開拓藥業有限公司*

KINTOR PHARMACEUTICAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 9939)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Directors of the Company is pleased to announce the consolidated annual results of the Group for the year ended 31 December 2023, together with comparative figures for the year ended 31 December 2022.

FINANCIAL HIGHLIGHTS

The Group's R&D costs, excluding the impact of impairment and provision, decreased by RMB489.2 million or 66.6% from RMB735.0 million for the year ended 31 December 2022 to RMB245.8 million for the year ended 31 December 2023. Such decreases were mainly attributable to the Group's increasing focus on investments in core dermatology pipelines KX-826 and GT20029, which have much lower costs compared to oncology pipelines. The Group is continuing to make efforts to develop its Core Products in dermatology, hoping to achieve commercialisation as soon as possible.

The Group's administrative expenses, excluding impairment losses, decreased by RMB45.8 million or 34.6% from RMB132.2 million for the year ended 31 December 2022 to RMB86.4 million for the year ended 31 December 2023. Such decreases were mainly attributable to the reduction in employee benefit and share-based compensation expenses during the Reporting Period. To focus on the development of the Company's core business, reduce administrative expenses and improve efficiency, the Group has adjusted the number and salaries of employees at the end of 2023. The Group will take further steps, such as a new round of employee downsizing, up to the progress of its business.

The Group had cash and cash equivalents and time deposits of RMB456.3 million as at 31 December 2023. In addition, the Group also had unutilised bank facilities of RMB110.5 million as at 31 December 2023. The Group is actively seeking to commercialise its Core Products, and has sufficient cash on hand to support the Group's clinical and R&D advancement and necessary expenditures for the commercialisation.

The Board resolved not to pay any final dividend for the year ended 31 December 2023 (for the year ended 31 December 2022: nil).

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue	**–**	–
Cost of sales	**(42,229)**	–
Gross profit	**(42,229)**	–
Other income and expenses	**20,867**	18,612
Marketing costs	**(6,984)**	(20,326)
Administrative expenses	**(89,045)**	(132,249)
Research and development costs	**(938,907)**	(827,974)
Other (losses)/gains — net	**(2,925)**	17,408
Operating loss	**(1,059,223)**	(944,529)
Finance costs	**(9,690)**	(8,187)
Share of losses of an associate and a joint venture	**52**	(568)
Loss before income tax	**(1,068,861)**	(953,284)
Income tax credit/(expense)	**8,041**	(1,085)
Loss and total comprehensive loss for the year	**(1,060,820)**	(954,369)

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Non-current assets	**396,675**	547,267
Current assets	**472,557**	1,507,869
Cash and cash equivalents and time deposits	**456,334**	875,304
Non-current liabilities	**186,390**	241,821
Current liabilities	**224,730**	318,127
Total equity	**458,112**	1,495,188

BUSINESS HIGHLIGHTS

During 2023, we have been continuously focusing on dermatology fields, exploring the two Core Products KX-826 and GT20029 in China and the U.S. for the treatment of male and female AGA and acne, which has made significant progress. The details are as follows:

KX-826

i. AGA Indication

- On 28 March 2023, the Company announced that it has completed the enrollment of 740 subjects for the phase III clinical trial of KX-826 in China for the treatment of male AGA.

- On 11 May 2023, the Company announced that the phase II clinical trial of KX-826 for the treatment of male AGA in the U.S. has been completed successfully. The results after 24 weeks compared to baseline were statistically and clinically meaningful, and demonstrated a favorable safety profile.

- On 19 July 2023, the long-term safety phase III trial of KX-826 for the treatment of AGA in China has completed the first patient enrollment. On 15 November 2023, the trial has completed all patients enrollment.

- On 27 November 2023, the topline results of phase III clinical trial of KX-826 for male AGA have been read out. The results showed that the overall safety of the trial was good, with KX-826 demonstrating excellent safety profile and promoting hair growth compared to baseline, with statistical significance (P<0.0001). Compared with placebo, there was TAHC improvement at all visit points in KX-826 0.5% BID group with no statistical significance, but a trend in efficacy was observed.

- On 1 February 2024, the Company announced that the phase Ib/III clinical trial of KX-826 in combination with minoxidil for the treatment of male AGA was cleared by NMPA, to evaluate the efficacy and safety of KX-826 in combination with minoxidil for the treatment of male adults with AGA in China.

ii. Acne Vulgaris Indication

- On 28 August 2023, the Company announced it has completed a phase II clinical trial of KX-826 in China for treatment of acne. The results showed that KX-826 has good safety and efficacy. At week 12, all patients who achieved treatment success appeared in the experimental groups. Compared with placebo group, post hoc analysis of subgroups with baseline non-inflammatory lesion count ≥ 30 showed that counts of both non-inflammatory and inflammatory lesion in the KX-826 group were significantly improved, and the improvements had persisted until the twelfth week.

AR-PROTAC Compound (GT20029)

- On 10 February 2023, the Company announced the top-line results of the phase I clinical trial of GT20029 for the treatment of AGA and acne vulgaris in the U.S.. The results showed that GT20029 demonstrated good safety, tolerability and pharmacokinetics in healthy subjects and subjects with AGA or acne vulgaris.

- On 14 April 2023, the Company announced the first subject enrollment has completed in the phase II clinical trial of GT20029 for the treatment of AGA in China.

- On 22 August 2023, the Company announced that it has completed the enrollment of 180 subjects for the phase II clinical trial of GT20029 for the treatment of AGA in China, and expect to read out top-line in the near future.

For details of any of the foregoing and other pipelines, please refer to the rest of this announcement and, where applicable, the Company's prior announcements published on the websites of the Stock Exchange and the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are a clinical-stage novel drug developer in China focusing on developing potential first-in-class/best-in-class drugs. We have six innovative potential first-in-class/best-in-class drug candidates at phase I-III clinical stage, and we are committed to becoming a leader in the research, development and commercialization of innovative therapies. Our products aim at tackling the unmet clinical needs and our pipelines cover indications of dermatology such as AGA and acne vulgaris, and indications of tumors. We have seasoned R&D experience in the field of dermatology. The two Core Products, namely KX-826 and GT20029, have entered phase III and phase II clinical stage, respectively. We are actively exploring paths to commercialization for Core Products in dermatology fields.

As at the date of this announcement, our first Core Product, KX-826, has completed the phase III clinical trial for male AGA in China, the phase II clinical trial for male AGA in the U.S. and the phase II clinical trial for acne in China. Meanwhile, we also initiated the long-term safety phase III trial for the treatment of AGA in China and the phase Ib/III clinical trial of KX-826 in combination with minoxidil for the treatment of AGA in China. For AGA indication, KX-826 demonstrated excellent safety profile and efficacy among different populations and could promote hair growth (the mean increase of TAHC compared to baseline could achieve up to 22.7 hair counts per cm^2). The long-term safety trial will provide more safety and efficacy data to support the long-term use of KX-826. The development of combination therapy of KX-826 and minoxidil will further explore the value of KX-826 in the field of AGA. For acne vulgaris indication, the results of the phase II clinical trial lay the foundation for the Company's future studies.

Our second Core Product GT20029, developed in-house by the Company based on its own PROTAC platform, is the first topical PROTAC compound in the world which has entered phase II clinical stage. As at the date of this announcement, GT20029 completed the phase I clinical trial for AGA and acne in the U.S., which demonstrated that GT20029 had good safety, tolerability, and PK characteristics. The phase II clinical trial of GT20029 for AGA in China is conducting data cleaning from each site, and it is expected to read out the top-line in the near future, based on which to decide the following clinical strategies, such as conducting a phase III clinical trial for male AGA in China. Based on the results of the phase I clinical trial of GT20029 for the treatment of acne in China and the U.S., we are preparing to conduct a phase II clinical trial of GT20029 for the treatment of acne to further expand our research in acne treatment to benefit more patients with acne.

For other pipelines, we are exploring their commercial value in different disease areas and actively trying to improve the efficacy of drug through combination therapies. For example, our GT1708F completed the phase I clinical trial for hematologic malignancies in China and was conditionally approved to conduct the phase II clinical trial of IPF in China. We are actively seeking potential opportunities to accelerate the commercialization of various pipelines in China and globally.

Product Pipeline

Our pipeline includes a risk-balanced and diversified portfolio of drug candidates, which are committed to meet the huge unmet medical needs and have significant market potential. Hundreds of millions of male and female patients around the world and in China suffered from AGA and acne. Based on AR targets, we have made groundbreaking developments with KX-826 and GT20029 for dermatology fields. We are rapidly advancing clinical trials and actively exploring commercialization paths to meet patients' needs as soon as possible. In other disease areas, including mCRPC, liver cancer, IPF, hematologic malignancies and multiple solid tumors, we also have several products in/completing the clinical stage, accumulating a large amount of R&D and clinical data, with high value for cooperation in commercialization. The following chart sets forth a summary of our drug candidates as well as their respective mechanism, indications and development progresses:

		Drug Candidate	Target / Mechanism	Indication	Country/ Region	Pre-Clinical	IND Filing (Filed)| (Accepted)	Phase I	Phase II	Phase III	NDA
Clinical stages	Dermatology	KX-826	AR antagonist (for external use)	Androgenetic alopecia (Male)	China			Data readout on Nov 27, 2023			
				Combined with minoxidil for androgenetic alopecia (Male)	China			IND approved on Feb 1, 2024			
				Androgenetic alopecia (Female)	China			Data readout on Dec 1, 2022			
				Androgenetic alopecia (Male)	US			Data readout on May 11, 2023			
				Androgenetic alopecia (Long-term safety)	China			Completed patients enrollment on Nov 15, 2023			
				Acne vulgaris	China			Ph II clinical trial completed on Aug 28, 2023			
				Acne vulgaris	US						
		AR-PROTAC (GT20029)	AR-PROTAC compound	Androgenetic alopecia	China			Completed patients enrollment on Aug 22, 2023			
				Acne vulgaris	China			Positive top-line data released on Nov 24, 2022			
				Androgenetic alopecia	US			Positive top-line data released on Feb 10, 2023			
				Acne vulgaris	US			Positive top-line data released on Feb 10, 2023			
	Non-dermatology	Pruxelutamide (GT0918)	Second generation AR antagonist	COVID-19	Intl						
		GT1708F	Hedgehog/ SMO inhibitor	Idiopathic pulmonary fibrosis (IPF)	China			Ph II clinical trial approved in Oct, 2023			
				Blood cancer	China			Ph I clinical trial completed on May 8, 2023			
		GT0486	mTOR kinase inhibitor	Metastatic solid tumours	China			Completed patients enrollment on Jul 26, 2023			
	Biologics	ALK-1 (GT90001)	Angiogenesis inhibitor	Combination therapy with a PD-1 for metastatic HCC (2L)	Taiwan(China)			Last patient last visit completed on Jul 7, 2022			
				Combination therapy with a PD-1 for metastatic HCC (2L)	US & Intl			Completed FPI on May 2, 2022			
				Combination therapy with a PD-1 for metastatic HCC	China			IND was approved on Oct 11, 2021			
Pre-clinical			c-Myc molecular glue	Blood cancer and solid tumors							
			PROTAC compounds	External therapy							
			ALK-1/VEGF bispecific antibody	Solid tumours							

BUSINESS REVIEW

As at the date of this announcement, we had developed six clinical-stage drugs, for which we had obtained approvals to commence clinical trials in the PRC (including Taiwan), the U.S. and other countries and regions. These clinical-stage drug candidates are composed of KX-826, AR-PROTAC compound GT20029, Pruxelutamide (GT0918), Hedgehog/SMO inhibitor GT1708F, mTOR kinase inhibitor GT0486 and ALK-1 antibody GT90001, the details of which are set out as follows:

Core Products

- ***KX-826***

KX-826 is a drug for topical use, which can block the signaling pathway of AR. It acts on the local area of peripheral skin tissue, and can reduce the sensitivity of AR to androgen in the pilosebaceous gland, and the low AR inhibitory activity of its metabolites can reduce systemic side effects. We own the patents of KX-826 in many countries around the world, including China. Its core patent is valid until 8 September 2030. We are currently developing KX-826 in tincture and gel as a potential first-in-class topical drug for the treatment of AGA and acne vulgaris.

i. AGA Indication

Where AGA occurs, the androgen binds to the AR in the hair follicle cells, and the AR undergoes a complex enzymatic reaction and forms an AR complex. The AR complex enters the nucleus, binds to a specific hormone-responsive element of the gene locus, induces or inhibits the transcription of the target gene, and synthesises specific messenger RNA (mRNA) and corresponding proteins, such as different kinds of cytokines. This regulates cell proliferation and differentiation, which causes the hair to prematurely enter into a resting period and shrinks hair follicles. The hair in the growing period gradually becomes thinner and hair follicles shrink and disappear, resulting in AGA. Abnormal changes in systemic and local androgen metabolism are important factors in the pathogenesis of AGA, and dihydrotestosterone (DHT) catalysed by androgen by 5α-reductase is a contributing molecule of AGA. AR is recognised as an attributing factor for AGA. KX-826 is for topical application to locally block the androgen mediated signaling by competing androgen to bind to AR in the targeted tissues.

Previously, the Company has successfully completed the phase II trials for male and female AGA in China.

The phase II clinical trial for male AGA has enrolled 120 patients who were randomly assigned to four groups, including KX-826 0.25% BID (twice daily), KX-826 0.5% QD (once daily), KX-826 0.5% BID, and placebo (including QD and BID), and the primary endpoint is the mean change from baseline of non-vellus TAHC compared with placebo after 24 weeks. The results showed that:

- For efficacy, after 24 weeks of treatment, 0.5% BID KX-826 group demonstrated significant improvement in non-vellus TAHC, which increased by 22.73 hair counts per cm^2 as compared with baseline ($P<0.001$) and increased by 15.34 hair counts per cm^2 as compared with the placebo group with statistical significance ($P=0.024$).

- For safety, the overall safety profile of KX-826 was good and manageable. No serious adverse event (SAE), adverse drug reaction (ADR), nor death occurred. After 14 days of topical application, the systemic exposure of KX-826 and its metabolites in vivo reached a steady state; the drug concentration in blood in each dose group was low.

The phase II clinical trial for female AGA in China has enrolled a total of 160 patients who were randomly assigned to five groups, including KX-826 0.25% QD, KX-826 0.25% BID, KX-826 0.5% QD, KX-826 0.5% BID, and placebo. The primary endpoint is the mean change from baseline of non-vellus TAHC compared with placebo after 24 weeks. The results showed that:

- For efficacy, over 24 weeks of treatment, the non-vellus TAHC of the KX-826 0.5% QD group has increased by 11.39 hair counts per cm^2 compared with the placebo group from baseline (P=0.0087). KX-826 has demonstrated efficacy as early as at the end of week 12.

- For safety, the overall safety profile of KX-826 was favorable. The majority of treatment emerged adverse events ("**TEAE**") were mild and similar to those of placebo. No TEAE resulting in patient withdrawal or death from the trial was reported.

As at the date of this announcement, we completed the phase III clinical trial for male AGA in China and the phase II clinical trial for male AGA in the U.S.. Meanwhile, we also initiated the long-term safety phase III trial for the treatment of AGA in China and the phase Ib/III clinical trial of KX-826 in combination with minoxidil in China.

- On 1 February 2024, we announced that the phase Ib/III clinical trial of KX-826 in combination with minoxidil for the treatment of male AGA was cleared by NMPA, to evaluate the efficacy and safety of KX-826 in combination with minoxidil for the treatment of male adults with AGA in China. The Group believes that through the development of combination therapy, the efficacy of KX-826 for AGA will be further discovered.

- On 27 November 2023, we announced that the topline results of phase III clinical trial of KX-826 topical treatment for male AGA have been read out. This phase III clinical trial is a multicenter, randomized, double-blind, placebo-controlled study to evaluate the efficacy and safety of topical use of KX-826 0.5% BID in the treatment of male AGA adults in China. The trial has enrolled a total of 740 patients who were randomly assigned to KX-826 0.5% BID and placebo two groups. The main endpoint of this study is

the average change in non-vellus TAHC compared to baseline at the end of 24 weeks. The results showed that the overall safety of the trial was good, with KX-826 demonstrating excellent safety profile and no serious adverse events was reported. After 24 weeks' treatment, KX-826 promoted hair growth compared to baseline, with statistical significance (P<0.0001). Compared with placebo, there was TAHC improvement at all visit points in KX-826 0.5% BID group with no statistical significance, but a trend in efficacy was observed.

- On 19 July 2023, we announced the completion of first patient enrollment in long-term safety phase III trial of KX-826 in China for treatment of AGA, and we have finished all patients enrollment on 15 November 2023. It is a multi-center, open-label phase III clinical trial, which was approved to be conducted by NMPA on 18 April 2023, aiming to evaluate the long-term safety of the topical use of KX-826 for treatment of AGA in China. A total of 271 male and female AGA patients have be enrolled, and the treatment period is 52 weeks. The primary endpoint of the trial is the incidence of TEAE.

- On 11 May 2023, the Company announced successful completion of phase II clinical trial of KX-826 for treatment of male AGA in the U.S.. The results after 24 weeks of treatment are statistically and clinically meaningful compared to baseline and demonstrate a favorable safety profile of KX-826. The phase II clinical trial is a randomized, double-blind, placebo-controlled and parallel group clinical study designed to evaluate the efficacy and safety of KX-826 for treatment of male AGA. A total of 123 patients were enrolled who were assigned to KX-826 0.25% QD, KX-826 0.5% QD, KX-826 0.5% BID, and placebo (including QD and BID) four groups. The results showed that:

    - The TAHC of the 0.5% BID KX-826 group had increased by approximately 10 hair counts per cm^2 compared with baseline after treatment of 24 weeks, which was statistically significant (P=0.0088).

    - KX-826 had indicated an improvement in TAHC versus placebo, and a dose-response relationship was observed from different KX-826 dosage groups. Other relevant results indicated that KX-826 promoted hair growth clinically in male AGA patients.

ii. Acne vulgaris indication

Acne vulgaris is the eighth most prevalent disease in the world which affects more than 9.4% of the global population. Acne vulgaris is particularly common among adolescents as an facial disease. The pathogenesis of acne vulgaris is complicated. The influence of androgen and its receptor signaling pathway on sebaceous glands and sebum secretion is one of the important factors causing acne vulgaris. The U.S. FDA approved the first AR antagonist over the past 40 years for treatment of acne in August 2020, which had paved the way for our ongoing clinical trials in China. To date, there has been significant unmet clinical needs as no effective topical AR antagonist was approved for acne vulgaris treatment in China.

KX-826 is a well-targeted topical AR antagonist, which competitively inhibits the combination of androgen with AR in the skin tissue and is able to topically control the activation of the AR signal pathway caused by the excessive level of androgen without affecting the activity of AR signal pathway in human body. Through external application, KX-826 is able to inhibit the combination of AR with androgen in hair follicle sebaceous glands for treatment of acne vulgaris.

- On 28 August 2023, we announced we have completed the phase II clinical trial of KX-826 in China for treatment of acne. The phase II clinical trial is a multicenter, randomized, double-blind and placebo-controlled clinical study designed to evaluate the safety, efficacy, tolerance and PK of topical application of KX-826 for the treatment of patients with acne vulgaris. This study included a total of 160 acne patients who met the Pillsbury grading system's grade I-III or IGA grading system's grade 2–3 who were assigned to KX-826 0.25% QD and BID, KX-826 0.5% QD and BID, and placebo QD and BID groups. The results show:

    - At week 12, all patients who achieved treatment success (according to the 5-point IGA scale, IGA score decreasing to 0–1 and a decrease of ≥ 2 levels is defined as success) appeared in the experimental groups.

    - Compared with placebo group, post hoc analysis of subgroups with baseline non-inflammatory lesion count ≥ 30 showed that counts of both non-inflammatory and inflammatory lesion in the KX-826 group were significantly improved, and the improvements had persisted until the twelfth week. The improvement effect was initially observed at the second week.

- The safety profile of KX-826 is good. During the research, most adverse events were mild local skin irritation, and the incidence rate in the KX-826 group was similar to that of the placebo group. There were no adverse events that led to withdrawal from the trial or death.

- ***AR-PROTAC Compound (GT20029)***

  GT20029 has the potential to become a new generation of treatment for AGA and acne vulgaris. GT20029 is a topical AR-PROTAC compound developed by the Group's in-house PROTAC platform. It is also the first topical PROTAC compound in the world which has entered phase II clinical stage. GT20029 has a topical curative effect and can avoid systemic exposure by limiting skin penetration, and thus achieving good safety profile. The repeated pharmacodynamics studies in DHT-induced mouse model showed that GT20029 significantly promoted hair growth with statistical difference. The study of testosterone propionate ("**TP**")-induced skin hamster flank organ acne model showed that GT20029 significantly inhibited the enlargement of the flank organ, with statistical difference.

  Previously, we announced the top-line results of the phase I clinical trial of GT20029 for the treatment of AGA and acne vulgaris in China. The phase I clinical trial is a randomized, double-blind, placebo-controlled study to evaluate the safety and PK of topical use of GT20029 (gel/tincture). The study enrolled 92 healthy subjects receiving single and multiple ascending dose administration (topical) of GT20029. The results showed that GT20029 demonstrated good safety, tolerability and PK in healthy subjects. Following a single dose administration, all subjects had no detectable drug concentrations (below lower limit of quantification ("**LLOQ**"), 0.001ng/mL) at all time points. Following 14-day multiple-doses topical administration, the mean maximum drug concentrations of all cohorts were lower than 0.05ng/mL. All treatment related adverse events ("**TRAE**") were grade 1.

  As at the date of this announcement, we have completed the phase I clinical trial for AGA and acne in the U.S. and enrollment of the phase II clinical trial for AGA in China.

- On 10 February 2023, we announced the top-line results of the phase I clinical trial of GT20029 for treatment of AGA and acne vulgaris in the U.S.. The phase I clinical trial is a randomized, double-blind, placebo-controlled, parallel group, dose escalation study to evaluate the safety, tolerability and PK of GT20029 following topical single ascending dose administration ("**SAD**") in healthy subjects and multiple ascending dose administration ("**MAD**") in subjects with AGA or acne. The results showed that GT20029 demonstrated good safety, tolerability and PK following topical single ascending dose SAD administration in healthy subjects and MAD administration in subjects with AGA or acne vulgaris. In the SAD stage, subjects had no systemic exposure at all dose levels, and all sample concentrations were below the LLOQ (0.003 ng/mL). In the MAD stage, after 14 days of continuous administration in subjects with AGA or acne vulgaris, the systemic exposure was limited and the mean maximum observed concentration (Cmax) of all dose levels fluctuated near the LLOQ, with the highest not exceeding 0.015 ng/mL. No TEAE relating to GT20029 in the SAD stage was reported. Most of the TEAEs in the MAD stage were mild, including dryness, itching, burning and pain at application sites. No SAE, severe TEAE (Grade ≥3), subject withdrawal or death caused by TEAE were reported.

- On 14 April 2023, we announced completion of first subject enrollment in phase II clinical trial of GT20029 for treatment of AGA in China. The trial is a multi-center, randomized, double-blind, placebo-controlled study, which was designed to evaluate the efficacy and safety of GT20029 for treating male AGA adults in China. The primary endpoint of this trial is the change from baseline in non-vellus TAHC after 12 weeks of treatment in comparison to placebo. On 22 August 2023, the enrollment of total 180 patients has finished. The Company is in the process of clearing the data from sites and expects to read out the top-line results in the near future, based on which to determine future clinical strategies, such as the launch of phase III clinical trial for male AGA in China.

- Based on the results of phase I clinical trials in China and the U.S. of GT20029 for treatment of acne, we are preparing to conduct a phase II clinical trial of GT20029 for acne to further explore in the field of acne.

- ***Pruxelutamide (GT0918)***

  Pruxelutamide (GT0918) is a second-generation AR antagonist as well as an ACE2 and TMPRSS2 degrader with the potential to be a best-in-class drug, whose patent is valid until 8 March 2032. Pruxelutamide has a novel chemical structure and constitutes a dual-action mechanism which not only inhibits androgen from binding to AR, but also reduces AR expression. The Company has developed Pruxelutamide for the treatment of mCRPC, COVID-19 and mBC, and has completed multiple phase III clinical trials. As at the date of this announcement, the Company is actively pursuing commercialization of Pruxelutamide and cooperation opportunities, including continuing to seek regulatory approval for COVID-19 indication and license-out for mCRPC and COVID-19 indication in various countries. At the same time, the value of Pruxelutamide in breast cancer has also been recognized, and its phase Ic clinical research results were disclosed at the 46th St. Antonio Breast Cancer Symposium (SABCS 2023), the largest and most influential international conference in the field of breast cancer, in December 2023, and was selected as a highlight poster presentation. The study demonstrated a manageable safety profile and encouraging anti-tumor efficacy with Pruxelutamide plus fulvestrant in patients with AR+/HR+/HER2- mBC who failed first-line treatment, and may be more effective in patients with low AR/ER. Previously, the results of the trial were also published in a poster at the 2023 European Society for Medical Oncology (ESMO).

- ***GT1708F (Hedgehog/SMO Inhibitor)***

  GT1708F is an inhibitor of the hedgehog signal transduction pathway. We are currently developing GT1708F primarily for treatment of IPF and blood cancer.

  i. IPF Indication

  IPF is a chronic, progressive fibrosing interstitial pneumonia and one of the most fatal interstitial pneumonias. The incidence of IPF is high, but due to the relatively unnoticeable onset and progression, most patients are diagnosed in the moderate and advanced stages, and the median survival time of patients from the time of diagnosis is only 3~5 years. The global incidence rate of IPF reaches 14 to 43 per 100,000 people. The incidence rate in China reaches 2 to 29 per 100,000 people. It has large market potential as one of rare diseases. GT1708F affects the activity of Hh pathway and expression of the relevant downstream proteins by inhibiting the activity of SMO protein. Reactivation of the Hh signaling pathway is a feature of fibrotic lung tissue in IPF which affects in fibroblast migration and proliferation. Many nonclinical studies have shown that the Hh signaling pathway played a crucial role in IPF. According to reports, in IPF tissue, the expression of genes or proteins such as SMO and Gli1 is higher than that in normal lung tissue,

and after stimulating Hh in pulmonary fibrosis cells isolated from lung tissue of patients suffering from IPF, the expression of SMO and Gli1 proteins and genes is increased. In-vitro study showed that GT1708F could significantly decrease the expression of Gli1, Gli2 and pulmonary fibrosis related α-SMA protein.

The results of the bleomycin-induced pulmonary fibrosis model on Sprague-Dawley(SD) rats showed that after GT1708F treatment, the damage of the terminal bronchial wall and pulmonary arteriole wall and inflammatory cell infiltration (in the lesion and on the edge of the lesion) were effectively improved. Compared with the active comparator nintedanib, different doses of GT1708F have similar improvement effects on lung damage and inflammatory cell infiltration. In addition, GT1708F can significantly improve the degree of pulmonary fibrosis (P<0.001).

On 11 October 2023, we announced GT1708F had obtained conditional approval to conduct phase II clinical trial in China by NMPA for treatment of new indication of IPF.

ii. Blood Cancer Indication

On 8 May 2023, we announced the successful completion of phase I clinical trial of GT1708F (Hedgehog/SMO Inhibitor) for treatment of hematologic malignancies in China. The phase I clinical trial is a study to evaluate the safety, tolerability, PK and preliminary efficacy of GT1708F for treatment of patients with hematological malignancies. A total of 18 patients were enrolled in the trial, including 15 patients with acute myeloid leukemia (AML) and 3 patients with myelodysplastic syndrome (MDS). The doses and enrollment were 20mg QD (1 case), 40mg QD (1 case), 80mg QD (4 cases), 120mg QD (3 case), 180mg QD (3 cases), 240mg QD (3 cases), 320mg QD (3 cases), respectively. The results showed that all patients experienced no dose-limiting (DLT) or drug-related SAE. The overall safety of each dose group was good, most TEAE were mild, and no TEAE resulted in death. Preliminary efficacy was observed starting from 180mg dose level in dose escalation stage for patients with AML who failed multi-line therapies, and the myeloid blasts decreased by up to 62% compared to the baseline in AML patients.

The results of the trial were disclosed at the 65th Annual Meeting of the American Society of Hematology (ASH 2023), the largest and most comprehensive international event covering malignant and non-malignant tumor hematology in the field of hematology, demonstrating that GT1708F has a good safety and tolerability in patients with myeloid malignancies, and paves the way for further exploration of combination therapy.

- ***ALK-1 Antibody (GT90001)***

  ALK-1 antibody is a fully human IgG2 neutralising monoclonal antibody that inhibits ALK-1/TGF-ß signal transduction and tumor angiogenesis and a potential first-in-class antibody for which the Company obtained an exclusive global license of ALK-1 for all the oncological areas from Pfizer in February 2018. ALK-1 antibody has the potential to become the first fully human monoclonal antibody therapeutic drug for ALK-1 target, which can potentially be used in combination with PD-1 inhibitors or VEGF inhibitors for treatment of a variety of solid tumours.

  In Taiwan, China, our phase II clinical trial of ALK-1 antibody and Nivolumab combination therapy for treatment of advanced HCC has completed last patient last visit on 7 July 2022. The preliminary data showed that among the 20 evaluable patients, 8 patients (40.0%) were observed partial remission (PR). In the U.S., we obtained IND approval for the combination therapy of ALK-1 antibody and Nivolumab for a global multi-center phase II clinical trial for the second-line treatment of advanced HCC and completed the first patient dosing. In China, we also obtained approval for the clinical trial of combination therapy of ALK-1 antibody and Nivolumab for treatment of advanced HCC.

  On 28 October 2023, we announced that the results of the phase Ib/II clinical trial of ALK-1 antibody combined with PD-1 antibody nivolumab in the treatment of HCC were published online by the well-known journal BMC Medicine (Impact factor: 11.806). This study confirmed that the combination of GT90001 (7.0 mg/kg, every 2 weeks) and nivolumab had a good safety profile and promising anti-tumor activity in patients with advanced HCC, and demonstrated durable remissions and objective responses in this population, which might be a potential treatment option for advanced HCC.

Other Clinical and Pre-Clinical Stage Products

- ***GT0486***

  GT0486 is an inhibitor of the PI3K/mTOR signaling pathway and a second generation mTOR inhibitor. We are currently developing GT0486 primarily for the treatment of metastatic solid tumours such as breast cancer, prostate cancer and HCC. We have received the IND approval from NMPA for GT0486 and completed phase I clinical trial.

- ***C-Myc Molecular Glue***

  Developing drugs that directly target the Myc protein is extremely difficult, so there are currently no Myc-target drugs globally, and only few drugs have entered the clinical stage. Our c-Myc molecular glue has significant R&D potential and has been published in many core journals/conferences. On 13 March 2024, we announced the research has been published in a subsidiary journal of Nature–Nature Communications (impact factor: 16.6). This article analyzes the mechanism of MYC that induces CDK4/6 inhibitors resistance and introduces A80.2HCl, a promising c-Myc molecular glue compound in-house developed by the Company, to enhance the therapeutic efficacy of CDK4/6 inhibitors. In ASH 2023 and ASH 2022, studies of c-Myc molecular glue were published twice, demonstrating its excellent potential in the treatment of tumors.

In addition to the drug candidates described above, we are also at the discovery stage for the development of other potential drug candidates, including compound of other targets out of PROTAC platform and ALK-1/VEGF bispecific antibody for the treatment of multiple indications such as blood cancer and solid tumours, respectively.

WARNING UNDER RULE 18A.08(3) OF THE LISTING RULES: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR DRUG CANDIDATES (INCLUDING OUR CORE PRODUCTS) SUCCESSFULLY

R&D

We have established an integrated R&D platform to support our drug development programmes from discovery to clinical trials. We conduct proprietary laboratory research to identify and select new compounds as our potential drug candidates, and we manage our drug development process primarily using our internal R&D resources to ensure that the quality standards we have set internally will be met.

Through the development of AR inhibitors, we have accumulated significant expertise in AR-related know-how and have developed a leading AR technology platform. We believe that we have accumulated industry-leading expertise in the field of AR signaling pathway, molecule design and PK/PD modelling. Leveraging our AR technology platform, we have developed KX-826 in China and the U.S., and results of clinical trials have proved that the drug has a good safety profile. For AGA patients, continuously use of KX-826 for 6 months can increase the mean non-vellus TAHC by up to 22.7 per cm^2 from baseline with a remarkable therapeutic effect. For acne patients, previous clinical trials of KX-826 have also demonstrated its preliminary efficacy.

PROTAC is a novel drug discovery technology for targeting and/or degrading target protein. The molecular weight of PROTAC compound is relatively large, resulting in low oral bioavailability, which limits their oral druggability, so we are currently giving priority to the development of topical compounds. Based on PROTAC platform, we are currently developing GT20029 for AGA and acne vulgaris. GT20029 is the first topical PROTAC compound globally that has entered phase II clinical stage. We are also preparing to conduct clinical trials for acne. We possess molecule glue technology for targeting and/or degrading undruggable and oncogene mutant drivers that drive the resistance to the targeted therapies.

In addition to the two Core Products for dermatology above, we also have another four products in the clinical stage through years of R&D accumulation. Previous clinical trials have verified that such products have good safety profile and demonstrate efficacy, and a number of research results have been published in large conferences and/or important journals, showing their excellent value and providing further guidance for drug development in related fields (such as liver cancer, multiple solid tumors, etc.). Our products can be enhanced through combination, so we are further exploring their value through co-development or licensing-out to provide patients with more options.

Our R&D work is led by Dr. TONG and several experienced scientists who have accumulated decades of pharmaceutical R&D and entrepreneurship experience in reputable pharma and biotech companies in the world and together provide us with integrated expertise covering small molecule, biologics, and compound design.

MANUFACTURING AND COMMERCIALISATION

We plan to use our in-house production and R&D base for the manufacture of our final products. As at the date of this announcement, we had not commercialised any of our drug candidates. We are actively exploring the commercialization path of our Core Products in the field of dermatology, and plan to cooperate to prepare for the commercialization of our remaining products.

FINANCIAL REVIEW

Overview

We currently have no drugs approved for commercial sale and have not generated any revenue from drug sales for the year ended 31 December 2023. Our loss and total comprehensive loss were RMB954.4 million and RMB1,060.8 million for the years ended 31 December 2022 and 2023, respectively. Our operating losses mainly resulted from R&D costs (including the provision for inventories, impairment of intangible assets and impairment of property, plant and equipment) and administrative expenses (including the impairment of property, plant and equipment).

Cost of Sales

We recorded a cost of sales of RMB42.2 million for the year ended 31 December 2023, mainly from impairment of property, plant and equipment. We did not record any cost of sales for the years ended 31 December 2022.

Other Income and Expenses

Our other income and expenses primarily consisted of government grants and interest income from bank balances and time deposits. Our other income and expenses increased RMB2.3 million or 12.4% from RMB18.6 million for the year ended 31 December 2022 to RMB20.9 million for the year ended 31 December 2023, which was mainly attributable to (i) a RMB1.8 million increase in interest income from increased time deposits purchased during the year; and (ii) a RMB4.4 million increase in interest income from bank balances with higher interest rates, which was partly offset by a decrease in government subsidy income.

Marketing Costs

Our marketing costs primarily consisted of salaries and other benefits of our sales and marketing team and administrative expenses (including business trip expenses and other business development expenses). Our marketing costs decreased by RMB13.3 million or 65.5% from RMB20.3 million for the year ended 31 December 2022 to RMB7.0 million for the year ended 31 December 2023, which was mainly attributable to the reduction in the number of employees in the sales and marketing team, resulting in the reduced costs of compensation and equity incentives for its employees.

Administrative Expenses

Our administrative expenses during the Reporting Period primarily consisted of (i) employee benefit expenses, which primarily comprised compensation for management and executives (including share-based compensation expenses relating to the Employee Incentive Scheme); (ii) utilities and office expenses; (iii) depreciation and amortization, which primarily comprised depreciation of right-of-use assets and property, plant and equipment in relation to properties for administrative use; (iv) impairment of property, plant and equipment; and (v) other miscellaneous administrative expenses such as repair and maintenance expenses, professional advisory expenses, and materials and consumables expenses.

The following table sets forth a breakdown of our administrative expenses, by amount and as a percentage of our total administrative expenses, for the years indicated:

	For the year ended 31 December			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Employee benefit expenses	**38,933**	**43.7**	50,114	37.9
Add: share-based compensation expenses	**10,655**	**12.0**	29,789	22.5
Employee benefit expenses (including share-based compensation expenses)	**49,588**	**55.7**	79,903	60.4
Utilities and office expenses *(Note)*	**16,151**	**18.1**	19,328	14.6
Depreciation and amortization	**9,173**	**10.3**	8,878	6.7
Impairment losses of property, plant and equipment	**2,646**	**3.0**	—	—
Others	**11,487**	**12.9**	24,140	18.3
Total	**89,045**	**100.0**	132,249	100.0

Note: The line item "utilities and office expenses" included short-term and low-value lease rental expenses incurred by the Group.

Our administrative expenses decreased by RMB43.2 million or 32.7% from RMB132.2 million for the year ended 31 December 2022 to RMB89.0 million for the year ended 31 December 2023, which was mainly attributable to (i) a RMB33.5 million decrease in employee benefit expenses, utilities and office expenses, primarily due to the reduced number of employees, and (ii) a RMB12.7 million decrease in other administrative expenses primarily relating to the decrease in the repair and maintenance expenses incurred for our self-owned properties, and the decrease in our professional advisory expenses such as legal consulting fees, as well as the decrease in our materials and consumables expenses. Due to the commercialisation of Pruxelutamide and KX-826 was delayed, the Company believes that there are signs of impairment in the property, plant and special equipment related to Pruxelutamide and KX-826, and engaged an independent third-party appraiser to conduct the impairment test ("**impairment test on property, plant and special equipment**"), based on the results of which an impairment of RMB2.6 million was included in administrative expenses.

Our administrative expenses, excluding impairment losses, decreased by RMB45.8 million or 34.6% from RMB132.2 million for the year ended 31 December 2022 to RMB86.4 million for the year ended 31 December 2023.

R&D Costs

Our R&D costs during the Reporting Period primarily consisted of (i) provision for inventories, impairment of intangible assets and impairment of property, plant and equipment; (ii) clinical research expenses, which primarily consisted of fees paid to CROs for clinical trials and the hospitals in which we conducted our clinical trials; (iii) materials and consumables expenses in connection with our R&D; (iv) employee benefit expenses, which primarily consisted of compensation to R&D personnel (including the share-based compensation expenses for the Employee Incentive Scheme); (v) third-party contracting fees, which primarily consisted of fees paid to CROs and CMOs for purposes of preclinical trials; and (vi) other R&D costs, which primarily consisted of utilities and office expenses in relation to R&D use, depreciation of right-of-use assets in relation to our leased properties for R&D use and depreciation of our laboratory equipment. The following table sets forth a breakdown of our R&D costs, by amount and as a percentage of our total R&D costs, for the periods indicated:

	For the year ended 31 December			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Provision for inventories*(Note)*	**603,879**	**64.3**	92,986	11.2
Impairment losses of property, plant and equipment	**2,608**	**0.3**	—	—
Impairment losses of intangible assets	**86,589**	**9.2**	—	—
Clinical research expenses	**89,783**	**9.6**	410,028	49.5
Materials and consumables expenses	**12,198**	**1.3**	109,766	13.3
Employee benefit expenses	**94,719**	**10.1**	98,848	11.9
Add: share-based compensation expenses	**19,767**	**2.1**	57,229	7.0
Employee benefit expenses (including share-based compensation expenses)	**114,486**	**12.2**	156,077	18.9
Third party contracting fees	**11,622**	**1.2**	35,787	4.3
Others	**17,742**	**1.9**	23,330	2.8
Total	**938,907**	**100.0**	827,974	100.0

Note: Inventories were mainly raw materials and intermediates related to Pruxelutamide. As at 31 December 2023, the gross amounts of inventories were RMB603,879,000. During the year ended 31 December 2023, the COVID-19 epidemic has relatively subsided since the beginning of 2023, and global prevention and control measures have gradually removed, and it is expected that there is less likelihood of a resurgence of large drug demand due to the epidemic in the short term. In addition, the COVID-19

oral small molecule drug market is very competitive, and a number of COVID-19 small molecule drugs have been approved for marketing in the global and China markets. The Company has voluntarily suspended the clinical expenditure of Pruxelutamide in COVID-19. In addition, the Company has carried out assessment and concluded that there was no net realizable value of those inventories. Thus, the Group made a full provision for inventories on the marketability, costs to be incurred and expectation with reference to historical usage and future usage plan, which were recognised as an expense (included in 'R&D costs') during the year ended 31 December 2023.

Our R&D costs increased slightly by RMB110.9 million or 13.4% from RMB828.0 million for the year ended 31 December 2022 to RMB938.9 million for the year ended 31 December 2023. The increase in R&D costs was mainly attributable to: (i) RMB603.9 million for provision for inventories was included in the R&D costs; (ii) in accordance with the IFRS Accounting Standards, Intangible assets with indefinite useful lives or not ready for use should be tested for impairment annually regardless of whether an impairment indicator exist. The Company engaged an independent third-party appraiser to conduct impairment test on intangible assets ("**impairment test on intangible assets**"). The key assumptions used for impairment test include discount rate, revenue growth rate for the stable period, revenue growth rate for the declining period, market penetration rate, success rate of commercialisation and forecasted percentage of costs and operating expenses. Based on the results of impairment test on intangible assets, RMB86.6 million for impairment of intangible assets was included in the R&D cost; and (iii) based on the results of impairment test on property, plant and special equipment, RMB2.6 million for impairment of property, plant and special equipment related to Pruxelutamide and KX-826 was included in the R&D cost, partially offset by: (i) a decrease of RMB320.2 million in clinical research expenses primarily paid to hospitals and CROs in relation to clinical trials for Pruxelutamide for the COVID-19 indication; and (ii) an decrease of RMB41.6 million in R&D employee benefit expenses mainly due to the reduction of our R&D staff.

Our R&D costs (excluding the impact of impairment and provision) decreased by RMB489.2 million or 66.6% from RMB735.0 million as at 31 December 2022 to RMB245.8 million as at 31 December 2023.

Other (Losses)/Gains — Net

We had other losses of RMB2.9 million for the year ended 31 December 2023 primarily as a result of net foreign exchange losses due to exchange rates movement. We had other gains of RMB17.4 million for the year ended 31 December 2022.

Finance Costs

As at the date of this announcement, our finance costs primarily consisted of interest expense from bank borrowings. Our finance costs increased by RMB1.5 million or 18.3% from RMB8.2 million for the year ended 31 December 2022 to RMB9.7 million for the year ended 31 December 2023, which was mainly attributable to the increase in interest expense from borrowings.

Income Tax Credit/(Expenses)

Our income tax credit for the year ended 31 December 2023 was RMB8.0 million, which was attributable to the decrease of deferred income tax liabilities of RMB7.8 million and overprovision of income tax in prior year of RMB0.2 million. Our income tax expenses for the year ended 31 December 2022 was RMB1.1 million, which was income tax expense paid for service fee received by Kintor Pharmaceuticals Inc., a wholly-owned subsidiary of the Company, from the Company for the purpose of general R&D activities in the U.S.

Net Loss for the Reporting Period

Our net loss increased by RMB106.4 million or 11.1% from RMB954.4 million for the year ended 31 December 2022 to RMB1,060.8 million for the year ended 31 December 2023.

Non-IFRS Measure

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS Accounting Standards, the Company also uses adjusted loss and total comprehensive loss for the Reporting Period and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the IFRS Accounting Standards. The Company believes that these adjusted measures provide useful information to Shareholders and potential investors in understanding and evaluating the Group's consolidated results of operations in the same manner as they help the Company's management.

Adjusted loss and total comprehensive loss for the Reporting Period represents the loss and total comprehensive loss for the Reporting Period excluding the effect of certain non-cash items, namely the share-based compensation expenses. The term adjusted loss and total comprehensive loss for the Reporting Period is not defined under. The use of this non-IFRS Accounting Standard measure has limitations as an analytical tool, and it should not be considered in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under the IFRS Accounting Standards. 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 and other non-IFRS Accounting Standard measures reflect the Group's normal operating results by eliminating impacts of items that the management do not consider to be indicative of the Group's operating performance, and thus facilitate comparison of operating performance form period to period and company to company to the extent applicable.

The table below sets forth a reconciliation of the loss and total comprehensive loss for the year to adjusted loss and total comprehensive loss for the years indicated:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss and total comprehensive loss for the year	**(1,060,820)**	(954,369)
Added:		
Share-based compensation expenses[(note)]	**22,989**	95,636
Adjusted loss and total comprehensive loss for the year	**(1,037,831)**	(858,733)

Note: This expense represents the grant of restricted share units to selected executives and employees, which is a non-cash item and is not directly related to the underlying performance of the Company's business operations.

Employees and Renumeration Policies

The following table sets forth a breakdown of our employees by function:

	As of 31 December 2023	
	Number of employees	**As a percentage of total**
Core management	7	3.1%
Clinical	68	30.2%
R&D	62	27.6%
Manufacturing	32	14.2%
Commercial	10	4.5%
Project management	14	6.2%
Others	32	14.2%
Total	225	100.0%

As at 31 December 2023, the Group had a total of 225 full time employees, among whom, the total staff with clinical and R&D mission accounted for 57.8%. We generally formulate our employees' remuneration package to include basic salary, position-specific salary, performance-based remuneration, project-based remuneration and various allowances. We conduct periodic performance reviews for our employees. We have also adopted the Employee Incentive Scheme to retain and incentivise our key management and staff.

Contingent liabilities

In 2023 and 2022, the Group does not have any material contingent liabilities.

Liquidity and Capital Resources

Our cash and cash equivalents and time deposits consisted of deposits with banks and cash on hand. As at 31 December 2023, cash and cash equivalents and time deposits were RMB456.3 million (31 December 2022: RMB875.3 million). The decrease was primarily attributable (i) to pay administrative and administrative costs; (ii) to cover R&D and clinical costs; and (iii) to payment of materials costs and the balance of previous contracts.

The current ratio (total current assets as a percentage of total current liabilities) of the Group decreased from 474.0% as at 31 December 2022 to 210.3% as at 31 December 2023, mainly due to decrease in cash and cash equivalents and provision for inventory during the Reporting Period..

As at 31 December 2023, we had utilised bank facilities of RMB247.1 million and unutilised bank facilities of RMB110.5 million.

Significant Investments, Material Acquisitions or Disposals

As at 31 December 2023, there were no significant investments held by the Company nor any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Cash Flow

The following table sets forth a summary of our consolidated statements of cash flows for the years indicated:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cash used in operations	**(385,354)**	(960,267)
Income tax paid	**(294)**	(905)
Net interest paid	**(1,933)**	(88)
Net cash used in operating activities	**(387,581)**	(961,260)
Net cash generated from in investing activities	**3,274**	67,195
Net cash (used in)/generated from financing activities	**(33,463)**	815,750
Net decrease in cash and cash equivalents	**(417,770)**	(78,315)
Cash and cash equivalent at the beginning of the year	**864,470**	926,331
Exchange (losses)/gains on cash and cash equivalents	**(2,673)**	16,454
Cash and cash equivalents at the end of the year	**444,027**	864,470

Net Cash Used in Operating Activities

During the Reporting Period, we derived our cash inflows from government subsidies and bank interest income. Our net cash used in operating activities mainly consisted of R&D expenses and administrative expenses.

During the year ended 31 December 2023, our net cash used in operating activities was RMB387.6 million, consisting of RMB385.4 million of cash used in operations, interest paid on borrowings of RMB12.1 million, interest received on bank balances of RMB10.2 million and income tax paid of RMB0.3 million.

During the year ended 31 December 2022, our net cash used in operating activities was RMB961.3 million, consisting of RMB960.3 million of cash used in operations, interest paid on borrowings of RMB10.0 million, interest received on bank balances of RMB9.9 million and income tax paid of RMB0.9 million.

Net Cash Generated from Investing Activities

During the Reporting Period, our cash flows relating to investing activities primarily reflected purchases of time deposits and financial products.

During the year ended 31 December 2023, our net cash generated from investing activities was RMB3.3 million, which primarily consisted of proceeds received upon maturity of certain time deposits with maturities of over three months and disposal of financial assets at fair value through profit or loss of RMB137.7 million, partially offset by: (i) the purchase of time deposits with a maturity date of more than three months and financial assets measured at fair value through profit or loss of RMB137.1 million; (ii) the purchase of R&D equipment of RMB2.7 million; and (iii) the withdrawal of deposits for purchasing financial assets at fair value through profit or loss of RMB5.2 million.

During the year ended 31 December 2022, our net cash generated from investing activities was RMB67.2 million, which primarily consisted of proceeds received upon maturity of certain time deposits with maturities of over three months and disposal of financial assets at fair value through profit or loss of RMB337.8 million, partially offset by: (i) purchase of equipment of RMB27.5 million for our Suzhou plant to expand its capacity; (ii) purchase of time deposits with maturities of over three months and financial assets at fair value through profit or loss of RMB220.7 million; (iii) purchase of intangible assets arising from the payment of new modules of enterprise resource planning (ERP) software of RMB0.2 million; and (iv) payments for restricted cash of RMB4.0 million resulting from payments of deposits for our financial products; and (v) the investment in the joint venture was RMB18.5 million.

Net Cash Generated from Financing Activities

During the Reporting Period, our cash flows relating to financing activities primarily reflected proceeds from bank loans and repayment of bank borrowings.

During the year ended 31 December 2023, our net cash used in financing activities was RMB33.5 million. Cash generated from financing activities primarily consisted of: (i) proceeds from borrowings of RMB70.0 million; and (ii) proceeds of shares vested and transferred to the grantee under the Employee Incentive Plan amounted to RMB0.8 million. Cash used in financing activities primarily consisted of: (i) the repayment of bank borrowings of RMB99.4 million; and (ii) payment of lease liabilities of RMB4.8 million.

During the year ended 31 December 2022, our net cash generated from financing activities was RMB815.8 million, which primarily consisted of (i) proceeds from the 2022 Top-up Placing I and the 2022 Top-up Placing II amounted to RMB697.8 million; (ii) proceeds from borrowings of RMB170.0 million; and (iii) proceeds of shares vested and transferred to the grantee under the Employee Incentive Plan amounted to RMB1.0 million, partially offset by (i) repayment of borrowings of RMB48.4 million; and (ii) payment of lease liabilities of RMB4.6 million.

Financial Position

Our net current assets decreased from RMB1,189.7 million as at 31 December 2022 to RMB247.8 million as at 31 December 2023, primarily due to an increase in borrowings, decrease in cash and cash equivalents, and provision for inventories.

Current assets decreased from RMB1,507.9 million as at 31 December 2022 to RMB472.6 million as at 31 December 2023, mainly due to the decrease in cash and cash equivalents and the provision for inventory.

Significant Change in Accounting Policy

There was no significant change in accounting policy during the Reporting Period.

Indebtedness

As at 31 December 2023, the balance of our bank borrowings consisted of long-term bank borrowings of RMB83.0 million which were secured by certain land use right, buildings and construction in progress, unsecured long-term bank borrowings of RMB144.1 million and short-term bank borrowings of RMB20.0 million. In the balance of our bank borrowings, RMB113.7 million is repayable within one year or on demand.

As at 31 December 2022, the balance of our bank borrowings consisted of long-term bank borrowings of RMB91.5 million which were secured by certain land use right, buildings and construction in progress and unsecured long-term bank borrowings of RMB145.0 million and short-term bank borrowings of RMB40.0 million. In the balance of our bank borrowings, RMB98.9 million is repayable within one year or on demand.

As at 31 December 2023, cash and cash equivalents are more than total borrowings of the Group, therefore, the gearing ratio is not applicable.

Financial Risks

The Group is exposed to various types of financial risks: market risks (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Foreign Exchange Risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group is not exposed to foreign exchange risk as there are no significant financial assets or liabilities of the Group denominated in the currencies other than the functional currency, except for cash and cash equivalents, restricted cash and time deposits at bank in USD and HKD which were primarily received from the investors as capital contributions.

Cash flow and Fair Value Interest Rate Risk

Our income and operating cash flows are substantially independent of changes in market interest rates. We have no significant interest-bearing assets and liabilities, except for lease liabilities, cash and cash equivalents, restricted cash, time deposits and borrowings. Those carried at floating rates expose us to cash flow interest rate risk whereas those carried at fixed rates expose us to fair value interest rate risk.

Our interest rate risk mainly arises from borrowings. Borrowings obtained at fixed rates expose us to fair value interest rate risk. As at 31 December 2023, our borrowings are measured at fixed rates, which exposed the Group to fair value interest rate risk.

Our management does not anticipate significant impact on interest-bearing assets resulting from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

Credit Risk

The Group is exposed to credit risk in relation to receivables, cash and cash equivalents, restricted cash, time deposits and wealth management products. The carrying amounts of receivables, cash and cash equivalents, restricted cash, time deposits and wealth management products represent our maximum exposure to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with cash and cash equivalents, restricted cash, time deposits, and wealth management products since they are substantially deposited at or purchased from state-owned banks and other medium or large-sized foreign banks. Management does not expect that there will be any significant losses from non-performance by these counterparties and the loss allowance provision is considered immaterial.

Management has assessed that during the Reporting Period, other receivables have not had a significant increase in credit risk since their initial recognition. Therefore, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. As at 31 December 2023, other receivables mainly comprise deposits to lessors in respect of the Group's leased properties and refunds receivable from suppliers.

Management expects that there is no significant credit risk associated with other receivables since the counterparties have no history of default. Accordingly, the expected credit loss of other receivables is considered immaterial.

Liquidity Risk

The Group finances its working capital requirements through the issue of new shares, borrowings and government grants. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents and the ability to apply for credit facilities if necessary. We had net current assets of RMB247.8 million as at 31 December 2023. We are able to meet our financial obligations and fund our R&D activities through our cash on hand and consecutive capital raising activities.

FINANCIAL INFORMATION

The Board announces the consolidated annual results of the Group for the year ended 31 December 2023, with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2023**	2022
		RMB'000	*RMB'000*
Revenue		**–**	–
Cost of sales	*3*	**(42,229)**	–
Gross loss		**(42,229)**	–
Other income and expenses		**20,867**	18,612
Marketing costs	*3*	**(6,984)**	(20,326)
Administrative expenses	*3*	**(89,045)**	(132,249)
Research and development costs	*3*	**(938,907)**	(827,974)
Other (losses)/gains — net	*4*	**(2,925)**	17,408
Operating loss		**(1,059,223)**	(944,529)
Finance costs		**(9,690)**	(8,187)
Share of losses of an associate and a joint venture		**52**	(568)
Loss before income tax		**(1,068,861)**	(953,284)
Income tax credit/(expense)	*5*	**8,041**	(1,085)
Loss and total comprehensive loss for the year attributable to the equity holders of the Company		**(1,060,820)**	(954,369)
Basic and diluted loss per share for loss attributable to the equity holders of the Company *(in RMB)*	*7*	**(2.47)**	(2.53)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**184,366**	240,250
Intangible assets		**148,940**	235,648
Investment in an associate		**17,484**	17,432
Investment in a joint venture		**513**	513
Right-of-use assets		**37,477**	42,227
Other non-current assets		**7,895**	11,197
		396,675	547,267
Current assets			
Inventories	*8*	**–**	603,503
Other receivables, deposits and prepayments	*9*	**15,798**	23,421
Time deposits		**10,835**	10,223
Restricted cash		**425**	5,641
Cash and cash equivalents		**445,499**	865,081
		472,557	1,507,869
Total assets		**869,232**	2,055,136
Liabilities			
Non-current liabilities			
Borrowings		**133,400**	177,600
Lease liabilities		**2,290**	5,451
Deferred income tax liabilities		**31,043**	38,818
Deferred income		**19,657**	19,952
		186,390	241,821

	Note	As at 31 December 2023	2022
		RMB'000	*RMB'000*
Current liabilities			
Trade and other payables	*10*	**104,500**	214,534
Borrowings		**113,700**	98,900
Lease liabilities		**4,530**	4,435
Amounts due to related parties		**2,000**	258
		224,730	318,127
Total liabilities		**411,120**	559,948
Equity			
Equity attributable to the equity holders of the Company			
Share capital		**315**	315
Shares held for the Employee Incentive Scheme		**(13)**	(14)
Reserves		**457,810**	1,494,887
Total equity		**458,112**	1,495,188
Total equity and liabilities		**869,232**	2,055,136

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1 GENERAL INFORMATION

1.1 General information

Kintor Pharmaceutical Limited (the "**Company**") was incorporated on 16 May 2018 in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, "**the Group**") are principally engaged in research and development of innovative medicine products.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 22 May 2020.

The consolidated financial statements are presented in Renminbi ("**RMB**") thousands, unless otherwise stated.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as issued by the IASB ("**IFRS Accounting Standards**") and the disclosure 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 (FVPL) which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies.

(a) Amendments to standards adopted by the Group

The following amendments to standards have been adopted by the Group for the financial year beginning on 1 January 2023:

Standards	Key requirements	Effective for accounting periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction	1 January 2023
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules	1 January 2023

These new standards and interpretations did not have material impact on the financial performance and position of the Group and did not require retrospective adjustments.

(b) New standards and interpretations not yet adopted

The following new standards and amendments to standards have not come into effect for the financial year beginning on 1 January 2023 and have not been early adopted by the Group in preparing the consolidated financial statements. The new standards and amendments to standards are set out below:

Standards	Key requirements	Effective for accounting periods beginning on or after
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendment to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendment to IFRS 16	Leases on Sale and Leaseback	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025

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 material impact on the financial performance and positions of the Group is expected when they become effective.

3 EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Provision for inventories *(Note 8)*	**603,879**	92,986
Employee benefit expenses	**167,236**	252,225
Clinical research expenses	**89,783**	410,028
Impairment losses of intangible assets	**86,589**	–
Impairment losses of property, plant and equipment	**46,355**	–
Utilities and office expenses	**26,356**	33,251
Depreciation of property, plant and equipment	**13,854**	12,678
Materials and consumables used	**13,702**	113,102
Outsourced research and development costs	**11,622**	35,787
Depreciation of right-of-use assets	**5,048**	5,604
Less: amounts capitalised in property, plant and equipment	**(45)**	(45)
	5,003	5,559
Professional fees	**4,482**	9,232
Auditors' remuneration	**2,800**	3,400
Impairment losses of right-of-use assets	**1,128**	–
Rental expenses	**682**	1,217
Bank charges	**137**	421
Amortisation of intangible assets	**119**	151
Others	**3,438**	10,512
Total cost of sales, marketing costs, administrative expenses and research and development costs	**1,077,165**	980,549

4 OTHER (LOSSES)/GAINS — NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Gains on disposal of financial assets at fair value through profit or loss	**491**	2,004
Net foreign exchange (losses)/gains	**(3,126)**	16,329
Gains/(Losses) on disposal of property, plant and equipment	**10**	(620)
Others	**(300)**	(305)
	(2,925)	17,408

5 INCOME TAX CREDIT/(EXPENSE)

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current income tax credit/(expense)		
— Current tax on profits for the year	**–**	(1,077)
— Overprovision/(Underprovision) in prior year	**266**	(8)
Deferred income tax credit	**7,775**	–
	8,041	(1,085)

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 is not subject to tax on income or capital gains.

Hong Kong

Kintor Science Limited, Koshine Pharmaceuticals Limited and Kintor Pharmaceuticals Hong Kong Limited were incorporated in Hong Kong in 2018 and are subject to Hong Kong profits tax at the rate of 16.5% (2022:16.5%). Since these companies did not have assessable profits during the years ended 31 December 2023 and 2022, no Hong Kong profits tax has been provided.

United States of America

Kintor Pharmaceuticals Inc. was incorporated in the United States of America and is subject to federal and state income tax rate of 23.5% (2022:23.5%).

Ireland

Kintor Pharmaceutical Ireland Limited was incorporated in the Ireland in 2021 and deregistered on 12 June 2023. It is subject to corporate income tax rate of 12.5% (2022: 12.5%). Since Kintor Pharmaceutical Ireland Limited did not have assessable profit during the year ended 31 December 2023 and 2022, no corporate income tax has been provided.

The Mainland of China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "**CIT Law**"), the subsidiaries which operate in the Mainland of China are subject to CIT at a rate of 25% (2022:25%) on the taxable income.

6 DIVIDEND

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

7 LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year ended 31 December 2023 and 2022, excluding 17,650,704 shares (2022: 20,119,665 shares) held for the employee incentive scheme (including 15,885,634 shares (2022: 18,107,699 shares) arising from the relevant capitalisation issue of initial public offering).

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss for the year	**(1,060,820)**	(954,369)
Weighted average number of ordinary shares in issue (in thousand)	**429,069**	376,566
Basic loss per share (in RMB)	**(2.47)**	(2.53)

Diluted loss per share

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 2023 and 2022, the Company had one category of potential ordinary shares: share-based awards granted to employees. As the Group incurred losses for the years ended 31 December 2023 and 2022,the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2023 and 2022 are the same as basic loss per share.

8 INVENTORIES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Raw materials	**–**	603,503

During the year ended 31 December 2022, certain COVID-19 medical products have been manufactured with the Group's progresses on the related research and development project. As it was still in the process of obtaining the relevant regulatory approvals as of 31 December 2022, such pre-launch inventories of work in progress and finished goods were written down to their net realisable value and the provision of RMB92,986,000 has been recognised as an expense (included in 'Research and development costs') during the year ended 31 December 2022.

As at 31 December 2023, the gross amounts of inventories were RMB603,879,000. During the year ended 31 December 2023, the COVID-19 epidemic has relatively subsided since the beginning of 2023, and global prevention and control measures have gradually removed, and it is expected that there is less likelihood of a resurgence of large drug demand due to the epidemic in the short term. In addition, the COVID-19 oral small molecule drug market is very competitive, and a number of COVID-19 small molecule drugs have been approved for marketing in the global and China markets. The Company has voluntarily suspended the clinical expenditure of Pruxelutamide in COVID-19. In addition, the Company has carried out assessment and concluded that there was no net realizable value of those inventories. Thus, the Group made a full provision for inventories on the marketability, costs to be incurred and expectation with reference to historical usage and future usage plan, which were recognised as an expense (included in 'Research and development costs') during the year ended 31 December 2023.

9 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Refunds receivable from suppliers	**6,480**	–
Prepayments to suppliers	**5,392**	19,814
Deposits	**1,720**	1,652
Advances to employees	**25**	24
Others	**2,181**	1,931
	15,798	23,421

As at 31 December 2023 and 2022, the carrying amounts of other receivables and deposits were denominated in RMB and approximated their fair values.

10 TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Payables for service suppliers *(Note (a))*	**68,288**	78,453
Salary and staff welfare payables	**14,211**	16,131
Payables for materials and consumables *(Note (a))*	**13,313**	101,948
Payables for audit services	**2,800**	3,400
Payables for property, plant and equipment	**1,666**	4,810
Payables for individual income tax and other taxes	**432**	1,899
Payables for interest expenses	**309**	361
Others	**3,481**	7,532
	104,500	214,534

As at 31 December 2023 and 2022, all trade and other payables of the Group were non-interest bearing, and their fair values approximated their carrying amounts due to their short maturities.

(a) As at 31 December 2023 and 2022, the ageing analysis of payables for materials and consumables and payables for service suppliers based on invoice date are as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
— Within 1 year	**61,062**	180,401
— More than one year	**20,539**	–

FUTURE AND OUTLOOK

The path for novel drug research and development is really tough. For Kintor, the year 2023 is on the way of exploring and re-establishing the destination. Faced with the challenges, Kintor has kept on to the pursuit of novel drug's research and development. With the mutual goal of launching the first innovative drug, we have made every efforts across the Company.

Based on 10 years of experience in the AR field, we continue to explore the treatment of AGA and acne with KX-826 and GT20029 in 2024, two Core Products in the field of dermatology. We have validated the safety and efficacy of KX-826 in over 1,000 subjects, who benefited from our drug and the mean non-vellus TAHC increased by up to 22.7 per cm^2 from baseline. On the one hand, we will continue to conduct more clinical trials, such as trying higher dose levels or using combination therapies to maximize the efficacy of the drug. On the other hand, we will consider the commercialization path of KX-826 from a variety of aspects. Our GT20029 has been in leading position since its development and is the world's first topical PROTAC compound that has entered phase II clinical trial, and we plan to disclose top-line results from the phase II clinical trial GT20029 China in the near future and will consider further clinical arrangements based on the results. At the same time, we are also preparing to conduct phase II clinical trials of GT20029 for acne to further expand our first-mover advantage in the field of topical PROTACs.

In non-dermatology field, we also have developed small molecule drugs such as Pruxelutamide and GT1708F and biological drugs such as ALK-1 for the treatment of various tumors and multiple indications. We have a new institute of R&D to cooperate with other research departments such as biology, chemistry, and formulation, so that drugs can be fully verified in both mechanism and clinical practice, and we can leverage the knowledge of our professionals to enhance our R&D capabilities. In addition, we have built an Employee Incentive Plan to retain our talents.

In addition to in-house development, we also plan to seek cooperation opportunities in all aspects of the drug development process, including pre-clinical technology, clinical combination therapy, and licensing cooperation, to use superior resources to realize the potential of drugs and bring our products to commercialization as soon as possible.

COMPLIANCE WITH THE CG CODE

The Company has applied the principles and code provisions as set out in the CG Code. During the year ended 31 December 2023, the Board is of the opinion that the Company has complied with all the applicable code provisions under the CG Code apart from the deviation stated below.

Under code provision C.2.1 of the CG Code, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Dr. TONG currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in Dr. TONG has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors and that our Board comprises three independent non-executive Directors out of nine Directors, and we believe there is sufficient check and balance in our Board; (ii) Dr. TONG and other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of our Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial and operational policies of our Group are made collectively after thorough discussion at both our Board and senior management levels. Finally, our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for and communication within our Group. Our Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Group has adopted the Model Code for securities transactions by Directors as its own code of conduct.

Specific enquiries have been made of all the Directors and they have confirmed that they have complied with the Model Code throughout the Reporting Period and up to the date of this announcement.

The Group's employees, who are likely to be in possession of inside information of the Group, are subject to the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company throughout the Reporting Period and up to the date of this announcement.

USE OF PROCEEDS

Top-up Placing in 2022

Top-up Placing 2022-I and Top-up Placing 2022-II were conducted by the Company in 2022 for the purpose of supplementing the Group's long-term funding of its expansion plan and growth strategies, as well as providing an opportunity to raise further capital for the Company whilst broadening the shareholder base and the capital base of the Company.

Top-up Placing 2022-I

The completion of the subscription under the Top-up Placing 2022-I took place on 7 September 2022. The proceeds received by the Company was approximately HK$273.0 million, net of professional fees and out-of-pocket expenses. As at 31 December 2023, the Company has used all of the net proceeds from Top-up Placing 2022-I.

The following table sets out a breakdown of the use of net proceeds as at 31 December 2023:

	Approximate % of total net proceeds *%*	**Planned use of actual net proceeds** *HKD'million*	**Utilised net proceeds up to 1 January 2023** *HKD'million*	**Utilised net proceeds during the Reporting Period** *HKD'million*	**Utilised net proceeds up to 31 December 2023** *HKD'million*
Clinical development and preparation for the clinical development and preparation for the commercialisation of Pruxelutamide	75.0	204.8	204.8	–	204.8
Clinical development of KX-826	25.0	68.3	36.0	32.3	68.3
Total	100.0	273.0	240.8	32.3	273.0

Top-up Placing 2022-II

Completion of the subscription under the Top-up Placing 2022-II took place on 16 December 2022. The proceeds received by the Company was approximately HK$509.1 million, net of professional fees and out-of-pocket expenses.

The net proceeds remained unutilised as at 31 December 2022 due to the short time interval. As at the date of 28 March 2023, the Board had resolved to reallocate the use of the net proceeds to optimise the utilisation of the net proceeds and generate better investment returns in the long run. The following table sets forth a breakdown of the use of the net proceeds as at 31 December 2023:

	Approximate % of total net proceeds	Revised Allocation of net proceeds	Unutilised net proceeds up to 1 January 2023	Utilised net proceeds during the Reporting Period	Unutilised net proceeds as at 31 December 2023	Expected timeline for utilizing the remaining balance of net proceeds from the top-up placing
	%	*HKD (million)*	*HKD (million)*	*HKD (million)*	*HKD (million)*	
Clinical development of KX-826 for the treatment of AGA and acne vulgaris	49.0	249.5	249.5	85.3	164.2	Expected to be fully utilised by 31 December 2025
Clinical development of GT20029 for the treatment of AGA and acne vulgaris	27.0	137.5	137.5	43.7	93.8	Expected to be fully utilised by 31 December 2025
Clinical development and preparation for the commercialisation of pruxelutamide for the treatment of COVID-19	15.0	76.4	76.4	76.4	–	
General working capital	9.0	45.8	45.8	45.8	–	
Total	100.0	509.1	509.1	251.2	258.0	

As the expected date of commercialization is delayed from the disclosures in the 2022 annual report and the 2023 interim report, the date when the net proceeds from Top-up Placing 2022-II is to be fully utilised has been postponed to 31 December 2025 based on management's estimates.

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

During the financial year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CHARGE ON GROUP'S ASSETS

As at 31 December 2023, certain land use right, buildings and construction in progress were pledged for the Group's borrowings amounting to RMB83,000,000 (31 December 2022: RMB91,500,000).

SUBSEQUENT EVENTS

Save as disclosed in this announcement, there are no important events affecting the Group which have occurred since the end of the Reporting Period to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive Directors, namely, Mr. Wallace Wai Yim YEUNG and Dr. Michael Min XU and one non-executive Director, namely, Mr. Chengwei LIU. The chairman of the Audit Committee is Mr. Wallace Wai Yim YEUNG. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023. The Audit Committee has also discussed with the management and the independent auditors of the Company the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the audited annual results for the year ended 31 December 2023) of the Group. The Audit Committee considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of comprehensive income and consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

FINAL DIVIDEND

The Board resolved not to pay any final dividend for the year ended 31 December 2023 (2022: nil).

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.kintor.com.cn). The annual report for the year ended 31 December 2023 containing all the information in accordance with the requirements under the Listing Rules will be despatched to the Shareholders via email or postal mail and published on the respective websites of the Stock Exchange and the Company in April 2024.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their continuous support and contribution to the Group.

DEFINITIONS

In this announcement, unless the context otherwise require, the following expressions shall have the following meaning:

"ACE2"	angiotensin converting enzyme-2, a protein on the surface of many cell types, which has been identified as the receptor for the SARS-CoV-2 viral entry
"AGA"	androgenetic alopecia
"ALK-1"	activin receptor-like kinase-1, an antagonistic mediator of lateral transforming growth factor-beta/ALK-5 signaling, also known as GT90001
"AR"	androgen receptor
"AR+"	androgen receptro positive
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"c-Myc"	MYC proto-oncogene, bHLH transcription factor, a protein that codes for transcription factors

"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"China" or "PRC"	The People's Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macao and Taiwan
"CMO(s)"	a company that offers manufacturing services, with volume capabilities ranging from small amounts for preclinical R&D to larger volumes necessary for clinical trials purposes and commercialisation
"Company"	Kintor Pharmaceutical Limited, formerly known as KTKM Holdings Inc., an exempted company with limited liability incorporated in the Cayman Islands on 16 May 2018 whose Shares are listed on the Main Board of the Stock Exchange with stock code 9939
"Core Products"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this announcement, our Core Products consist of KX-826, GT20029, Pruxelutamide (GT0918)
"COVID-19"	coronavirus disease 2019
"CRO(s)"	contract research organisation(s), a company hired by another company or research centre to take over certain parts of running a clinical trial. The company may design, manage, and monitor the trial, and analyse the results
"Director(s)"	director(s) of the Company
"Dr. TONG"	Dr. Youzhi TONG, one of the co-founders, as executive Director, chairman and chief executive officer of the Company
"Employee Incentive Scheme"	the employee incentive scheme of our Company approved and adopted by our Board on 31 March 2020
"Group"	the Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)

"GT0486"	an inhibitor of the PI3K/mTOR signaling pathway and a second generation mTOR inhibitor under development by our Group primarily for the treatment of metastatic solid tumours such as breast cancer, prostate cancer and liver cancer
"HCC"	hepatocellular carcinoma, a common type of liver cancer
"Hh"	one of the anticancer targets, when hedgehog is not turned off during adulthood, it promotes the growth of cancer cells
"HKD" or "HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards as issued by the International Accounting Standards Board
"IGA"	Investigator's Global Assessment
"IND"	investigational new drug
"IPF"	idiopathic pulmonary fibrosis
"KX-826"	formerly known as "Pyrilutamide", an AR antagonist under development by our Group as a topical drug for the treatment of AGA and acne vulgaris
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"mCRPC"	metastatic castration-resistant prostate cancer
"Model Code"	the Model Code for Securities Transactions by Directors of Listed issuers as set out in Appendix C3 to the Listing Rules
"mTOR"	mammalian target of rapamycin, a critical effector in cell-signaling pathways commonly deregulated in human cancers

"Nivolumab"	a human immunoglobulin G4 (IgG4) monoclonal antibody, which targets the negative immunoregulatory human cell surface receptor programmed death-1 (PD1, PCD-1,) with immune checkpoint inhibitory and antineoplastic activities
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局), successor to the China Food and Drug Administration according to the Institutional Reform Plan of the State Council
"PD"	Pharmacodynamics
"PD-1" or "PCD-1"	programmed cell death protein 1, a protein in humans is encoded by the programmed cell death 1 (PDCD1) gene
"PI3K"	the acronym of Phosphoinositide 3-kinase, a family of enzymes involved in cellular functions such as cell growth, proliferation, differentiation, motility, survival, and intracellular trafficking, which in turn are involved in cancer
"PK"	Pharmacokinetics
"PROTAC"	proteolysis targeting chimera, a small molecule composed of (i) a recruiting element for a protein of interest; (ii) an E3 ubiquitin ligase recruiting element; and (iii) a linker bounding (i) and (ii)
"Pruxelutamide" or "GT0918"	a small molecule second generation AR antagonist under development by our Group for the treatment of mCRPC and AR+ metastatic breast cancer
"R&D"	research and development
"Reporting Period"	the year ended 31 December 2023
"RMB"	Renminbi yuan, the lawful currency of the PRC

"RSU"	a restricted share unit award granted to a participant under the Employee Incentive Scheme that is subject to such terms and conditions as set forth in the rules of the Employee Incentive Scheme, and each restricted share unit represents one underlying Share
"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 the Company, currently of nominal value US$0.0001 each
"Shareholder(s)"	holder(s) of the Shares
"SMO"	smoothened, a Class Frizzled G protein-coupled receptor that is a component of the hedgehog signaling pathway
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TGF-ß"	a regulatory cytokine that has multifunctional properties that can enhance or inhibit many cellular functions, including interfering with the production of other cytokines and enhancing collagen deposition
"TAHC"	target area hair counts
"Top-up Placing 2022-I"	the top-up placing conducted by the Company pursuant to a placing and subscription agreement dated 31 August 2022. Please refer to the announcements of the Company dated 31 August 2022 and 7 September 2022 for further information
"Top-up Placing 2022-II"	the top-up placing conducted by the Company pursuant to a placing and subscription agreement dated 9 December 2022. Please refer to the announcements of the Company dated 11 December 2022 and 16 December 2022 for further information
"U.S." or "US"	the United States of America

"USD" or "US$"	U.S. dollars, the lawful currency of the U.S.
"U.S. FDA"	Food and Drug Administration of the U.S.
"VEGF"	vasoactive endothelial growth factor, a potent angiogenic factor and was first described as an essential growth factor for vascular endothelial cells
"we", "us" or "our"	the Company and, unless the context indicates otherwise, its subsidiaries

By order of the Board
KINTOR PHARMACEUTICAL LIMITED
Dr. Youzhi Tong
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 28 March 2024

As at the date of this announcement, the executive Directors are Dr. Youzhi Tong, Dr Qun Lu and Dr Xiang Ni; the non-executive Directors are Mr. Weipeng Gao, Ms. Geqi Wei and Mr. Chengwei Liu; and the independent non-executive Directors are Dr. Michael Min Xu, Mr. Wallace Wai Yim Yeung and Prof. Liang Tong.

* *For identification purpose only*