c) Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 Share based compensation

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

The Company operates restricted share units and stock options plan for the Group's employees, under which the entity receives services from employees as consideration for equity instruments of the Company. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense in the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments as at the grant date, considering:

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

At the end of each reporting period, the Group revises its estimates of the number of stock options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive loss, with a corresponding adjustment to equity. For stock options include a market condition, the transactions are treated as vested irrespective of whether the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 Share based compensation (continued)

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

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

### 2.22 Revenue Recognition

The Group principally derives revenue from sales of drug products.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold, stated net of discounts, returns and value-added taxes.

The Group sells drug products to end customers through distributors and recognizes revenue at the point in time when drug products are delivered to end customers, which is the time when control is transferred.

### 2.23 Other income

The Group provides consultancy services in the field of business development, clinical development, related platform support and general and administrative supports to related parties and third parties. The contract prices are determined based on the actual cost incurred plus a margin. Such income is recognized over time when services are performed and is presented net off related cost in other income.

### 2.24 Interest income

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in the consolidated statements of comprehensive loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit- impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.25 Government grant

Grants from government are recognized at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

### 2.26 Leases and right-of-use assets as leasee

The Group leases properties for operation. The consideration paid for lease are treated as right-of-use assets, which are stated at cost less accumulative amortization and accumulated impairment losses, if any.

Rental contracts are typically made for fixed periods of 3 to 6 years, but may have extension options. The Group also obtained a land use right for usage of land for plant with the lease period of 50 years. Lease terms are negotiated on an individual basis and contain various terms and conditions.

Leases are recognized as right-of-use assets and the corresponding liabilities at the date of which the respective leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payment:

(i) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(ii) variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

(iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.26 Leases and right-of-use assets as leasee (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

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

Right-of-use assets are generally depreciated over the lease term on a straight-line basis. Right-of-use assets are subject to impairment (Note 2.7).

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets comprise small items of machinery.

## 3. FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

**(a) Market risk**

***(i) Foreign exchange risk***

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective group entities' functional currency.

# 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.1 Financial risk factors (continued)

### (a) Market risk (continued)

#### *(i) Foreign exchange risk (continued)*

Certain bank balances and cash are denominated in foreign currencies of respective group entities that are exposed to foreign currency risk. The Group has entities operating in PRC and the United Stats of America, and the Group constantly reviews the economic situation and its foreign exchange risk profile, and considers appropriate hedging measures in the future, as may be necessary.

Most foreign exchange transactions were denominated in USD for the group companies that have functional currency in RMB. As at 31 December 2021, if the RMB strengthened/weakened by 5% against the USD with all other variables held constant, net loss for the year would have been RMB13,469 thousand lower/higher (As at 31 December 2020: RMB413 thousand higher/lower).

### (b) Credit risk

The Group has three types of financial assets that are subject to the expected credit loss model: trade receivables, other receivables and cash and cash equivalents. The carrying amounts of trade receivables, other receivables and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of trade receivables. Management has assessed that during the years presented, amount due from related parties and 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 Group does not expect any losses from non-performance by the counterparties of above receivables and no loss allowance provision for these receivables was recognized.

The Group expects that there is no significant credit risk associated with cash and cash equivalents since they are substantially deposited at state-owned banks or reputable commercial banks which are high-credit-quality financial institutions. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(Expressed in thousands of RMB unless otherwise stated)

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (continued)

#### (c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents and the ability to raise funds through debt and equity financing. The Group historically financed its working capital requirements through issue of preferred shares and convertible notes and the Listing. After the Listing, the Group has alternative financing through new shares issuance.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

The Group recognizes the financial instruments issued to investors at fair value through profit or loss. Accordingly, the financial instruments issued to investors are managed on a fair value basis rather than by maturing dates.

| | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **At 31 December 2021** | | | | | |
| Trade and other payable | 241,433 | – | – | – | 241,433 |
| Amount due to related parties | 582 | – | – | – | 582 |
| Lease liabilities | 29,021 | 30,356 | 72,184 | 7,282 | 138,843 |
| | 271,036 | 30,356 | 72,184 | 7,282 | 380,858 |
| **At 31 December 2020** | | | | | |
| Trade and other payable | 167,459 | – | – | – | 167,459 |
| Amount due to related parties | 440 | – | – | – | 440 |
| Lease liabilities | 19,523 | 19,202 | 47,152 | 1,504 | 87,381 |
| | 187,422 | 19,202 | 47,152 | 1,504 | 255,280 |

# 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.2 Capital risk management

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital and reserves) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. In the opinion of the directors of the Company, the Group's capital risk is low.

## 3.3 Fair value estimation

There are judgements and estimates made in determining the fair values of the financial instruments that are measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards:

Level 1: The fair values of financial instruments traded in active markets (such as trading and available-for-sale securities) are based on quoted market prices at the end of the reporting period.

Level 2: The fair values of financial instruments that are not traded in an active market are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The carrying amounts of the financial assets and liabilities, which are measured at amortised cost, approximated their fair value as at 31 December 2021 and 2020.

(Expressed in thousands of RMB unless otherwise stated)

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2021:

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Assets:** | | | | |
| Investment (Note 16) | 798,525 | — | 31,878 | 830,403 |
| **Liabilities:** | | | | |
| Preferred Shares (Note 21) | — | — | 26,778 | 26,778 |

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2020:

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Assets:** | | | | |
| Investment (Note 16) | 813,072 | — | 32,625 | 845,697 |
| **Liabilities:** | | | | |
| Preferred Shares (Note 21) | — | — | 20,880 | 20,880 |

**(a) Valuation techniques used to determine fair values**

Specific valuation techniques used to value financial instruments include the use of quoted market prices, dealer quotes for similar instruments and discounted cash flow analysis.

There were no changes in valuation techniques during the years ended 31 December 2021 and 2020.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2021 and 2020.

The changes in level 3 instruments for the years ended 31 December 2021 and 2020 are presented in Note 16 and Note 21.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### (a) Development expenditures

Development expenditures incurred on the Group's research and development activities, including conducting clinical trials and other activities related to regulatory filings for the Group's drug candidates, are capitalised as intangible assets only when meet the capitalisation criteria set out in Note 2.6(b). Expenditures that do not meet these capitalisation principle are recognised as research and development expenses. During the years ended 31 December 2021 and 2020, the Group's research and development expenditures incurred did not meet these capitalisation principle for any products and were expensed as incurred.

### (b) Impairment testing of intangible assets not ready for use

Intangible assets not ready for 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 and IPR&D 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 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 and IPR&D is a cash-generating units. Key assumptions are disclosed in Note 15.

### (c) Accrued service fees to CROs

Research and development expenses primarily include costs related to clinical trials paid to CROs. The estimate of accrued service fees to CROs is complex because billing terms under contracts with CRO often do not coincide with the timing of when the work is performed, which in turn requires estimates of outstanding obligations as of period end. These estimates are based on a number of factors, including management's knowledge of the R&D programs and activities associated with timelines, invoicing to date, and the provisions in the contracts.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### (d) Fair value of financial instruments issued to investors

The financial instruments issued by EverNov including Preferred Shares and warrant for purchase of Preferred Shares are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method was used to determine the total equity value of EverNov and the equity allocation model was adopted to determine the fair value of the financial instruments. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 21(b).

### (e) Share-based compensation expenses

As disclosed in Note 26, the Company has granted restricted share units and stock options to the Group's employees. The Company has engaged an independent valuer to determine the grant date fair value of the restricted share units granted prior to the Listing and stock options to employees, which is to be expensed over the vesting period. Share-based compensation in relation to the restricted share units is measured based on the fair value of the Company's ordinary shares at the grant date of the award. Prior to the Listing, estimation of the fair value of the Company's ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, including discount rate, and subjective judgments regarding projected financial and operating results, its unique business risks, and its operating history and prospects at the time the grants are made. In addition, the Company used the Black Scholes model, binominal model or Monte Carlo Simulation model to determine the fair value of the stock options as of the grant date, and in the case of stock option with market condition, the determination of vesting period. The determination of the fair value is affected by the fair value of the ordinary shares as well as assumptions regarding a number of complex and subjective variables Refer to Note 26 for details.

### (f) Deferred income tax

The Group recognizes deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses. During the years ended 31 December 2021 and 2020, deferred tax assets have not been recognised in respect of these accumulated tax losses and other deductible temporary differences based on the fact that there were several drug candidates of the Company and most of them were in clinical trial stage and the future taxable profits would be uncertain.

(Expressed in thousands of RMB unless otherwise stated)

## 5. EXPENSES BY NATURE

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Employee benefit expenses (Note 9) | **574,841** | 309,341 |
| Clinical trial and research expenses | **292,822** | 211,304 |
| Professional expenses | **113,836** | 121,806 |
| Office and travelling expenses | **33,922** | 19,681 |
| Depreciation & Amortization | **31,124** | 20,395 |
| Auditors' remuneration: | | |
| — Audit services | **3,780** | 7,646 |
| — Non-audit services | **175** | 682 |
| Others | **3,759** | 3,483 |
| Total general and administrative expenses, research and development, distribution and selling expenses and cost of other income | **1,054,259** | 694,338 |

## 6. OTHER INCOME

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Income from consultancy services (a) | **—** | 6,074 |
| Cost of other income (a) | **—** | (5,848) |
| Government grants | **4,956** | 858 |
| | **4,956** | 1,084 |

(Expressed in thousands of RMB unless otherwise stated)

## 6. OTHER INCOME (CONTINUED)

(a) The Group provided consultancy services in the field of business development, clinical development, related platform support and general and administrative supports, to other parties including related parties, as below:

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Others | **—** | 226 |

The contract prices are determined based on the actual cost incurred plus a margin. Such income is recognized over time when services are performed and is presented net off related cost in other income.

## 7. OTHER (GAINS)/LOSSES — NET

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Net foreign exchange (gains)/losses on operating activities | **(22,940)** | 949 |
| Others | **—** | 102 |
| | **(22,940)** | 1,051 |

## 8. FINANCE (INCOME)/COSTS — NET

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Bank interest income | **(28,881)** | (1,987) |
| Interest income form loan to a director (Note 9(e)) | **11** | (52) |
| Interest expenses on lease liabilities | **4,805** | 2,870 |
| Issuance cost of Series C Convertible Redeemable Preferred Shares financing | **—** | 10,046 |
| Net exchange losses on foreign currency borrowings | **—** | (102) |
| Interest expenses on borrowings from Jiashan Shanhe (Note 13) | **—** | 20,950 |
| Finance (income)/costs — net | **(24,065)** | 31,725 |

(Expressed in thousands of RMB unless otherwise stated)

## 9. EMPLOYEE BENEFIT EXPENSES

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Salaries, wages and bonuses | **325,173** | 185,559 |
| Social security costs and housing benefits | **24,688** | 6,512 |
| Share-based compensation | **224,980** | 117,270 |
| | **574,841** | 309,341 |

### (a) Five highest paid individuals

For the years ended 31 December 2021 and 2020, the five individuals whose emoluments were the highest in the Group include 3 directors, whose emoluments are reflected in the analysis presented in Note 9(b) below. The emoluments to the remaining 2 individuals were as follows:

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Basic salaries | **6,942** | 6,888 |
| Bonuses | **3,345** | 4,027 |
| Contributions to pension plans | **109** | 15 |
| Housing funds, medical insurance and other social insurance | **180** | 64 |
| Share-based compensation | **26,817** | 14,751 |
| | **37,393** | 25,745 |

(Expressed in thousands of RMB unless otherwise stated)

## 9. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

### (a) Five highest paid individuals (continued)

The number of five highest paid individuals whose remuneration during the years ended 31 December 2021 and 2020 fell within the following bands are as follows:

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| **Emolument bands** | | |
| HK$14,000,001–HK$15,000,000 | **—** | 2 |
| HK$21,000,001–HK$22,000,000 | **2** | — |
| HK$23,000,001–HK$24,000,000 | **2** | — |
| HK$27,000,001–HK$28,000,000 | **—** | 1 |
| HK$28,000,001–HK$29,000,000 | **—** | 1 |
| HK$38,000,001–HK$39,000,000 | **—** | 1 |
| HK$79,000,001–HK$80,000,000 | **1** | — |

No emoluments were paid by the Group to any of the five individuals with the highest emoluments as an inducement to join or upon joining the Groups or as compensation for loss of office for the year ended 31 December 2021 and 2020.

(Expressed in thousands of RMB unless otherwise stated)

## 9. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

### (b) Details of emoluments in respect of the directors of the Company

The emoluments in respect of each of the directors paid/payable by the Group for the year ended 31 December 2021 are as follows:

| | Director Fee RMB'000 | Basic salaries and allowances (i) RMB'000 | Bonus (ii) RMB'000 | Retirement benefit costs RMB'000 | Social security costs RMB'000 | Share-based compensation RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | |
| Mr. Ian Ying Woo (iv) | – | 4,463 | 5,963 | – | 307 | 7,525 | 18,258 |
| Mr. Xiaofan Zhang (v) | – | 4,448 | 5,938 | – | 4 | 9,455 | 19,845 |
| Mr. Wei Fu (vi) | – | – | – | – | – | – | – |
| Dr. Kerry Levan Blanchard (vii) | – | 8,713 | 9,201 | – | 123 | 48,126 | 66,163 |
| | – | 17,624 | 21,102 | – | 434 | 65,106 | 104,266 |
| **Non-executive directors** | | | | | | | |
| Mr. Yubo Gong (viii) | – | – | – | – | – | – | – |
| Ms. Lan Kang (ix) | – | – | – | – | – | – | – |
| | – | – | – | – | – | – | – |
| **Independent non-executive directors (x)** | | | | | | | |
| Mr. Shidong Jiang | 322 | – | – | – | – | 385 | 707 |
| Mr. Yifan Li | 322 | – | – | – | – | 385 | 707 |
| Mr. Bo Tan | 322 | – | – | – | – | 385 | 707 |
| | 966 | – | – | – | – | 1,155 | 2,121 |

(Expressed in thousands of RMB unless otherwise stated)

## 9. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

### (b) Details of emoluments in respect of the directors of the Company (continued)

The emoluments in respect of each of the directors paid/payable by the Group for the year ended 31 December 2020 are as follows:

| | Director Fee RMB'000 | Basic salaries and allowances (i) RMB'000 | Bonus (ii) RMB'000 | Retirement benefit costs RMB'000 | Social security costs RMB'000 | Share-based compensation RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | |
| Mr. Sean Wuxiong Cao (iii) | – | 1,154 | 444 | 29 | 58 | – | 1,685 |
| Mr. Ian Ying Woo (iv) | – | 2,792 | 7,806 | 27 | 300 | 13,504 | 24,429 |
| Mr. Neo Xiaofan Zhang (v) | – | 4,517 | 7,359 | – | 4 | 13,049 | 24,929 |
| Mr. Wei Fu (vi) | – | – | – | – | – | – | – |
| Dr. Kerry Levan Blanchard (vii) | – | 4,795 | 11,515 | – | 30 | 17,888 | 34,228 |
| | – | 13,258 | 27,124 | 56 | 392 | 44,441 | 85,271 |
| **Non-executive directors** | | | | | | | |
| Mr. Yubo Gong (viii) | – | – | – | – | – | – | – |
| Ms. Lan Kang (ix) | – | – | – | – | – | – | – |
| | – | – | – | – | – | – | – |
| **Independent non-executive directors (x)** | | | | | | | |
| Mr. Shidong Jiang | 92 | – | – | – | – | – | 92 |
| Mr. Yifan Li | 92 | – | – | – | – | – | 92 |
| Mr. Bo Tan | 92 | – | – | – | – | – | 92 |
| | 276 | – | – | – | – | – | 276 |

(i) Salary paid to a director is generally an emolument paid in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries undertakings.

(ii) Bonus are determined based on the financial performance of the Group and the performance of each individual.

## 9. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

### (b) Details of emoluments in respect of the directors of the Company (continued)

(iii) Mr. Sean Wuxiong Cao was appointed as director of the Group on 23 November 2017 and stepped down from executive director on 25 February 2020.

(iv) Mr. Ian Ying Woo was appointed as director of the Group on 31 December 2018 and re-designated as executive director of the Group on 15 July 2020.

(v) Mr. Xiaofan Zhang was appointed as director of the Group on 23 November 2017 and re-designated as executive director of the Group on 15 July 2020.

(vi) Mr. Wei Fu was appointed as director of the Group on 14 July 2017 and re-designated as executive director of the Group on 15 July 2020. Mr. Wei Fu did not receive any emolument during the years ended 31 December 2021 and 2020.

(vii) Dr. Kerry Levan Blanchard was re-designated as director of the Group on 25 February 2020 and designated as executive director of the Group on 15 July 2020.

(viii) Mr. Yubo Gong was appointed as director of the Group on 3 June 2020 and re-designated as non-executive director of the Group on 15 July 2020.

(ix) Ms. Lan Kang was appointed as non-executive director of the Group on 22 December 2020.

(x) Mr. Shidong Jiang, Mr. Yifan Li and Mr. Bo Tan were appointed as independent non-executive directors of the Group on 25 September 2020.

### (c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 December 2021 and 2020.

### (d) Consideration provided to third parties for making available directors' services

The Group did not pay consideration to any third parties for making available directors' services during the years ended 31 December 2021 and 2020.

### (e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

On 2 July 2020, the Company provided a loan to one director of the Company, at the total amount of USD325 thousand. The loan has term of three years and a simple interest rate of 5.0% per annum. The principal and accrued interest will be paid on maturity date. In 2021, pursuant to an amendment agreement with this director, the interest rate decreased from 5.0% per annum to 1.25% per annum.

## 9. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

### (e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors (continued)

Other than the loan mentioned above, there are no other loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the years ended 31 December 2021 and 2020.

### (f) Inducement or waiver of emoluments

No directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2021 and 2020. No directors waived or had agreed to waive any emoluments for the years ended 31 December 2021 and 2020.

### (g) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2021 and 2020.

## 10. INCOME TAX EXPENSE

### (i) Income tax expense

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

**Cayman Islands**

Under the current laws of the Cayman Islands, the Company and Cayman Islands incorporated entities of the Group is not subject to tax on income or capital gains.

**Hong Kong**

The Group's subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5%. Since these companies did not have assessable profits during the years ended 31 December 2021 and 2020, no Hong Kong profits tax has been provided.

(Expressed in thousands of RMB unless otherwise stated)

## 10. INCOME TAX EXPENSE (CONTINUED)

### (i) Income tax expense (continued)

**United States of America**

Entities in the State of New York are subject to Federal Tax at a rate of 21% and State of New York Profits Tax at a rate of 6.5%. Operations in the United States of America have incurred net accumulated operating losses for income tax purposes and no income tax provisions are recorded during the years ended 31 December 2021 and 2020.

**Singapore**

The Group's subsidiary in Singapore is subject to Singapore profits tax at the rate of 17%. The Group had no taxable income during the years ended 31 December 2021 and 2020.

**Mainland China**

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

The Group had no taxable income during the years ended 31 December 2021 and 2020.

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate in the PRC applicable to the Group as follows:

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Loss before income tax | **(1,008,719)** | (5,658,165) |
| Tax calculated at the applicable tax rate of 25% | **(252,180)** | (1,414,541) |
| Tax effect of: | | |
| Difference in overseas tax rates | **27,925** | 1,326,453 |
| Tax losses not recognised as deferred tax assets | **186,911** | 74,379 |
| Utilization of temporary differences not recognised as deferred tax assets | **—** | (969) |
| Super deduction in respect of research and development expenditures | **(19,061)** | (14,221) |
| Expenses not deductible for income tax purposes | **56,405** | 28,899 |
| Income tax expense | **—** | — |

(Expressed in thousands of RMB unless otherwise stated)

## 10. INCOME TAX EXPENSE (CONTINUED)

### (ii) Tax losses

The tax losses incurred from the Company's subsidiaries in Mainland China that are not recognised as deferred tax assets will expire in 5 years from the respective filing dates and are analysed as follows:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| **Expire year** | | |
| 2023 | **1,628** | 1,628 |
| 2024 | **51,840** | 51,840 |
| 2025 | **117,069** | 117,069 |
| 2026 | **266,449** | 266,449 |
| 2027 | **629,726** | — |
| | **1,066,712** | 436,986 |

## 11. DIVIDEND

No dividend has been paid or declared by the Company or companies comprising the Group during the years presented.

(Expressed in thousands of RMB unless otherwise stated)

## 12. LOSS PER SHARE

### Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the years ended 31 December 2021 and 2020. In determining the weighted average number of ordinary shares in issue the unvested restricted share units are excluded:

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Loss for the year | **(1,008,719)** | (5,658,165) |
| Weighted average number of ordinary shares in issue | **293,272,152** | 85,350,487 |
| Basic loss per share (in RMB) | **(3.44)** | (66.29) |
| Diluted loss per share (in RMB) | **(3.44)** | (66.29) |

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2021, the Company's potential ordinary shares include share-based awards granted to employees and for the year ended 31 December 2020, the Company had two categories of potential ordinary shares: convertible redeemable preferred shares and share-based awards granted to employees (Notes 21 and 26). For the years ended 31 December 2021 and 2020, the potential ordinary shares were not included in the calculation of loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2021 and 2020 are the same as basic loss per share.

(Expressed in thousands of RMB unless otherwise stated)

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Office equipment RMB'000 | Furniture and fixtures RMB'000 | Leasehold improvements RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **At 1 January 2021** | | | | | |
| Cost | 734 | 912 | 9,983 | 5,924 | 17,553 |
| Accumulated depreciation | (265) | (775) | (5,102) | — | (6,142) |
| **Net book amount** | 469 | 137 | 4,881 | 5,924 | 11,411 |
| **Year ended 31 December 2021** | | | | | |
| Opening net book amount | 469 | 137 | 4,881 | 5,924 | 11,411 |
| Additions (Note (a)) | 851 | 1,103 | 1,997 | 103,301 | 107,252 |
| CIP transfer out | 1,832 | 306 | 4,179 | (6,317) | — |
| Depreciation charge (Note 5) | (916) | (432) | (4,861) | — | (6,209) |
| Currency translation differences | — | — | (119) | — | (119) |
| **Closing net book amount** | 2,236 | 1,114 | 6,077 | 102,908 | 112,335 |
| **At 31 December 2021** | | | | | |
| Cost | 3,417 | 2,304 | 15,913 | 102,908 | 124,542 |
| Accumulated depreciation | (1,181) | (1,190) | (9,836) | — | (12,207) |
| **Net book amount** | 2,236 | 1,114 | 6,077 | 102,908 | 112,335 |
| **At 1 January 2020** | | | | | |
| Cost | 734 | 959 | 7,901 | — | 9,594 |
| Accumulated depreciation | (20) | (511) | (1,338) | — | (1,869) |
| **Net book amount** | 714 | 448 | 6,563 | — | 7,725 |
| **Year ended 31 December 2020** | | | | | |
| Opening net book amount | 714 | 448 | 6,563 | — | 7,725 |
| Additions | — | — | 2,675 | 5,924 | 8,599 |
| Depreciation charge (Note 5) | (245) | (228) | (4,008) | — | (4,481) |
| Currency translation differences | — | (83) | (349) | — | (432) |
| **Closing net book amount** | 469 | 137 | 4,881 | 5,924 | 11,411 |
| **At 31 December 2020** | | | | | |
| Cost | 734 | 912 | 9,983 | 5,924 | 17,553 |
| Accumulated depreciation | (265) | (775) | (5,102) | — | (6,142) |
| **Net book amount** | 469 | 137 | 4,881 | 5,924 | 11,411 |

(Expressed in thousands of RMB unless otherwise stated)

## 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of property, plant and equipment has been charged to the consolidated statements of comprehensive income as follows:

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| General and administrative expenses | **1,514** | 1,538 |
| Research and development expenses | **2,856** | 2,660 |
| Distribution and selling expense | **1,839** | 283 |
| | **6,209** | 4,481 |

As of 31 December 2021, leasehold improvement includes decoration for the Group's lease of office in Hong Kong and Singapore charged from CBC Group Investment Management, Ltd, a related party, at the amount of RMB4,262 thousand (2020: RMB2,504 thousand).

Note (a): During the year ended 31 December 2021, interest of RMB27.5 million from borrowing from Jiashan Shanhe (Note 23) was capitalized in construction in progress (2020: nil), in connection with the construction of plant in Jiashan, China.

(Expressed in thousands of RMB unless otherwise stated)

## 14. RIGHT-OF-USE ASSETS

| | Leased equipment RMB'000 | Leased properties RMB'000 | Land use right(a) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **At 1 January 2021** | | | | |
| Cost | 183 | 101,137 | 35,397 | 136,717 |
| Accumulated depreciation | (64) | (25,972) | (118) | (26,154) |
| **Net book amount** | 119 | 75,165 | 35,279 | 110,563 |
| **Year ended 31 December 2021** | | | | |
| Opening net book amount | 119 | 75,165 | 35,279 | 110,563 |
| Additions | — | 65,063 | — | 65,063 |
| Depreciation charge (Note 5) | (37) | (24,512) | (708) | (25,257) |
| Currency translation differences | — | (65) | — | (65) |
| **Closing net book amount** | 82 | 115,651 | 34,571 | 150,304 |
| **At 31 December 2021** | | | | |
| Cost | 183 | 165,748 | 35,397 | 201,328 |
| Accumulated depreciation | (101) | (50,097) | (826) | (51,024) |
| **Net book amount** | 82 | 115,651 | 34,571 | 150,304 |
| **At 1 January 2020** | | | | |
| Cost | 183 | 48,009 | — | 48,192 |
| Accumulated depreciation | (27) | (9,813) | — | (9,840) |
| **Net book amount** | 156 | 38,196 | — | 38,352 |
| **Year ended 31 December 2020** | | | | |
| Opening net book amount | 156 | 38,196 | — | 38,352 |
| Additions | — | 53,381 | 35,397 | 88,778 |
| Depreciation charge (Note 5) | (37) | (15,759) | (118) | (15,914) |
| Currency translation differences | — | (653) | — | (653) |
| **Closing net book amount** | 119 | 75,165 | 35,279 | 110,563 |
| **At 31 December 2020** | | | | |
| Cost | 183 | 101,137 | 35,397 | 136,717 |
| Accumulated depreciation | (64) | (25,972) | (118) | (26,154) |
| **Net book amount** | 119 | 75,165 | 35,279 | 110,563 |

(a) As of 31 December 2021, the land use right for Jiashan manufacturing facility has been pledged to Jiashan Shanhe for its borrowings provided to the Group (Note 23).

(Expressed in thousands of RMB unless otherwise stated)

## 14. RIGHT-OF-USE ASSETS (CONTINUED)

Depreciation of right-of-use assets has been charged to the consolidated statements of comprehensive income as follows:

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| General and administrative expenses | **5,412** | 5,463 |
| Research and development expenses | **11,293** | 9,445 |
| Distribution and selling expenses | **7,844** | 1,006 |
| Construction in progress | **708** | — |
| | **25,257** | 15,914 |

## 15. INTANGIBLE ASSETS

| | In-licenses and IPR&D | Software | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| **At 1 January 2021** | | | |
| Cost | 2,006,056 | — | 2,006,056 |
| Accumulated amortisation and impairment | — | — | — |
| **Net book amount** | 2,006,056 | — | 2,006,056 |
| **Year ended 31 December 2021** | | | |
| Opening net book amount | 2,006,056 | — | 2,006,056 |
| Additions | 511,281 | 6,204 | 517,485 |
| Amortisation charge | — | (366) | (366) |
| Currency translation differences | (51,877) | — | (51,877) |
| **Closing net book amount** | 2,465,460 | 5,838 | 2,471,298 |
| **At 31 December 2021** | | | |
| Cost | 2,465,460 | 6,204 | 2,471,664 |
| Accumulated amortisation and impairment | — | (366) | (366) |
| **Net book amount** | 2,465,460 | 5,838 | 2,471,298 |

(Expressed in thousands of RMB unless otherwise stated)

## 15. INTANGIBLE ASSETS (CONTINUED)

| | In-licenses and IPR&D RMB'000 | Software RMB'000 | Total RMB'000 |
|---|---|---|---|
| **At 1 January 2020** | | | |
| Cost | 1,663,449 | — | 1,663,449 |
| Accumulated amortisation and impairment | — | — | — |
| **Net book amount** | 1,663,449 | — | 1,663,449 |
| **Year ended 31 December 2020** | | | |
| Opening net book amount | 1,663,449 | — | 1,663,449 |
| Additions | 475,934 | — | 475,934 |
| Currency translation differences | (133,327) | — | (133,327) |
| **Closing net book amount** | 2,006,056 | — | 2,006,056 |
| **At 31 December 2020** | | | |
| Cost | 2,006,056 | — | 2,006,056 |
| Accumulated amortisation and impairment | — | — | — |
| **Net book amount** | 2,006,056 | — | 2,006,056 |

Intangible assets included licensed-in and IPR&D which are not ready for use the Group is continuing research and development work, therefore, these intangible assets have not been amortised yet.

### (a) Collaboration and License Agreement with Arena Pharmaceuticals, Inc. ("Arena") and United Therapeutics

In December 2017, the Group entered into a collaboration and license agreement with Arena regarding the development and commercialization of its proprietary products Ralinepag and Etrasimod in the territories of Mainland China, Taiwan, Hong Kong, Macau and South Korea. Under the terms of the agreement, the Group made an upfront payment of USD12 million (equivalent to RMB78.4 million) to Arena and capitalized such payment. In January 2019, the Group and Arena entered into two separate agreements which superseded the previous agreement, one which relates to Ralinepag and she other relates to Etrasimod.

**Etrasimod**

The Group agreed to make development and regulatory milestone payments and commercial milestone payments, as well as tiered royalties on net sales to Arena.

In the fourth quarter for 2018 and in November 2019, the Group made the milestone payment of USD1 million (equivalent to RMB6.6 million) and USD5 million (equivalent to RMB34.5 million) to Arena, respectively. Such payments were capitalised.

## 15. INTANGIBLE ASSETS (CONTINUED)

### (a) Collaboration and License Agreement with Arena Pharmaceuticals, Inc. ("Arena") and United Therapeutics (continued)

**Ralinepag**

In January 2019, Arena assigned all of its rights and obligations with respect to the Ralinepag program under the agreement to United Therapeutics. The Group agreed to make development and regulatory milestone payments and commercial milestone payments, as well as tiered royalties on net sales to United Therapeutics.

In the fourth quarter of 2018, the Group made the milestone payment of USD1 million (equivalent to RMB 6.6 million) to Arena (before the agreement was assigned to United Therapeutics) and capitalized such payment. After assigning the agreement to United Therapeutics, the Group paid milestone payment of USD2.5 million (equivalent to RMB17.2 million) to United Therapeutics in September 2019, which was capitalized.

### (b) License Agreement with Tetraphase Pharmaceuticals, Inc.

**Eravacycline**

In February 2018, the Group entered into a license agreement with Tetraphase, pursuant to which Tetraphase granted the Group an exclusive license to develop and commercialize Eravacycline in Mainland China, Taiwan, Hong Kong, Macau, South Korea and Singapore.

Under the terms of the agreement, the Group made an upfront payment of USD 7 million (equivalent to RMB 46.4 million) to Tetraphase and capitalized such payment. The Group agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Tetraphase.

In June 2018 and May 2019, the Group made the milestone payment of USD2.5 million (equivalent to RMB16.6 million) and USD3 million (equivalent to RMB20.7 million) to Tetraphase, respectively, and capitalized such payments.

In July 2019, the Group and Tetraphase entered into an amendment to the license agreement to expand the geographic coverage of the license to Malaysia, Thailand, Indonesia, Vietnam and the Philippines and paid an upfront payment of USD2 million (equivalent to RMB13.8 million) which was capitalised.

In April 2021, the Group made the milestone payment of USD3 million (equivalent to RMB19.4 million) to Tetraphase and such payment was capitalised.

In May 2021, the Group and Tetraphase entered into an amendment to the license agreement, pursuant to which Tetraphase granted the Group the license to manufacture Eravacycline in the relevant territory.

## 15. INTANGIBLE ASSETS (CONTINUED)

### (c) Licensing Agreement with Novartis International Pharmaceutical Ltd. ("Novartis")

**FGF401**

In June 2018, the Group entered into an exclusive global licensing agreement with Novartis to develop and commercialize FGF401. Under this agreement, Novartis granted EverNov an exclusive license to develop, manufacture and commercialize Novartis' FGF4 inhibitor FGF401 and products containing FGF401 for all purposes worldwide.

Under the terms of the agreement, as discussed in Note 21, the total upfront fee was comprised of cash consideration of USD20 million (equivalent to RMB132.7 million) and 4,000,000 Series A-2 Convertible Preferred Shares issued by EverNov to Novartis Pharma AG, an affiliate entity of Novartis. The Group capitalised a total amount of USD22.4 million (equivalent to RMB148.3 million) based on cash payment and the fair value of the Series A-2 Convertible Preferred Shares. The Group also agreed to pay Novartis clinical development milestone payments, commercial milestone payments, as well as tiered royalties on worldwide net sales to Novartis.

### (d) Licenses acquired from Everest II

Upon the consummation of the Group's acquisition of Everest II in 2019, the Group acquired four licenses held by Everest II. The amount in relation to the acquisition of those licenses were recognized as intangible assets based on its fair value upon consummation of the acquisition, with the total amount of RMB1,265,971 thousand.

**Taniborbactam**

In September 2018, Everest II entered into an agreement with Venatorx, pursuant to which Venatorx granted Everest II an exclusive license to exploit for all uses in humans Venatorx's proprietary BLI, taniborbactam (formerly VNRX-5133), in combination with a ß-lactam, initially cefepime, in Mainland China, Macau, Hong Kong, Taiwan, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines.

Under the terms of this agreement, Everest II paid an upfront cash payment of USD5.0 million (equivalent to RMB33.2 million) and capitalized such payment. Everest II also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Venatorx.

In January 2020, after the acquisition of Everest II, the Group made the milestone payment of USD2 million (equivalent to RMB13.8 million) to Venatorx and such payment was capitalised.

## 15. INTANGIBLE ASSETS (CONTINUED)

### (d) Licenses acquired from Everest II (continued)

**Taniborbactam (continued)**

In June 2021, the Group entered into an amendment to the license agreement with Venartox, pursuant to which Venartox assigned relevant taniborbactarm patents to the Group. The Group paid USD3 million (equivalent to RMB19.4 million) in June 2021 and USD7 million (equivalent to RMB45.1 million) in August 2021 to Venatorx and such payment was capitalised.

**SPR206**

In January 2019, Everest II entered into a license agreement with Spero Therapeutics, Inc. ("Spero") through its wholly owned subsidiaries New Pharma License Holdings Limited, or NPLH, and Spero Potentiator, Inc., or Potentiator and NPLH has since assigned its assets to Spero. Pursuant to this agreement, NPLH granted Everest II an exclusive license to develop, manufacture and commercialize SPR206 in Mainland China, Hong Kong, Macau, Taiwan, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines.

Everest II paid NPLH an upfront payment of USD2 million (equivalent to RMB13.8 million) as partial consideration for rights to SPR206 and capitalised such payment. Everest II also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Spero.

In November 2020, the Group made the milestone payment of USD2 million (equivalent to RMB13.8 million) to Spero and such payment was capitalised.

In January 2021, the Group entered into an amended agreement with Spero for which Spero has assigned relevant SPR206 patents to the Group.

In June and September 2021, the Group made the milestone payment of USD0.75 million (equivalent to RMB4.9 million) and USD0.5 million (equivalent to RMB3.2 million) to Spero, respectively and such payments were capitalised.

**IMMU 132 (Sacituzumab Govitecan-hziy)**

In April 2019, Everest II entered into a license agreement with Immunomedics under which Immunomedics granted Everest II an exclusive license to develop and commercialize sacituzumab govitecan in Mainland China, Taiwan, Hong Kong, Macau, Indonesia, Philippines, Vietnam, Thailand, South Korea, Malaysia, Singapore or Mongolia.

## 15. INTANGIBLE ASSETS (CONTINUED)

### (d) Licenses acquired from Everest II (continued)

**IMMU 132 (Sacituzumab Govitecan-hziy) (continued)**

In consideration for entering into this agreement, Everest II made a one-time, upfront payment to Immunomedics in the amount of USD65 million (equivalent to RMB448.2 million) and capitalised such payment. Everest II also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Immunomedics.

In June 2020, after the acquisition of Everest II, the Group made a milestone payment of USD60 million (equivalent to RMB420 million) to Immunomedics and such payment was capitalised.

**Nefecon**

On 10 June 2019, Everest II entered into a license agreement with Calliditas who granted Everest II exclusive rights to develop and commercialize Nefecon in Mainland China, Hong Kong, Macau, Taiwan and Singapore.

Under the terms of the agreement, Everest II made an initial upfront payment of USD15 million (equivalent to RMB103.4 million) to Calliditas at signing of the agreement and capitalised such payment. Everest II also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Calliditas.

After the acquisition of Everest II, the Group made the milestone payment of USD5 million (equivalent to RMB34.5 million) in January 2020 and USD3 million (equivalent to RMB19.3 million) in December 2021 to Calliditas and such payments were capitalised.

### (e) License Agreement with Providence Therapeutics Holdings Inc. ("Providence")

**mRNA COVID-19 Vaccines**

In September 2021, the Group entered into a license agreement with Providence, pursuant to which Providence granted the Group exclusive rights to develop, manufacture and commercialize mRNA vaccines against COVID-19, including PTX-COVID19-B in Mainland China, Hong Kong, Macau, and certain Asian countries.

Under the terms of the agreement, the Group made an initial upfront payment of USD50 million (equivalent to RMB322.6 million) to Providence and capitalised such payment. The Group also agreed to make payments for profit sharing, as well as royalties on net sales to Providence.

(Expressed in thousands of RMB unless otherwise stated)

## 15. INTANGIBLE ASSETS (CONTINUED)

### (f) License Agreement with Sinovent Pharmaceuticals, Co., Ltd. ("Sinovent") and SinoMab BioScience Limited. ("SinoMab")

**XNW-1011**

In September 2021, the Group entered into a license agreement with Sinovent and SinoMab. Pursuant to which, Sinovent and SinoMab granted the Group an exclusive worldwide rights to develop, manufacture and commercialize XNW1011.

Under the terms of the agreement, the Group made an initial upfront payment of USD12 million (equivalent to RMB77.4 million) to Sinovent and SinoMab and capitalised such payment. The Group also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Sinovent and SinoMab.

### (g) Impairment test

Intangible assets not yet ready for 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 cost to sell as the recoverable amount of each drug. The fair value is based on the discounted cash flow model (specifically multi-period excessive earning method) and the Group estimated the forecast period till year 2036 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 specific risks relating to the relevant products that would be considered by market participants.

The key assumptions used for recoverable amount calculations as at 31 December 2021 and 2020 are as follows:

***Etrasimod***

| | **As at 31 December 2021** | As at 31 December 2020 |
|---|---|---|
| Discount rate | **15.5%** | 16% |
| Revenue growth rate | **-29% to 681%** | -29% to 681% |
| Recoverable amount of CGU (in RMB million) | **1,450.2** | 1,099.6 |

(Expressed in thousands of RMB unless otherwise stated)

## 15. INTANGIBLE ASSETS (CONTINUED)

### (g) Impairment test (continued)

***Ralinepag***

| | As at 31 December 2021 | As at 31 December 2020 |
|---|---|---|
| Discount rate | **15.5%** | 16% |
| Revenue growth rate | **-24% to 693%** | -24% to 693% |
| Recoverable amount of CGU (in RMB million) | **432.6** | 444.2 |

***Eravacycline***

| | As at 31 December 2021 | As at 31 December 2020 |
|---|---|---|
| Discount rate | **15.5%** | 16% |
| Revenue growth rate | **-21% to 2,474%** | -21% to 2,474% |
| Recoverable amount of CGU (in RMB million) | **1,600.7** | 1,179.1 |

***FGF401***

| | As at 31 December 2021 | As at 31 December 2020 |
|---|---|---|
| Discount rate | **15.5%** | 16% |
| Revenue growth rate | **-38% to 1,539%** | -38% to 1,539% |
| Recoverable amount of CGU (in RMB million) | **578.8** | 417.3 |

***Taniborbactam***

| | As at 31 December 2021 | As at 31 December 2020 |
|---|---|---|
| Discount rate | **15.5%** | 16% |
| Revenue growth rate | **0.5% to 96%** | -1% to 96% |
| Recoverable amount of CGU (in RMB million) | **1,121.2** | 772.8 |

(Expressed in thousands of RMB unless otherwise stated)

## 15. INTANGIBLE ASSETS (CONTINUED)

### (g) Impairment test (continued)

***SPR206***

| | As at 31 December 2021 | As at 31 December 2020 |
|---|---|---|
| Discount rate | **15.5%** | 16% |
| Revenue growth rate | **-1% to 299%** | -1% to 299% |
| Recoverable amount of CGU (in RMB million) | **245.5** | 239.6 |

***IMMU132***

| | As at 31 December 2021 | As at 31 December 2020 |
|---|---|---|
| Discount rate | **15.5%** | 16% |
| Revenue growth rate | **-5% to 335%** | -5% to 335% |
| Recoverable amount of CGU (in RMB million) | **2,322.9** | 1,561.3 |

***Nefecon***

| | As at 31 December 2021 | As at 31 December 2020 |
|---|---|---|
| Discount rate | **15.5%** | 16% |
| Revenue growth rate | **7% to 169%** | 7% to 169% |
| Recoverable amount of CGU (in RMB million) | **974** | 855.2 |

***mRNA COVID-19 Vaccines***

| | As at 31 December 2021 | As at 31 December 2020 |
|---|---|---|
| Discount rate | **15.5%** | N/A |
| Revenue growth rate | **0% to 40.2%** | N/A |
| Recoverable amount of CGU (in RMB million) | **9,719.8** | N/A |

(Expressed in thousands of RMB unless otherwise stated)

## 15. INTANGIBLE ASSETS (CONTINUED)

### (g) Impairment test (continued)

***XNW-1011***

| | As at 31 December 2021 | As at 31 December 2020 |
|---|---|---|
| Discount rate | 15.5% | N/A |
| Revenue growth rate | 1.8% to 228.2% | N/A |
| Recoverable amount of CGU (in RMB million) | 999 | N/A |

**Impairment test — sensitivity**

The Company performed sensitivity test by increasing 1% of discount rate or decreasing 1% of revenue growth rate, which are the key assumptions determine the recoverable amount of each intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

***Etrasimod***

| | As at 31 December 2021 (in RMB million) | As at 31 December 2020 (in RMB million) |
|---|---|---|
| Headroom | 1,363 | 1,010 |
| Impact by increasing discount rate | (160) | (131) |
| Impact by decreasing revenue growth rate | (20) | (90) |

***Ralinepag***

| | As at 31 December 2021 (in RMB million) | As at 31 December 2020 (in RMB million) |
|---|---|---|
| Headroom | 385 | 395 |
| Impact by increasing discount rate | (68) | (60) |
| Impact by decreasing revenue growth rate | (10) | (33) |

(Expressed in thousands of RMB unless otherwise stated)

## 15. INTANGIBLE ASSETS (CONTINUED)

### (g) Impairment test (continued)

**Impairment test — sensitivity (continued)**

***Eravacycline***

| | As at 31 December 2021 (in RMB million) | As at 31 December 2020 (in RMB million) |
|---|---|---|
| Headroom | 1,489 | 1,085 |
| Impact by increasing discount rate | (136) | (114) |
| Impact by decreasing revenue growth rate | (17) | (104) |

***FGF401***

| | As at 31 December 2021 (in RMB million) | As at 31 December 2020 (in RMB million) |
|---|---|---|
| Headroom | 436 | 271 |
| Impact by increasing discount rate | (96) | (76) |
| Impact by decreasing revenue growth rate | (17) | (38) |

***Taniborbactam***

| | As at 31 December 2021 (in RMB million) | As at 31 December 2020 (in RMB million) |
|---|---|---|
| Headroom | 712 | 420 |
| Impact by increasing discount rate | (125) | (100) |
| Impact by decreasing revenue growth rate | (22) | (84) |

***SPR206***

| | As at 31 December 2021 (in RMB million) | As at 31 December 2020 (in RMB million) |
|---|---|---|
| Headroom | 154 | 154 |
| Impact by increasing discount rate | (62) | (50) |
| Impact by decreasing revenue growth rate | (14) | (33) |

(Expressed in thousands of RMB unless otherwise stated)

## 15. INTANGIBLE ASSETS (CONTINUED)

### (g) Impairment test (continued)

**Impairment test — sensitivity (continued)**

***IMMU132***

| | As at 31 December 2021 (in RMB million) | As at 31 December 2020 (in RMB million) |
|---|---|---|
| Headroom | 1,586 | 808 |
| Impact by increasing discount rate | (300) | (232) |
| Impact by decreasing revenue growth rate | (46) | (294) |

***Nefecon***

| | As at 31 December 2021 (in RMB million) | As at 31 December 2020 (in RMB million) |
|---|---|---|
| Headroom | 531 | 422 |
| Impact by increasing discount rate | (129) | (107) |
| Impact by decreasing revenue growth rate | (25) | (78) |

***mRNA COVID-19 Vaccines***

| | As at 31 December 2021 (in RMB million) | As at 31 December 2020 (in RMB million) |
|---|---|---|
| Headroom | 9,401 | N/A |
| Impact by increasing discount rate | (842) | N/A |
| Impact by decreasing revenue growth rate | (116) | N/A |

***XNW-1011***

| | As at 31 December 2021 (in RMB million) | As at 31 December 2020 (in RMB million) |
|---|---|---|
| Headroom | 923 | N/A |
| Impact by increasing discount rate | (149) | N/A |
| Impact by decreasing revenue growth rate | (32) | N/A |

(Expressed in thousands of RMB unless otherwise stated)

## 15. INTANGIBLE ASSETS (CONTINUED)

### (g) Impairment test (continued)

**Impairment test — sensitivity (continued)**

Considering there was 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 intangible asset's recoverable amount would not cause its carrying amount to exceed its recoverable amount.

Based on the result of above assessment, there was no impairment for the intangible asset as at 31 December 2021 and 2020.

## 16. INVESTMENTS

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Investments in I-Mab — at FVOCI (a) | **798,525** | 813,072 |
| Investments in Venatorx — at FVTPL (b) | **31,878** | 32,625 |
| | **830,403** | 845,697 |

(a) Investments in I-Mab represents the Group's investments in 6,078,571 ordinary shares issued by I-Mab upon I-Mab's initial public offering on 17 January 2020. The Group subsequently measures this investment at fair value and has elected to present fair value gains and losses on equity investment in other comprehensive income.

As at 31 December 2020, based on quoted market share price of I-Mab, the fair value of this investment was USD124.6 million (equivalent to RMB813.1 million), which is USD87.6 million (equivalent to RMB571.6 million) higher than the carrying value of USD33.7 million (equivalent to RMB241.5 million), and the difference of RMB571.6 million was recorded in other comprehensive income for the year ended 31 December 2020.

As at 31 December 2021, based on quoted market share price of I-Mab, the fair value of this investment was USD125.2 million (equivalent to RMB798.5 million), which is USD0.6 million (equivalent to RMB4.1 million) higher than the carrying value of USD124.6 million (equivalent to RMB794.4 million), and the difference of RMB4.1 million was recorded in other comprehensive income for the year ended 31 December 2021.

(b) The Group acquired the investment in Venatorx Pharmaceuticals, Inc. ("Venatorx") through the acquisition of Everest II. Everest II invested in 141,553 Series B convertible preferred stock (Series B Preferred Stock) issued by Venatorx in October 2018. The Series B Preferred Stock is a debt instrument from issuer's perspective as Venatorx cannot prevent deemed liquidation event from happening. Thus, the investment in Venatorx is classified as investment at fair value through profit or loss.

The investment in Venatorx is classified as Level 3 investment and the fair value of this investment is valued by reference to the recent, transaction price in April 2019, when Venatorx issued the same class of shares to a third party investor. During the year ended 31 December 2021 and 2020, the Group assessed whether fair value has changed, considering changes in circumstances such as: the current performance of Venatorx is significantly above or below the expectations at the time of the original investment; market, economic or company specific conditions have significantly improved or deteriorated since the time of the original investment. The result of such consideration provided indications whether the carrying value of the investment should be increased or decreased to represent fair value.

(Expressed in thousands of RMB unless otherwise stated)

## 16. INVESTMENTS (CONTINUED)

Based on the Group's assessment, there were no changes to the fair value of the investment in Venatorx, at the amount of USD5 million, as of 31 December 2021 and 2020. The difference of carrying value is due to the foreign currency translation difference of RMB against USD at the date of each balance sheet.

## 17. OTHER NON-CURRENT ASSETS

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Prepayment for purchase of intangible assets (Note (a)) | 344,288 | — |
| Prepayment for purchase of equipments | 25,727 | — |
| Deposit | 15,059 | 4,873 |
| Prepayments to suppliers | 3,586 | — |
| Loan to a director (Note 9(e)) | 2,111 | 2,172 |
| Others | 2,784 | — |
| | 393,555 | 7,045 |

(a) In May 2021, the Group entered into a commercial supply agreement with Tetraphase, pursuant to which Tetraphase agreed to transfer the manufacturing know-how for the purpose of enabling the continued manufacture of Eravacycline, and the Group made the prepayment of USD4 million (equivalent to RMB25.8 million) to Tetraphase.

In September 2021, the Group entered into a collaboration and license agreement with Providence, pursuant to which Providence agreed to transfer the platform technology mainly related to the manufacture of mRNA vaccine products, and the Group made the prepayment of USD50 million (equivalent to RMB322.6 million).

As of 31 December 2021, the transfer of above manufacture know-how and platform technology are not completed yet.

(Expressed in thousands of RMB unless otherwise stated)

## 18. FINANCIAL INSTRUMENTS BY CATEGORY

| | Financial assets As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| **Assets as per statements of financial position** | | |
| *Amortised cost:* | | |
| Prepayments and other current assets, excluding non-financial assets | **1,454** | 1,885 |
| Trade receivables | **49** | — |
| Cash and cash equivalents | **2,640,053** | 4,481,122 |
| *Fair value through profit and loss:* | | |
| Investments in Venatorx | **31,878** | 32,625 |
| *Fair value through other comprehensive income:* | | |
| Investments in I-Mab | **798,525** | 813,072 |
| | **3,471,959** | 5,328,704 |

| | Financial liabilities As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| **Liabilities as per statements of financial position** | | |
| *Amortised cost:* | | |
| Trade and other payables | **241,433** | 167,459 |
| Lease liabilities | **124,102** | 77,893 |
| Amounts due to related parties | **582** | 440 |
| Other non-current liabilities | **360,932** | 369,438 |
| *Fair value through profit and loss:* | | |
| Financial instruments issued to investors | **26,778** | 20,880 |
| | **753,827** | 636,110 |

(Expressed in thousands of RMB unless otherwise stated)

## 19. PREPAYMENTS AND OTHER CURRENT ASSETS

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Prepayments to suppliers | **26,355** | 1,389 |
| Value-added tax recoverable | **19,520** | 10,905 |
| Deposits | **1,454** | 2,084 |
| Others | **50** | 909 |
| | **47,379** | 15,287 |

None of the above assets is past due or impaired. The financial assets included in the above balances related to deposits for which there was no history of default and the expected credit losses are considered minimal.

## 20. CASH AND CASH EQUIVALENTS

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Cash at bank | **2,640,053** | 4,481,122 |
| Cash and bank balances denominated in: | | |
| — RMB | **1,809,815** | 112,960 |
| — USD | **806,365** | 1,092,264 |
| — HKD | **22,936** | 3,275,783 |
| — KRW | **883** | — |
| — SGD | **54** | 115 |
| | **2,640,053** | 4,481,122 |

As at 31 December 2021 and 2020, cash and cash equivalents of the Group are mainly denominated in RMB and USD (2020: RMB and USD).

(Expressed in thousands of RMB unless otherwise stated)

## 21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| **Non-current** | | |
| Preferred Shares issued by the Company (Note (a)) | **—** | — |
| Preferred Shares issued by EverNov (Note (b)) | **26,778** | 20,880 |
| Total | **26,778** | 20,880 |

### (a) Preferred Shares and warrant issued by the Company

**Issuance of Preferred Shares**

Prior to 1 January 2019, the Company issued Series A-1, A-2, B-1 and B-2 Convertible Redeemable Preferred Shares to C-Bridge Investment Everest Limited ("C-Bridge") and other investors.

***Series B-3 Convertible Redeemable Preferred Shares***

On 25 November 2019, pursuant to an agreement and plan of merger dated as of 16 August 2019, the Company agreed to issue 38,362,045 Series B-3 Convertible Redeemable Preferred Shares to C-Bridge IV Investment Two Limited, the original shareholders of Everest II, as the consideration of the acquisition of Everest II.

***Financing from Jiashan Shanhe and issuance of Series C-1 Convertible Redeemable Preferred Shares***

On 17 March 2020, the Company entered into an investment agreement and a supplemental agreement with Jiashan Shanhe pursuant to which Jiashan Shanhe subscribed 37% of equity interest in Everest Medicines (China) Co., Ltd. ("Everest China"), a subsidiary established under the Company's wholly owned subsidiary Everest Medicines II (HK) Limited ("Everest II HK"), by making cash contribution in RMB equivalent to USD50 million. Refer to Note 23. In connection with the investment in Everest China, the Company issued a warrant to Jiashan Shanhe which entitles Jiashan Shanhe, at its sole discretion, the right to purchase 11,111,111 Series C-1 preferred shares issued by the Company at the purchase price of USD4.5 per share for an aggregate purchase price of USD50 million. The precondition for Jiashan Shanhe to exercise this warrant is to obtain the necessary approval for its outbound direct investment from relevant PRC authority.

## 21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

### (a) Preferred Shares and warrant issued by the Company (continued)

**Issuance of Preferred Shares (continued)**

***Financing from Jiashan Shanhe and issuance of Series C-1 Convertible Redeemable Preferred Shares (continued)***

The warrant was exercised by Jiashan Shanhe in May 2020 and the Company issued 13,888,889 Series C-1 Convertible Redeemable Preferred Shares to Jiashan Shanhe for USD50 million (equivalent to RMB360.9 million) consideration, at adjusted conversion price of USD3.6 per share in accordance with lower issuance price of subsequently issued series C-2 Convertible Redeemable Preferred Shares.

***Issuance of Series C-2 Convertible Redeemable Preferred Shares***

Further on 29 May 2020, pursuant to a share purchase agreement, the Company agreed to issue 72,222,223 Series C-2 Convertible Redeemable Preferred Shares to several investors at the purchase price of USD3.6 per share for an aggregate purchase price of USD260 million (equivalent to RMB1,854 million). Among it, C-Bridge IV Investment Nine Limited subscribed 15,277,778 Series C-2 Convertible Redeemable Preferred Shares, which was converted from the outstanding convertible notes issued by the Company with the aggregate amount of USD55 million (equivalent to RMB392 million). Series C-2 Convertible Redeemable Preferred Shares were issued to these investors on 3 June 2020. Simultaneously, to facilitate the Company's financing, C-Bridge cancelled Series A-2 Warrants which were previously issued by the Company in 2018 as part of Series A-1 Convertible Redeemable Preferred Shares financing to C-Bridge. The cancelled warrant was considered as shareholder's contribution and was charged to reserves at the fair value right before the cancellation.

**Significant terms of Preferred Shares**

Series A-1 and A-2 Convertible Redeemable Preferred Shares are collectively referred to as "Series A Preferred Shares", Series B-1, B-2 and B-3 Convertible Redeemable Preferred Shares are collectively referred to as "Series B Preferred Shares" , and Series C-1 and C-2 Convertible Redeemable Preferred Shares are collectively referred to as " Series C Preferred Shares". The significant terms of Series A-1, A-2, B-1, B-2, B-3, C-1 and C-2 Convertible Redeemable Preferred Shares (collectively referred to as "Preferred Shares") are summarized below:

***Dividends***

The holders of Preferred Shares shall be entitled to receive non-cumulative dividends at the rate of 8% per annum when declared by the Company's board of directors.

## 21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

### (a) Preferred Shares and warrant issued by the Company (continued)

**Significant terms of Preferred Shares (continued)**

***Redemption***

At any time and from time to time on the fifth (5th) anniversary of 8 June 2018, if by then the Company fails to complete a Qualified Public Offering, each holder of the Preferred Shares may require that the Company redeem all or any part of the then outstanding Preferred Shares held by each holder. The redemption price shall be equal to the greater of (i) 100% of the applicable issuance price plus a 12% rate of return or (ii) 100% of the applicable issuance price plus any declared but unpaid dividends thereon up until the redemption. No other securities of the Company shall be redeemed unless and until the Company shall have redeemed all of the Series B Preferred Shares requested to be redeemed. After payment of the applicable redemption price in full on all Series B Preferred Shares to be redeemed, the Company shall redeem all of the Series A Preferred Shares requested to be redeemed.

If the Company fails to redeem any Preferred Shares on due date, the holder of such Preferred Shares shall be entitled to request the Company to pay the unpaid portion of the redemption price (A) by a six- months note, bearing an interest of 12% per annum or (B) by the other terms and mechanisms agreed by the Company and such holder of the Preferred Shares.

***Liquidation preference***

The holders of Series C Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series B and A Preferred Shares, the holders of Ordinary Shares or any other class or series of shares by reason of their ownership of such shares, the amount equal to 100% of the investment amount of the Series C Preferred Shares, plus any declared or accrued but unpaid dividends on its Series C Preferred Shares (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions).

After setting aside or paying in full amount due for the holders of Series C Preferred Shares, the remaining assets of the Company available for distribution, if any, shall be distributed to the holders of Series B and A Preferred Shares, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Ordinary Shares or any other junior class or series of shares by reason of their ownership of such shares, the amount equal to 100% of the investment amount of the Series B and A Preferred Shares, plus any declared or accrued but unpaid dividends on its Series B and A Preferred Shares (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions).

## 21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

### (a) Preferred Shares and warrant issued by the Company (continued)

**Significant terms of Preferred Shares (continued)**

***Liquidation preference (continued)***

If upon the occurrence of a liquidation, dissolution or winding up of the Company, the assets and funds thus distributed among the holders of each Series of Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferred Shares Preference Amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of each Series of Preferred Shares in proportion to the Preferred Shares Preference Amount each such holder is otherwise entitled to receive.

Deemed Liquidation Events shall be treated as a liquidation event. "Deemed Liquidation Events" includes any transaction (treating any series of related transactions as a "transaction") involving (a) any sale, disposition, lease or conveyance by the Company of all or substantially all of its assets (including the sale or exclusive licensing of all or substantially all the intellectual property assets of the Company); (b) any merger or consolidation of the Company with or into any other corporation or corporations or other entity or entities or any other corporate reorganization after which the holders of the Company's voting Shares prior to such transaction own or control less than a majority of the outstanding voting shares of the surviving corporation or other entity on account of shares held by them prior to the transaction; or (c) a sale of a majority of the outstanding voting shares of the Company.

***Voting rights***

Each Preferred Share shall be entitled to the number of votes equal to the number of Ordinary Shares into which such Preferred Shares could be converted.

***Conversion***

The Preferred Shares are convertible, at the option of the holders, into the Company's Ordinary Shares at an initial conversion ratio of 1:1 at any time after the original issuance date subject to adjustment for dilution, included but not limited to stock splits, stock dividends and recapitalization.

In addition, each Preferred Share shall automatically be converted into Ordinary Shares at the then respective effective conversion price upon the closing of a Qualified Public Offering or upon the written consent of holders of at least two-thirds (2/3) of the outstanding Preferred Shares.

## 21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

### (a) Preferred Shares and warrant issued by the Company (continued)

**Significant terms of Preferred Shares (continued)**

***Conversion (continued)***

Upon the Listing on 9 October 2020, all the Preferred Shares were automatically converted to the Company's Ordinary Shares.

**Measurement and subsequent accounting for Preferred Shares**

The aforementioned series of Preferred Shares are classified as liabilities as the Company doesn't have the unconditional right to avoid delivery cash or another financial asset. In addition, the Preferred Shares are designated at fair value through profit or loss and initially recognised at fair value.

If the Company's own credit risk results in fair value changes in financial labilities designated as at fair value through profit or loss, they are recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts. During the years ended 31 December 2020, the fair value change due to the company's own credit risk was immaterial.

(Expressed in thousands of RMB unless otherwise stated)

## 21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

### (a) Preferred Shares and warrant issued by the Company (continued)

**Measurement and subsequent accounting for Preferred Shares (continued)**

The Company's Preferred Shares activities during the years ended 31 December 2020 are summarized below:

| | Series A-1 Convertible Redeemable Preferred Shares RMB'000 | Series A-2 Convertible Redeemable Preferred Shares RMB'000 | Series B-1 Convertible Redeemable Preferred Shares RMB'000 | Series B-2 Convertible Redeemable Preferred Shares RMB'000 | Series B-3 Convertible Redeemable Preferred Shares RMB'000 | Series C-1 Convertible Redeemable Preferred Shares RMB'000 | Series C-2 Convertible Redeemable Preferred Shares RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance as of 1 January 2020** | 931,325 | 75,808 | 428,455 | 44,933 | 966,112 | – | – | 2,446,633 |
| Issuance | – | – | – | – | – | 353,940 | 1,854,216 | 2,208,156 |
| Fair value change | 1,526,702 | 88,215 | 324,229 | 40,556 | 922,619 | 334,990 | 1,740,771 | 4,978,082 |
| Currency translation differences | (52,366) | (3,646) | (17,621) | (1,959) | (43,010) | (20,691) | (120,143) | (259,436) |
| Conversion to ordinary shares | (2,405,661) | (160,377) | (735,063) | (83,530) | (1,845,721) | (668,239) | (3,474,844) | (9,373,435) |
| **Balance as of 31 December 2020** | – | – | – | – | – | – | – | – |

**Warrants**

The Series A-2 Warrants issued as part of Series A-1 Convertible Redeemable Preferred Shares financing to C-Bridge were classified as derivative liabilities as the underlying Preferred Shares are puttable financial instruments which contingently redeemable at the option of the holder and Series A-2 Warrants conditionally obligates the Company to ultimately transfer assets. The Warrants were recorded at fair value with changes in fair value recorded in profit or loss.

In June 2020, to facilitate the Company's financing, C-Bridge cancelled the Series A-2 Warrants which was considered as shareholder's contribution and was charged to reserves at the fair value right before the cancellation.

The Company recognized a gain of RMB45 million from the change in fair value of the warrant liability for the years ended 31 December 2020, respectively.

(Expressed in thousands of RMB unless otherwise stated)

## 21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

### (a) Preferred Shares and warrant issued by the Company (continued)

**Warrants (continued)**

The Company's warrant liabilities activities during the years ended 31 December 2020 are summarized below:

| | Warrant liabilities RMB'000 |
|---|---|
| **At 1 January 2020** | 116,270 |
| Change in fair value | (45,065) |
| Cancellation | (71,806) |
| Currency translation differences | 601 |
| **At 31 December 2020** | — |

### (b) Preferred Shares issued by EverNov

On 20 June 2018, the Company's subsidiary EverNov entered into a license agreement with Novartis International Pharmaceutical Ltd. ("Novartis") and obtained the right to research, develop and commercialize one compound FGF401. The total upfront fee paid for the license included cash consideration of USD20 million (equivalent to RMB133 million) and 4,000,000 Series A-2 Convertible Preferred Shares issued by EverNov (See Note 15(c) for details). On the same date, EverNov issued 21,000,000 Series A-1 Convertible Preferred Shares to the Company, at the purchase price of USD1.00 per share for an aggregate purchase price of USD21 million (equivalent to RMB139 million) in cash.

Pursuant to the Memorandum of Articles of Association of EverNov, Novartis has the option to request EverNov to redeem its equity interests at USD4 million (equivalent to RMB27 million) upon certain deemed liquidation events. Therefore, the Company designated the Series A-2 Convertible Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value.

(Expressed in thousands of RMB unless otherwise stated)

## 21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

### (b) Preferred Shares issued by EverNov (continued)

With the assistance of an independent valuer, the fair value of the preferred shares are estimated by using discounted cash flow method first to determine the total equity value of EverNov, and then option pricing model was adopted to allocate the equity value to the Preferred share. The key assumptions are summarized as follows:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Discount rate | **16.5%** | 16.5% |
| Discount of lack of marketability | **27%** | 27% |
| Risk-free interest rate | **1.0%** | 1.5% |
| Expected volatility | **81.0%** | 85% |

EverNov's preferred share activities during the years ended 31 December 2021 and 2020 are summarized below:

| | EverNov Series A-2 Convertible Preferred Shares RMB'000 |
|---|---|
| **Balance as of January 1, 2021** | **20,880** |
| Fair value change | **6,452** |
| Currency translation differences | **(554)** |
| **Balance as of December 31, 2021** | **26,778** |
| **Balance as of January 1, 2020** | 17,300 |
| Fair value change | 4,966 |
| Currency translation differences | (1,386) |
| **Balance as of December 31, 2020** | 20,880 |

(Expressed in thousands of RMB unless otherwise stated)

## 22. LEASE LIABILITIES

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Minimum lease payments due | | |
| — Within 1 year | **29,021** | 19,523 |
| — Between 1 and 2 years | **30,356** | 19,202 |
| — Between 2 and 5 years | **72,184** | 47,152 |
| — Over 5 years | **7,282** | 1,504 |
| | **138,843** | 87,381 |
| Less: future finance charges | **(14,741)** | (9,548) |
| Present value of lease liabilities | **124,102** | 77,893 |
| Portion classified as current liabilities | **28,251** | 19,015 |
| Portion classified as non-current liabilities | **95,581** | 58,878 |
| Present value of lease liabilities due | | |
| — Within 1 year | **28,251** | 19,015 |
| — Between 1 and 2 years | **28,182** | 17,659 |
| — Between 2 and 5 years | **62,073** | 40,514 |
| — Over 5 years | **5,596** | 705 |
| | **124,102** | 77,893 |

The following table sets forth the discount rate of our lease liabilities as the dates indicated:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **%** | % |
| Lease liabilities | **0.2%–13.71%** | 0.2%–13.71% |

The Group leases various properties for operation and these liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid.

(Expressed in thousands of RMB unless otherwise stated)

## 22. LEASE LIABILITIES (CONTINUED)

The statement of profit or loss shows the following amounts relating to leases:

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Depreciation charge of right-of-use assets-Leased properties | **(25,257)** | (15,914) |
| Interest expense (included in finance costs) | **(4,805)** | (2,870) |
| Expense relating to short-term leases (included in general and administrative expenses) | **(4,165)** | (2,566) |

The total cash outflow for leases for the year ended 31 December 2021 were RMB23,658 thousand (For the year ended 31 December 2020 : RMB19,463 thousand), respectively.

Information about right-of-use assets is set out in Note 14.

As of 31 December 2020, lease liabilities include the Group's lease of office in Hong Kong and Singapore from CBC Group Investment Management, Ltd, a related party, at the amount of RMB2,835 thousand. The lease terms are 21 months and 36 months with monthly rental payment of USD40 thousand and USD19 thousand, respectively.

As of 31 December 2021, the contract of Group's lease of office in Hong Kong and Singapore from CBC Group Investment Management, Ltd, has been expired.

As at 31 December 2021 and 2020, the Group leases some office and equipment under irrevocable lease contracts with lease term less than one year and leases of low value assets that have been exempted from recognition of right-of-use assets as permitted under IFRS16. The future aggregate minimum lease payment under irrevocable lease contracts for these exempted contracts are as follows:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| No later than 1 year | **825** | 202 |

(Expressed in thousands of RMB unless otherwise stated)

## 23. OTHER NON-CURRENT LIABILITIES

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Borrowings from Jiashan Shanhe | **360,932** | 369,438 |

As disclosed in Note 21(a), on 17 March 2020, the Company entered into an investment agreement and a supplemental agreement with Jiashan Shanhe, pursuant to which Jiashan Shanhe subscribed 37% of equity interest in Everest Medicines (China) Co., Ltd. ("Everest China"), a subsidiary established under the Company's wholly owned subsidiary Everest Medicines II (HK) Limited ("Everest II HK"), by making cash contribution in RMB equivalent to USD50 million. In addition, the Company transferred all its equity interests in Everest Medicines (Suzhou) Inc., EverID Medicines (Beijing) Limited and Everstart Medicines (Shanghai) Limited to Everest China.

According to the supplemental agreement, right starting in the fourth year of the date of the investment agreement, Jiashan Shanhe has the right to require that the Company or Everest China to redeem all of its investment in Everest China with the redemption price of original investment amount plus a 8% simple rate of return per annum. At the same time, the Company also has a call option to repurchase Jiashan Shanhe's investment in Everest China at any time and from time to time on the third (3rd) anniversary of Jiashan Shanhe's investment in Everest China at the investment amount plus 8% simple interest rate per annum. Furthermore, Jiashan Shanhe was not entitled to the right to appoint board of directors, voting right in a shareholders' meeting and dividend right but only retained the information right and right to appoint an observer to attend board meetings. Therefore the Company classified the investment from Jiashan as borrowings in non-current liabilities, which are subsequently measured at amortised cost using the effective interest rate method.

(Expressed in thousands of RMB unless otherwise stated)

## 24. TRADE AND OTHER PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Trade payables (a) | **53,669** | 40,725 |
| Accrued service fees to CROs | **50,713** | 37,823 |
| Payables for service suppliers (a) | **31,989** | 34,376 |
| Salary and staff welfare payables | **82,498** | 49,357 |
| Payables for property, plant and equipment | **15,307** | — |
| Payables for individual income tax | **4,977** | 3,674 |
| Others | **2,280** | 1,504 |
| | **241,433** | 167,459 |

As at 31 December 2021 and 2020, all trade and other payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.

(a) As at 31 December 2021 and 2020, the ageing analysis of trade payables and payables for service suppliers based on invoice date are as follows:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| — Within 1 year | **85,658** | 75,101 |

(Expressed in thousands of RMB unless otherwise stated)

## 25. SHARE CAPITAL

### Share capital of the Company

| | Number of shares | Nominal value of shares in USD |
|---|---|---|
| **Authorized** | | |
| Authorized shares as at 31 December 2021 and 2020 (a) | 500,000,000 | 50,000 |

| | Number of shares | Nominal value of shares in USD | Nominal value of shares in RMB |
|---|---|---|---|
| **Issued** | | | |
| As at 1 January 2021 | 293,222,389 | 29,323 | 198,849 |
| Issuance of ordinary shares to Share Scheme Trusts (b) | 3,718,399 | 372 | 2,399 |
| Exercise of stock option | 1,581,647 | 158 | 1,021 |
| As at 31 December 2021 | 298,522,435 | 29,853 | 202,269 |
| As at 1 January 2020 | 25,025,762 | 2,503 | 17,121 |
| Issuance of ordinary shares (c) | 267,899,379 | 26,790 | 181,527 |
| Exercise of stock option | 297,248 | 30 | 201 |
| As at 31 December 2020 | 293,222,389 | 29,323 | 198,849 |

(a) The authorized share capital of USD50,000 is divided into 500,000,000 ordinary shares of a par value of USD0.0001 each.

(b) The Company issued ordinary shares with respect to the restricted share units and stock options under the employees share-based compensation arrangements to be vested or exercised by certain grantees of the Company to trusts, which were established to hold the shares for and on behalf of the grantees ("Share Scheme Trusts").

The Company has the power to direct the relevant activities of the Share Scheme Trusts and it has the ability to use its power over the Share Scheme Trusts to affect its exposure to returns. Therefore, the Company has consolidated the Share Scheme Trusts. Before the release of shares to grantees upon the vesting and exercise of their awards, the ordinary shares held by Share Scheme Trusts were regarded as treasury shares and presented as a deduction in equity (Note 27(a)).

(c) On 9 October, 2020, the Company issued 267,899,379 Ordinary Shares upon the Listing. The Ordinary shares issued consist of: (i) 194,820,379 shares from the conversion of all outstanding Preferred Shares, (ii) 63,547,000 shares from the initial public offering, and (iii) 9,532,000 Shares from Over-allotment Option. Total proceeds from the initial public offering were HKD4,019.3 million (equivalent to RMB3,508.9 million), net of capitalized issue cost of HKD129.5 million (equivalent to RMB123.7 million).

## 26. SHARE-BASED COMPENSATION

### (i) Restricted ordinary shares

#### (a) Restricted shares to management

On 23 November 2017, the Company's board of directors approved the issuance of 3,365,855 Ordinary Shares that are restricted shares to certain management personnel ("Management Shareholders"). Restricted Shares Agreements were signed with these Management Shareholders in consideration of their continuous service for the Company.

The restricted shares issued in 2017 shall be released in accordance with the following schedule: (A) one-third (1/3) of such restricted shares shall be released on the first anniversary of the commencement date of the service of the Management Shareholder for the Company; (B) the remainder of such restricted shares shall be released in twenty-four (24) equal monthly instalments commencing on the first anniversary of the commencement date.

In March 2020, all the Management Shareholders' restricted shares were either vested, forfeited or cancelled and the vested shares were exchanged with shares of Everest Management Holding Co., Ltd. ("Manco"), a shareholder of the Company.

#### (b) Restricted share units to employees

The restricted share units issued in 2020 and 2021 shall be released in accordance with the following schedule: (A) one-forth (1/4) of such restricted share units shall be released on the first anniversary of the commencement date of the service of the employee for the Company; (B) the remainder of such restricted share units shall be released in thirty-six (36) equal monthly instalments commencing on the first anniversary of the commencement date.

(Expressed in thousands of RMB unless otherwise stated)

## 26. SHARE-BASED COMPENSATION (CONTINUED)

### (i) Restricted ordinary shares (continued)

#### (b) Restricted share units to employees (continued)

The following table summarizes the Group's restricted shares activities:

| | Numbers of shares | Weighted average grant date fair value USD |
|---|---|---|
| Non-vested shares at 1 January 2021 | **3,328,000** | **2.99** |
| Granted | **5,446,570** | **8.86** |
| Forfeited | **(163,641)** | **5.05** |
| Vested | **(1,247,379)** | **4.03** |
| Non-vested shares at 31 December 2021 | **7,363,550** | **7.11** |
| Non-vested shares at 1 January 2020 | 577,530 | 0.21 |
| Granted | 3,360,000 | 2.99 |
| Canceled | (24,830) | 0.21 |
| Forfeited | (584,700) | 0.36 |
| Non-vested shares at 31 December 2020 | 3,328,000 | 2.99 |

Share-based compensation expenses for the restricted share units granted in 2021 were measured using the fair value of the Company's ordinary shares at the grant date and were recognised in the consolidated statements of comprehensive loss by using graded vesting method over the vesting term.

The share-based compensation expenses for the restricted share units recognized for the year ended 31 December 2021 were RMB146,034 thousand (For the year ended 31 December 2020: RMB16,435 thousand).

As of 31 December 2021, there was RMB165,304 thousand (As of 31 December 2020: RMB60,208 thousand) of unrecognized shared-based compensation expenses related to restricted share units, which is expected to be recognized over a weighted-average period of 1.96 years (As of 31 December 2020: 1.89 years).

## 26. SHARE-BASED COMPENSATION (CONTINUED)

### (ii) Stock option

On 23 November 2017, the board of directors adopted a Stock Option Plan for Management Shareholders for issuance of stock options to Management Shareholders ("Stock Option Plan for Management Shareholders"). Such Plan has a contractual term of ten (10) years from the adoption date, and grants under the Plan vest over a period of three years of continuous service, with one-third (1/3) vesting upon the first anniversary of the stated vesting commencement date and the remaining vesting ratably over the following 24 months.

On 25 December 2018, the board of directors adopted a Stock Option Plan for Employees for issuance of stock options to employee, officer, director, contractor, advisor or consultant of the Group with the maximum aggregate number of 8,080,489 shares subjected. Such plan was amended on 17 February 2020, with restricted ordinary shares also included. ("Stock Option Plan for Employees")

On 17 February 2020, the Company's board of directors approved the modification of exercise price of stock options granted to certain employees. The incremental compensation cost assessed at the date of modification is insignificant and continued to be recognized over the remaining vesting period.

On 21 September 2020, the Company's shareholders approved the Post-IPO Share Option Scheme, which was effective upon completion of the Listing. The total number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of the Company is 28,369,038, being no more than 10% of the shares in issue on the date the shares commence trading on the Stock Exchange (assuming the Over-allotment Option is not exercised and no shares are issued under the share schemes.

According to the Stock Option Plan for Employees, a contractual term of ten (10) years from adoption date, and grants under the Plan vest over a period of four years of continuous service, with one-fourth (1/4) vesting upon the first anniversary of the stated vesting commencement date and the remaining vesting ratably over the following 12 quarters.

In February and July 2020, as approved by the Company's board of directors, a total of 17,100,788 stock options were granted with vesting conditions of service and performance. The non-market performance condition requires that certain shares will immediately vest upon an IPO in accordance with the Plans and will become restricted to a three-year lock-up period post the IPO. The market condition requires that certain shares to become vested upon achievement of each milestone when the average volume based closing trading price of the Company during any of 90 consecutive trading days after the IPO and the listing is higher than pre-determined share prices. As of 31 December 2021, certain milestones of the market condition have been reached and the related expense is trued up in the year of 2021.

(Expressed in thousands of RMB unless otherwise stated)

## 26. SHARE-BASED COMPENSATION (CONTINUED)

### (ii) Stock option (continued)

The following table summarizes the Group's stock option activities:

| | Number of Options Outstanding | Weighted Average Exercise Price USD | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value RMB'000 |
|---|---|---|---|---|
| **Outstanding at 1 January 2021** | **21,381,170** | **1.03** | **8.87** | **1,078,491** |
| Granted | **3,950,339** | **9.22** | | |
| Forfeited | **(433,766)** | **1.93** | | |
| Exercised | **(1,581,647)** | **0.57** | | |
| **Outstanding at 31 December 2021** | **23,316,096** | **2.44** | **8.54** | **259,469** |
| **Outstanding at 1 January 2020** | 7,622,177 | 0.22 | 8.28 | 111,122 |
| Granted | 17,100,788 | 1.27 | | |
| Forfeited | (798,645) | 0.78 | | |
| Exercised | (297,248) | 0.66 | | |
| Cancelled | (2,245,902) | 0.18 | | |
| **Outstanding at 31 December 2020** | 21,381,170 | 1.03 | 8.87 | 1,078,491 |

The weighted-average grant date fair value for stock options granted during the year ended 31 December 2021 was USD2.44 (equivalent to RMB15.74), computed using the Black Scholes model to determine the fair value as at the grant dates, with the assumptions summarized as follows:

| | Year ended 31 December 2021 |
|---|---|
| Risk-free interest rate | **0.57%~0.73%** |
| Expected dividend yield | **–** |
| Expected volatility | **60%** |

(Expressed in thousands of RMB unless otherwise stated)

## 26. SHARE-BASED COMPENSATION (CONTINUED)

### (ii) Stock option (continued)

The weighted-average grant date fair value for stock options granted for the year ended 31 December 2020 was USD1.27 (equivalent to RMB8.76), for stock options subjected to service condition, the Group computed using the binomial option pricing model, with the assumptions (or ranges thereof) in the following table:

| | Year ended 31 December 2020 |
|---|---|
| Exercise price (USD) | 0.18~3.24 |
| Fair value of the ordinary shares on the date of option grant (USD) | 0.54~2.83 |
| Risk-free interest rate | 0.39%~1.03% |
| Expected dividend yield | 0% |
| Expected volatility | 81.6%~87.6% |
| Expected forfeiture rate (post-vesting) | 10% |

For stock options subjected to market condition, the Group used Monte Carlo Simulation model to determine the fair value as of the grant date, with the assumptions summarized as follow:

| | 31 December 2020 |
|---|---|
| Risk-free interest rate | 0.5% |
| Expected dividend yield | 0% |
| Expected volatility | 87.0% |

The share-based compensation expenses for the stock options recognized for the year ended 31 December 2021 were RMB77,693 thousand (For the year ended 31 December 2020: RMB88,130 thousand).

As of 31 December 2021, there were unrecognized shared-based compensation expenses of RMB83,200 thousand (As of 31 December 2020: RMB112,101 thousand) related to stock options.

(Expressed in thousands of RMB unless otherwise stated)

## 26. SHARE-BASED COMPENSATION (CONTINUED)

### (iii) Other share-based compensation arrangements

On 6 March 2020, Manco granted its restricted shares to the Group's directors for their services provided to the Group. The share-based compensation expenses for such restricted shares for the year ended 31 December 2021 were RMB1,253 thousand and were pushed down to the Group accordingly (For the year ended 31 December 2020: RMB12,705 thousand).

## 27. RESERVES

| | Capital reserve RMB'000 | Treasury shares (a) RMB'000 | Total RMB'000 |
|---|---|---|---|
| **At 1 January 2021** | **13,392,531** | **—** | **13,392,531** |
| Share-based compensation | **224,980** | **—** | **224,980** |
| Exercise of stock option | **5,856** | **—** | **5,856** |
| Shares buy-back | **—** | **(58,707)** | **(58,707)** |
| **At 31 December 2021** | **13,623,367** | **(58,707)** | **13,564,660** |
| **At 1 January 2020** | 443,649 | — | 443,649 |
| Issuance of ordinary shares, net of transaction costs | 12,758,488 | — | 12,758,488 |
| Share-based compensation | 117,270 | — | 117,270 |
| Cancellation of warrants | 71,806 | — | 71,806 |
| Exercise of stock option | 1,318 | — | 1,318 |
| **At 31 December 2020** | 13,392,531 | — | 13,392,531 |

(Expressed in thousands of RMB unless otherwise stated)

## 27. RESERVES (CONTINUED)

### (a) The treasury shares are listed below:

| | Number of shares | | RMB'000 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **At beginning of the year** | — | — | — | — |
| Shares bought back on-market (i) | 1,615,500 | — | 58,707 | — |
| Share Scheme Trusts (Note 25(b)) | 2,494,428 | — | — | — |
| **At end of the year** | 4,109,928 | — | 58,707 | — |

(i) For the year ended 31 December 2021, the Company conducted shares buy-back pursuant to a general mandate granted by the shareholders to the Board during the Annual General Meeting held on 1 June 2021 and resolutions of the Board adopted on 30 August 2021. During the year ended 31 December 2021, the Company purchased 1,615,500 shares in the market. The shares were acquired, with prices ranging from HKD36.65 to HKD48.15, including buy-back transaction costs of RMB186 thousand. These shares are held by BOCI Securities Limited for the Company.

## 28. ACCUMULATED OTHER COMPREHENSIVE INCOME

| | FVOCI reserve RMB'000 | Exchange reserve RMB'000 | Total RMB'000 |
|---|---|---|---|
| **At 1 January 2021** | 571,651 | (207,293) | 364,358 |
| Change in fair value of financial assets at FVOCI | 9,413 | — | 9,413 |
| Foreign currency translation | — | (121,902) | (121,902) |
| **At 31 December 2021** | 581,064 | (329,195) | 251,869 |
| **At 1 January 2020** | — | (46,897) | (46,897) |
| Change in fair value of financial assets at FVOCI | 571,651 | — | 571,651 |
| Foreign currency translation | — | (160,396) | (160,396) |
| **At 31 December 2020** | 571,651 | (207,293) | 364,358 |

(Expressed in thousands of RMB unless otherwise stated)

## 29. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

### (i) Major non-cash transactions

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Fair value changes of financial instruments | **6,452** | 4,937,983 |
| Cancellation of warrant | **–** | (71,806) |
| Net addition of right-of-use assets | **65,063** | 53,381 |
| | **71,515** | 4,919,558 |

### (ii) Financial liabilities from financing cashflow

| | Other non-current liability | Preferred shares | Lease liabilities | Borrowings | Warrants | Convertible notes | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **At 1 January 2021** | 369,438 | 20,880 | 77,893 | – | – | – | 468,211 |
| Financing cash flows out | – | – | (23,658) | – | – | – | (23,658) |
| Interest expenses | 27,554 | – | 4,805 | – | – | – | 32,359 |
| Non-cash transactions | – | 6,452 | 65,063 | – | – | – | 71,515 |
| Foreign currency translation | (36,060) | (554) | (1) | – | – | – | (36,615) |
| **At 31 December 2021** | 360,932 | 26,778 | 124,102 | – | – | – | 511,812 |
| **At 1 January 2020** | – | 2,463,933 | 40,759 | – | 116,270 | 279,048 | 2,900,010 |
| Financing cash flows in | 348,590 | 1,932,252 | – | – | – | – | 2,280,842 |
| Financing cash flows out | – | – | (19,463) | – | – | – | (19,463) |
| Interest expenses | 20,950 | – | 2,870 | – | – | – | 23,820 |
| Non-cash transactions | – | (4,114,484) | 53,381 | – | (116,872) | (275,904) | (4,453,879) |
| Foreign currency translation | (102) | (260,821) | 346 | – | 602 | (3,144) | (263,119) |
| **At 31 December 2020** | 369,438 | 20,880 | 77,893 | – | – | – | 468,211 |

## 30. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The equity holders, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

### (i) Name and relationship with related parties are set out below:

CBC Group, mainly comprises C-Bridge Healthcare Fund II, L.P., C-Bridge Investment Everest Limited, C-Bridge II Investment Eight Limited, C-Bridge Healthcare Fund IV, L.P., C-Bridge IV Investment Two Limited, C-Bridge IV Investment Nine Limited Ltd., C-Bridge Capital Investment Management, Ltd. ("C-Bridge Capital"), CBC Group Investment Management, Ltd, C-Bridge Value Creation Limited and Everest Management Holding Co., Ltd. As at 31 December 2021 and 2020, C-Bridge Healthcare Fund II, L.P. and C-Bridge Healthcare Fund IV, L.P., own approximately 45% of shares in the Group on a collective basis.

| Name of related party | Relationship |
|---|---|
| Shanghai Kangshida Management Consulting Co., Ltd. (Kangshida) | Entity controlled by CBC Group |
| Affamed Therapeutics Limited ("Affamed") | Entity controlled by CBC Group |
| CMAB Biopharma Limited ("CMAB") | Entity controlled by CBC Group |
| NiKang Therapeutics, Inc. ("Nikang") | Entity controlled by CBC Group |

Save as disclosed elsewhere in the Notes in this report, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2021 and 2020.

### (ii) Transactions

These transactions were conducted in the normal course of business at prices and terms mutually agreed among the parties.

(Expressed in thousands of RMB unless otherwise stated)

## 30. RELATED PARTY TRANSACTIONS (CONTINUED)

### (ii) Transactions (continued)

#### (a) Provision of consultancy services to related parties

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| C-Bridge Capital | **–** | 3,890 |
| Affamed | **–** | 761 |
| CMAB | **–** | 1,395 |
| Nikang | **–** | 28 |
| | **–** | 6,074 |

#### (b) Rental fees charged to a related party

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Kangshida | **–** | 552 |

#### (c) Management consultancy services provided by related parties

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| CBC Group Investment Management, Ltd. | **3,239** | 1,245 |
| Affamed | **426** | – |
| C-Bridge Value Creation Limited | **–** | 16,498 |
| Nikang | **–** | 658 |
| | **3,665** | 18,401 |

(Expressed in thousands of RMB unless otherwise stated)

## 30. RELATED PARTY TRANSACTIONS (CONTINUED)

### (iii) Balances

#### (a) Amount due to related parties

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| CBC Group Investment Management, Ltd. | **582** | 440 |

The above balances with related parties were mainly denominated in USD. They were unsecured, trade in nature and non-interest bearing. These balances were due within 30 days. Their fair values approximated their carrying amounts due to their short maturities.

#### (b) Loan receivable from a director

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Loan receivable from a director | **2,111** | 2,172 |

The above balances with related parties were mainly denominated in USD, unsecured, service provision in nature and non-interest bearing. Their fair values approximated their carrying amounts as at 31 December 2021.

None of the above receivables is past due or impaired. The financial assets related to amount due from related parties for which there was no history of default and the expected credit losses are considered minimal.

(Expressed in thousands of RMB unless otherwise stated)

## 30. RELATED PARTY TRANSACTIONS (CONTINUED)

### (iv) Key management compensation:

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

| | Years ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Salaries, wages and bonuses | **72,117** | 69,573 |
| Contributions to pension plans | **422** | 356 |
| Housing funds, medical insurance and other social insurance | **1,642** | 1,467 |
| Share-based payments | **124,489** | 66,913 |
| | **198,670** | 138,309 |

## 31. COMMITMENTS

Other than disclosed in Note 22, the Group had the following commitments:

Capital expenditure commitments

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Property, plant and equipment | **229,547** | 13,070 |

(Expressed in thousands of RMB unless otherwise stated)

## 32. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

### (a) Balance sheet

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| **Assets** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 1,456 | 4,442 |
| Intangible assets | 567,437 | 234,896 |
| Investments in subsidiaries | 3,516,505 | 2,625,069 |
| Investments | 798,525 | 813,072 |
| Right-of-use assets | 2,871 | 8,647 |
| Other non-current assets | 346,399 | 2,172 |
| | 5,233,193 | 3,688,298 |
| **Current assets** | | |
| Amounts due from subsidiaries | 148,053 | 137,881 |
| Prepayments and other current assets | 112,764 | 1,506 |
| Cash and cash equivalents | 2,202,509 | 3,987,671 |
| | 2,463,326 | 4,127,058 |
| **Total assets** | 7,696,519 | 7,815,356 |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Lease liabilities | 1,474 | 3,312 |
| | 1,474 | 3,312 |

(Expressed in thousands of RMB unless otherwise stated)

## 32. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

### (a) Balance sheet (continued)

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| **Current liabilities** | | |
| Lease liabilities | **1,999** | 5,079 |
| Amounts due to related parties | **430** | 440 |
| Amounts due to subsidiaries | **69,289** | 70,910 |
| Trade and other payables | **3,948** | 45,717 |
| | **75,666** | 122,146 |
| **Total liabilities** | **77,140** | 125,458 |
| **Equity** | | |
| **Equity attributable to the equity holders of the Company** | | |
| Share capital | **202** | 198 |
| Reserves | **13,564,660** | 13,392,531 |
| Accumulated deficit | **(6,134,355)** | (6,064,334) |
| Accumulated other comprehensive income | **188,872** | 361,503 |
| **Total equity** | **7,619,379** | 7,689,898 |
| **Total equity and liabilities** | **7,696,519** | 7,815,356 |

Balance sheet of the Company was approved by the board of directors on 28 March 2022 and was signed on its behalf.

**Kerry Levan Blanchard**
*Chief Executive Officer*

**Ian Ying Woo**
*President & Chief Financial Officer*

(Expressed in thousands of RMB unless otherwise stated)

## 32. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

### (b) Reserve movement

| | Capital reserve RMB'000 | Treasury shares RMB'000 | Total RMB'000 |
|---|---|---|---|
| **At 1 January 2021** | **13,392,531** | **—** | **13,392,531** |
| Share-based compensation | **224,980** | **—** | **224,980** |
| Exercise of stock option | **5,856** | **—** | **5,856** |
| Shares buy-back | **—** | **(58,707)** | **(58,707)** |
| **At 31 December 2021** | **13,623,367** | **(58,707)** | **13,564,660** |
| **At 1 January 2020** | 443,649 | — | 443,649 |
| Issuance of ordinary shares, net of transaction costs | 12,758,488 | — | 12,758,488 |
| Share-based compensation | 117,270 | — | 117,270 |
| Cancellation of warrants | 71,806 | — | 71,806 |
| Exercise of stock option | 1,318 | — | 1,318 |
| **At 31 December 2020** | 13,392,531 | — | 13,392,531 |

### (c) Accumulated other comprehensive income

| | FVOCI reserve RMB'000 | Exchange reserve RMB'000 | Total RMB'000 |
|---|---|---|---|
| **At 1 January 2021** | **571,651** | **(210,148)** | **361,503** |
| Change in fair value of financial assets at FVOCI | **9,413** | **—** | **9,413** |
| Foreign currency translation | **—** | **(182,044)** | **(182,044)** |
| **At 31 December 2021** | **581,064** | **(392,192)** | **188,872** |
| **At 1 January 2020** | — | (37,953) | (37,953) |
| Change in fair value of financial assets at FVOCI | 571,651 | — | 571,651 |
| Foreign currency translation | — | (172,195) | (172,195) |
| **At 31 December 2020** | 571,651 | (210,148) | 361,503 |

## 33. SUBSEQUENT EVENTS

In January 2022, the Group entered into a License Agreement with Singapore's Experimental Drug Development Centre ("EDDC"), pursuant to which EDDC granted the Group an exclusive worldwide right to develop, manufacture and commercialize COVID-19 oral antiviral treatments. Up to the date of the report, the Group has made an upfront payment of USD2.5 million to EDDC and agreed to pay clinical and commercial milestone payment, as well as royalties on net sales of products.

# Four Year Financial Summary

## CONSOLIDATED RESULTS

| | Years ended 31 December | | | |
|---|---|---|---|---|
| | **2021** | 2020 | 2019 | 2018 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 |
| Operating loss | **(1,026,332)** | (688,457) | (176,112) | (127,182) |
| Loss before income tax | **(1,008,719)** | (5,658,165) | (214,512) | (991,674) |
| Loss for the year attributable to the equity holders of the Company | **(1,008,719)** | (5,658,165) | (214,512) | (991,674) |
| Total comprehensive loss for the year attributable to the equity holders of the Company | **(1,121,208)** | (5,246,910) | (229,826) | (1,023,333) |

## CONSOLIDATED ASSETS AND LIABILITIES

| | Years ended 31 December | | | |
|---|---|---|---|---|
| | **2021** | 2020 | 2019 | 2018 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 |
| Non-current assets | **3,957,895** | 2,980,772 | 2,005,787 | 513,357 |
| Current assets | **2,687,928** | 4,496,409 | 131,153 | 209,815 |
| Total assets | **6,645,823** | 7,477,181 | 2,136,940 | 723,172 |
| Non-current liabilities | **483,561** | 449,196 | 2,494,149 | 1,510,816 |
| Current liabilities | **270,266** | 186,914 | 503,873 | 159,925 |
| Total liabilities | **753,827** | 636,110 | 2,998,022 | 1,670,741 |
| Total equity/(deficit) | **5,891,996** | 6,841,071 | (861,082) | (947,569) |

# Definitions

| | |
|---|---|
| **"AI"** | artificial intelligence |
| **"associate(s)"** | has the meaning ascribed thereto under the Listing Rules |
| **"Articles of Association"** | the articles of association of the Company adopted on 21 September 2020 with effect from Listing, as amended from time to time |
| **"AGM"** | the annual general meeting of the Company to be held before 30 June 2022 |
| **"Audit Committee"** | the audit committee of the Company |
| **"Board" or "Board of Directors"** | the board of directors of the Company |
| **"CG Code"** | the Corporate Governance Code set out in Appendix 14 to the Listing Rules |
| **"China" or the "PRC"** | the People's Republic of China, and for the purpose of this report only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region and Taiwan |
| **"Company", "our Company", "the Company" or "Everest Medicines"** | Everest Medicines Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands on 14 July 2017 |
| **"Companies Ordinance"** | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| **"connected person(s)"** | has the meaning ascribed to it under the Listing Rules |
| **"connected transactions"** | has the meaning ascribed to it under the Listing Rules |
| **"Controlling Shareholder(s)"** | has the meaning ascribed thereto under the Listing Rules |
| **"Director(s)"** | the director(s) of our Company |
| **"Everest SG"** | Everest Medicines (Singapore) Pte. Ltd., a wholly-owned subsidiary of the Company |
| **"GDP"** | gross domestic product |

| | |
|---|---|
| **"Global Offering"** | the Hong Kong Public Offering and the International Offering as defined in the Prospectus |
| **"Group", "our Group", "the Group", "we", "us" or "our"** | the Company and its subsidiaries from time to time |
| **"Hong Kong" or "HK"** | the Hong Kong Special Administrative Region of the People's Republic of China |
| **"Hong Kong dollars", "HK dollars", "HKD" or "HK$"** | Hong Kong dollars, the lawful currency of Hong Kong |
| **"IFRS"** | International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board |
| **"IND"** | investigational new drug or investigational new drug application, also known as clinical trial application in China |
| **"IPO"** | initial public offering |
| **"Latest Practicable Date"** | 28 March 2022, being the latest practicable date for ascertaining certain information in this annual report before its publication |
| **"Licensed Product"** | a product that incorporates any of the Licensed Technology |
| **"Licensed Technology"** | specified know-how and the existing patent in respect of a series of inhibitor agents that have demonstrated potent in-vitro activity against SARS-CoV-2 and variants controlled by A*ccelerate or its affiliates |
| **"Listing"** | the listing of the Shares on the Main Board of the Stock Exchange |
| **"Listing Date"** | 9 October 2020, the date on which the Shares were listed and on which dealings in the Shares were first permitted to take place on the Stock Exchange |
| **"Listing Rules"** | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time |
| **"Main Board"** | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange |

| | |
|---|---|
| **"Model Code"** | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules |
| **"NDA"** | new drug application |
| **"NMPA"** | China National Medical Products Administration (國家藥品監督管理局), successor to the China Food and Drug Administration (國家食品藥品監督管理總局) |
| **"Nomination Committee"** | the nomination committee of the Company |
| **"Post-IPO Share Award Scheme"** | the post-IPO share award scheme adopted by the Company on 21 September 2020 |
| **"Post-IPO Share Option Scheme"** | the post-IPO share option scheme adopted by the Company on 21 September 2020 |
| **"Post-IPO Share Schemes"** | the Post-IPO Share Award Scheme and the Post-IPO Share Option Scheme |
| **"PRC Legal Advisor"** | Zhong Lun Law Firm, our legal advisor on PRC law |
| **"Pre-IPO ESOP"** | the employee equity plan approved and adopted by our Company on 25 December 2018 as amended and restated on 17 February 2020 |
| **"Pre-IPO MSOP"** | the employee stock option plan approved and adopted by our Company on 23 November 2017 |
| **"Pre-IPO Share Schemes"** | the Pre-IPO ESOP and Pre-IPO MSOP |
| **"Prospectus"** | the prospectus of the Company dated 25 September 2020 |
| **"Remuneration Committee"** | the Remuneration Committee of the Company |
| **"RMB" or "Renminbi"** | Renminbi, the lawful currency of PRC |
| **"Reporting Period"** | the year ended 31 December 2021 |
| **"SFO"** | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |

| | |
|---|---|
| **"Share(s)"** | ordinary share(s) in the share capital of our Company, currently with a par value of US$0.0001 each |
| **"Share Schemes"** | the Pre-IPO Share Schemes and the Post-IPO Share Schemes |
| **"Shareholder(s)"** | holder(s) of the Share(s) |
| **"Stock Exchange"** | The Stock Exchange of Hong Kong Limited |
| **"subsidiary" or "subsidiaries"** | has the meaning ascribed to it thereto in section 15 of the Companies Ordinance |
| **"substantial shareholder"** | has the meaning ascribed to it in the Listing Rules |
| **"United States" or "U.S."** | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| **"US dollars", "U.S. dollars", "US$" or "USD"** | United States dollars, the lawful currency of the United States |
| **"%"** | per cent |