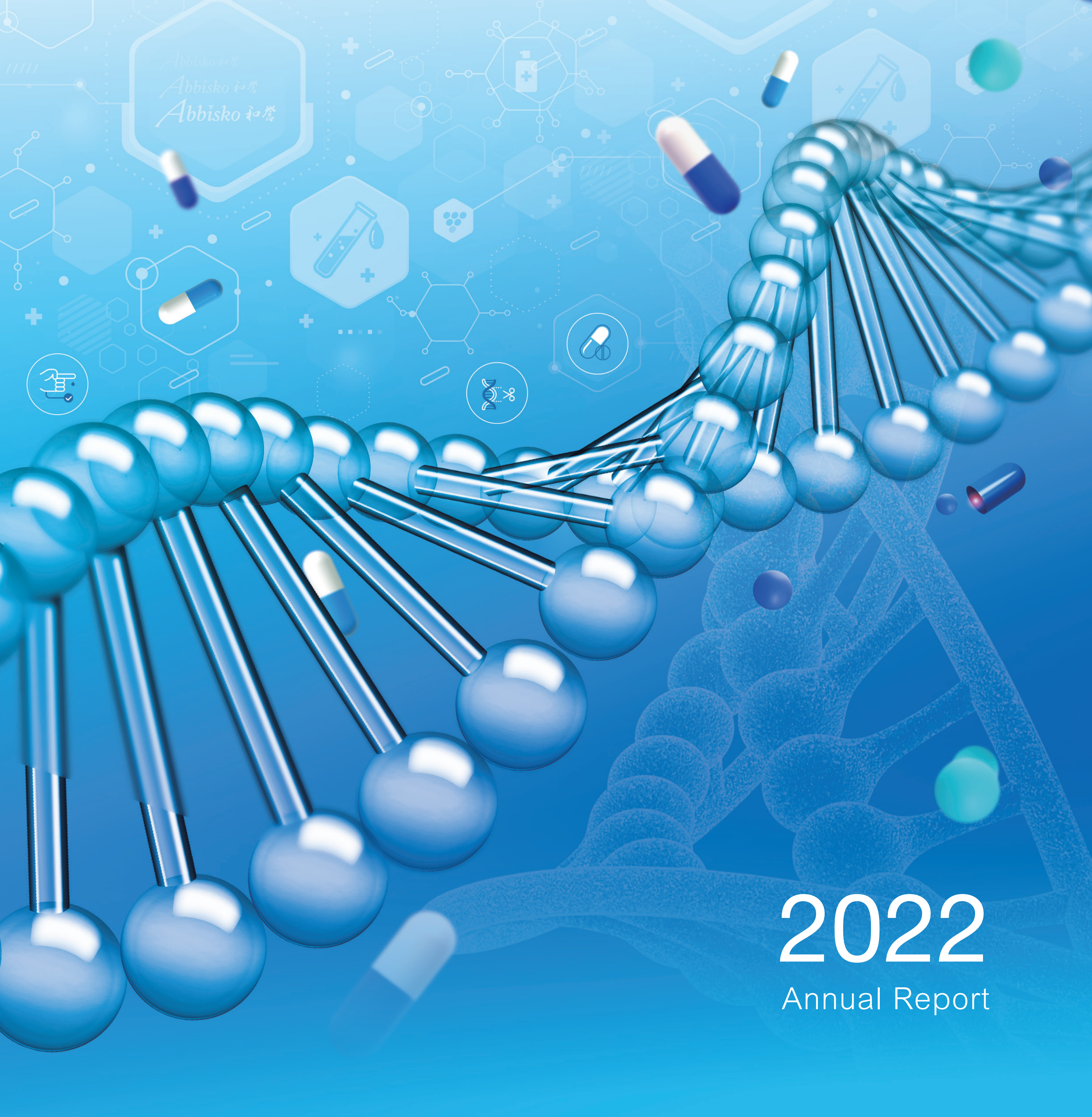
Abbisko 和譽

Abbisko Cayman Limited
和譽開曼有限責任公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2256



2022
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Xu Yao-Chang *(Chairman)*
Dr. Yu Hongping
Dr. Chen Zhui

Non-Executive Directors

Dr. Xia Gavin Guoyao
Ms. Tang Yanmin

Independent Non-Executive Directors

Dr. Sun Piaoyang
Mr. Sun Hongbin
Mr. Wang Lei

JOINT COMPANY SECRETARIES

Ms. Tian Huimin
Ms. Chan Yin Wah

AUTHORIZED REPRESENTATIVES

Dr. Xu Yao-Chang
Ms. Chan Yin Wah

AUDIT COMMITTEE

Mr. Sun Hongbin *(Chairperson)*
Dr. Sun Piaoyang
Mr. Wang Lei

REMUNERATION COMMITTEE

Mr. Wang Lei *(Chairperson)*
Dr. Xu Yao-Chang
Mr. Sun Hongbin

NOMINATION COMMITTEE

Dr. Xu Yao-Chang *(Chairperson)*
Dr. Sun Piaoyang
Mr. Sun Hongbin

REGISTERED OFFICE

Abbisko Cayman Limited
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Building 3, No. 898
Halei Road, Zhangjiang Hi-Tech Park
Pudong New Area
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

HONG KONG LEGAL ADVISER

Davis Polk & Wardwell
10/F, The Hong Kong Club Building
3A Chater Road
Hong Kong

COMPLIANCE ADVISER

Somerley Capital Limited
20/F China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL BANK

Ping An Bank Co., Ltd.
5047, Shennan East Road
Shenzhen 518001
PRC

AUDITOR

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

STOCK CODE

2256

COMPANY'S WEBSITE

www.abbisko.com

DEFINITIONS

"Abbisko Australia"	Abbisko Therapeutics Australia Pty Ltd, a proprietary company limited by shares incorporated in Australia on September 25, 2020 and wholly owned by Abbisko Hong Kong
"Abbisko Beijing"	Beijing Qianyu Therapeutics Co. Ltd. (北京千譽生物醫藥科技有限公司), a limited liability company incorporated in the PRC on 24 November 2021 and wholly owned by Abbisko Shanghai
"Abbisko Hong Kong"	Abbisko Hongkong Limited, a limited liability company incorporated in Hong Kong on April 13, 2018 and wholly owned by our Company
"Abbisko Shanghai"	Abbisko Therapeutics Co., Ltd. (上海和譽生物醫藥科技有限公司), a limited liability company incorporated in the PRC on April 12, 2016 and wholly owned by Abbisko Hong Kong following the Reorganization
"Abbisko Wuxi"	Wuxi Abbisko Biomedical Technology Co., Ltd. (無錫和譽生物醫藥科技有限公司), a limited liability company incorporated in the PRC on July 28, 2020 and wholly owned by Abbisko Hong Kong
"Administrator"	one of the officers or Directors or a committee designated by the Board of the Company
"AGM"	Annual General Meeting
"Allist"	Shanghai Allist Pharmaceuticals Co.,Ltd
"ALS"	amyotrophic lateral sclerosis
"APIs"	active pharmaceutical ingredients
"Articles of Association" or "Articles"	articles of association of our Company, as amended from time to time
"AstraZeneca"	AstraZeneca AB
"Award"	options,share appreciation right, dividend equivalent right, restricted shares and restricted share units
"Award Shares"	Award RSUs, by way of which may vest in the form of Shares
"BeiGene"	BeiGene, Ltd.
"Board"	the board of Directors of the Company
"BTD"	breakthrough therapy designation

"CEO"	Chief Executive Officer of the Company
"CFO"	Chief Financial Officer of the Group
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"cGvHD"	chronic graft-versus-host disease
"China", "PRC", "mainland China"	People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires otherwise, references in this report to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"CMC"	Chemistry, Manufacturing and Controls
"Company", "our Company", or "the Company"	Abbisko Cayman Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands on March 28, 2018
"CROs"	Contract Research Organisations
"CSO"	chief scientific officer of the Company
"Director(s)"	the Directors of our Company, including all Executive, Non-Executive and Independent Non-Executive Directors
"Dr. Chen"	Dr. Chen Zhui, an Executive Director and Chief Scientific Officer
"Dr. Xu"	Dr. Xu Yao-Chang, an Executive Director, Chief Executive Officer and Chairman of the Board
"Dr. Yu"	Dr. Yu Hongping, an Executive Director and Chief Scientific Officer
"Eligible Person(s)"	Any individual, being an employee, Directors (including Executive Directors, Non-Executive Directors and Independent Non-Executive Directors) or consultant of any member of the Group or any affiliate who the Board or its delegate(s) considers
"ESG"	Environmental, Social and Governance
"FGFR"	fibroblast growth factor receptor
"Grant Date"	the date that the Award is granted
"Group"	our Company and its subsidiaries

"Hansoh"	江蘇豪森藥業集團有限公司
"Hansoh Shanghai"	上海翰森生物醫藥科技有限公司
"HCC"	hepatocellular carcinoma
"Hong Kong Stock Exchange" or "the Stock Exchange" or "HKEX"	The Stock Exchange of Hong Kong Limited
"IND"	investigational new drug
"IRC"	independent review committee
"Junshi"	Shanghai Junshi Biomedical Technology Co., Ltd.
"Lilly"	Eli Lilly and Company
"Jiangsu Hengrui Pharmaceuticals"	Jiangsu Hengrui Pharmaceuticals Co., Ltd. (江蘇恒瑞醫藥股份有限公司) (Shanghai Stock Exchange Code: 600276)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"mUC"	metastatic urothelial cancer
"NMPA"	National Medical Products Administration of the People's Republic of China
"ODD"	orphan drug designation
"ORR"	objective response rate
"PD"	the study of how a drug affects an organism, which, together with pharmacokinetics, influences dosing, benefit, and adverse effects of the drug
"PK"	the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
"POC"	proof-of-concept
"Post-IPO RSU Scheme Limit"	10% of the issued share capital of the Company as of the date of approval of the Post-IPO RSU Scheme
"R&D"	research and development
"Reporting Period"	for the year ended December 31, 2022
"Roche"	F. Hoffmann-La Roche Ltd. and Roche China Holding Ltd.

"RSU trustee"	a trustee to administer the Post-IPO RSU scheme
"RSUs"	restricted share and restricted share units
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Subscription Price"	the amount payable fore each Share to be subscribed for under an option
"TGCT"	tenosynovial giant cell tumor
"TNBC"	triple-negative breast cancer
"the U.S. FDA"	the U.S. Food and Drug Administration
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Vesting Date"	the date that the Award vests
"WHIM"	warts, hypogammaglobulinemia, infections and myelokathexis
"X4"	X4 Pharmaceuticals, Inc.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present our annual report of the Company for the year ended December 31, 2022 and as of the report date. Despite the challenges posed by the COVID-19 pandemic, we have achieved impressive advancements in our pipeline of drug candidates across various indications and clinical stages, and strengthened our business through external partnerships and collaborations.

Throughout the year, our research team initiated three novel discovery programs, all of which have first-in-class or best-in-class potential for the treatment of cancer and other diseases. We delivered several high-quality and high-value preclinical candidates, including a 4th-generation EGFR-TKI ABSK3376, with which we recently reached an out-licensing partnership with Shanghai Allist Pharmaceuticals Co., Ltd ("**Allist**").

We have also made remarkable achievements in clinical-stage assets. We obtained investigational new drug ("**IND**") approval from the U.S. Food and Drug Administration ("**the U.S. FDA**") for a new molecular entity, ABSK121, a next-generation FGFR inhibitor overcoming resistance mutations, during 2022. We now have seven programs in total in clinical stage, including three in proof-of-concept ("**POC**") studies and beyond, including pimicotinib (ABSK021) for tenosynovial giant cell tumor ("**TGCT**"), irpagratinib (ABSK011) for hepatocellular carcinoma ("**HCC**") and fexagratinib (ABSK091) for urothelial cancer. Pimicotinib was granted the breakthrough therapy designation ("**BTD**") for the treatment of TGCT patients by both China National Medical Products Administration of the People's Republic of China ("**NMPA**") and the U.S. FDA as of the report date. Later in 2022 and in March 2023, pimicotinib was approved by China NMPA and the U.S. FDA to enter into a pivotal multi-regional Phase III clinical trial for TGCT. These regulatory approvals were based upon the outstanding efficacy and safety profile observed in pimicotinib Phase 1b clinical trials, demonstrating its potential as a best-in-class medicine for TGCT globally. Our two other Phase I stage compounds, ABSK043 and ABSK061, are progressing well in ongoing dose escalation studies. We will continue to advance our programs as planned and expect to report additional POC results in 2023.

In 2022, we entered into multiple partnership collaborations to discover and develop novel treatment options for patients with various diseases of high unmet medical needs:

- In January, 2022, we established a worldwide co-discovery collaboration with Eli Lilly and Company ("**Lilly**") for the further discovery, development and potential commercialization of novel molecules against an undisclosed target with critical unmet medical needs, pursuant to which we are potentially eligible to receive up to US$258 million based on the achievement of specified pre-clinical, clinical development and commercial milestones, as well as tiered royalties on sales.

- In November 2022, we completed the first patient enrollment in the Phase II clinical trial for fexagratinib in combination with tislelizumab, an anti-PD-1 antibody developed by BeiGene, Ltd. ("**BeiGene**"), in urothelial carcinoma, after we reached a partnership agreement with BeiGene in February 2022. This is also the first clinical combination trial of a pan-FGFR inhibitor and an immuno-oncology therapy in China.

- In March 2023, we reached an exclusive out-licensing agreement with Allist. We are eligible to receive US$187.90 million payments in total, including upfront, development, and sales milestones. In addition, we are also eligible for tiered royalty payments based on the net sales.

2022 was a particularly challenging year for many companies in Shanghai due to the outbreak of COVID-19. We took various measures to minimize the impact on our business by supporting and motivating our employees during these difficult times. Despite the obstacles and challenges, we successfully achieved all the goals we set for the company. We are proud of Abbisko, its scientists, physicians, staff members, and leaders for their hard work and dedication.

Moving forward, Abbisko people are more confident than ever before, thanks to the numerous accomplishments we have achieved to date. We aim to create additional value for our Shareholders by:

– Continuing to enrich Company's pipeline with a comprehensive and well-prioritized drug development plan. Our mission is to advance candidates rapidly to the finish-line with the focus on achieving first-in-class or best-in-class therapies with clear China and global development and commercialization strategies.

– Expanding our efforts to explore, evaluate and identify suitable business development opportunities in China and globally to maximize the commercial value of our drug candidates.

– Strengthening our global presence by expanding our operations and increasing our public relations and media footprints to other geographic regions.

In closing, on behalf of the Board, I would like to express my heartfelt gratitude to our Directors, management, employees, business partners and Shareholders for their continuing contribution and invaluable support to the Company.

Dr. Xu Yao-Chang
Chairman and Chief Executive Officer

Shanghai, March 15, 2023

FINANCIAL HIGHLIGHTS

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") MEASURES:

Cash and bank balances. Cash and bank balances as at December 31, 2022 were RMB2,258.8 million, an decrease by RMB286.7 million from RMB2,545.5 million for the year ended December 31, 2021, primarily attributable to continuous expansion and rapid progress of various R&D pipelines, partially offset by impact from foreign exchange volatility.

Revenue. Revenue for the year ended December 31, 2022 was zero, while revenue for the year ended December 31, 2021 was RMB22.7 million which was attributed to an out-license upfront payment generated from one of our clinical candidates.

Other income and gains. Other income and gains increased by RMB2.0 million from RMB43.6 million for the year ended December 31, 2021 to RMB45.6 million for the year end December 31, 2022, primarily attributable to the increase in bank interest income.

Research and development expenses. Our R&D expenses primarily consisted of expenses in connection with exploratory research, pre-clinical research and clinical research, as well as reagent costs, employee costs, share-based payments and depreciation. R&D expenses increased by RMB152.6 million from RMB226.1 million for the year ended December 31, 2021 to RMB378.7 million for the year ended December 31, 2022, primarily attributable to advancement of our pipeline programs and continuous expansion of functions related to R&D.

Administrative expenses. Administrative expenses decreased by RMB6.4 million from RMB124.8 million for the year ended December 31, 2021 to RMB118.4 million for the year ended December 31, 2022, primarily attributable to the absence of IPO related expenses, while partially offset by continuous expansion of workforce in non-R&D related function and increased professional service fees.

Finance costs. Finance costs increased by RMB1.7 million from RMB1.0 million for the year ended December 31, 2021 to RMB2.7 million for the year ended December 31, 2022, mainly due to the increase of interest on lease liabilities.

Fair value losses on convertible redeemable preferred shares. Fair value losses on convertible redeemable preferred shares decreased by RMB1,524.3 million from RMB1,524.3 million for the year ended December 31, 2021 to zero for the year ended December 31, 2022. The convertible redeemable preferred shares had been converted into ordinary shares upon the listing of the Company's shares, and will not affect our financial performance in the subsequent financial years.

Loss for the year. Loss for the year decreased by RMB1,314.4 million from RMB1,810.0 million for the year ended December 31, 2021 to RMB495.6 million for the year ended December 31, 2022, primarily attributable to the combination of impacts from 1) elimination of fair value losses on convertible redeemable preferred shares; 2) increase in R&D expenses; and 3) decrease in revenue.

NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS ("NON-IFRS") MEASURES:

Research and development expenses excluding share-based compensation cost, increased by RMB137.3 million from RMB176.3 million for the year ended December 31, 2021 to RMB313.6 million for the year ended December 31, 2022, primarily attributable to advancement of our pipeline programs, as well as the continuous expansion of functions related to R&D.

Administrative expenses excluding share-based compensation cost, decreased by RMB11.3 million from RMB84.7 million for the year ended December 31, 2021 to RMB73.4 million for the year ended December 31, 2022, primarily attributable to the absence of IPO related expenses, while partially offset by the expansion of workforce in non-R&D related functions and increased professional service fees.

Loss for the year excluding fair value losses on convertible redeemable preferred shares and share-based compensation cost, increased by RMB189.8 million from RMB195.7 million for the year ended December 31, 2021 to RMB385.5 million for the year ended December 31, 2022, primarily attributable to: 1) an increase in R&D expenses; 2) a decrease in revenue; and 3) an increase in other expenses resulted from fluctuation of foreign exchange differences.

FINANCIAL SUMMARY

	For the year ended 31 December			
	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-IFRS measures				
Research and development expenses (excluding the share-based compensation cost)	**(313,636)**	(176,315)	(129,188)	(80,734)
Administrative expenses (excluding the share-based compensation cost)	**(73,432)**	(84,655)	(20,073)	(21,621)
Loss for the year (excluding the non-IFRS adjustments)	**(385,485)**	(195,740)	(132,480)	(93,126)
IFRS measures				
Revenue	**–**	22,682	–	–
Other income and gains	**45,563**	43,587	18,831	12,705
Research and development expenses	**(378,746)**	(226,126)	(132,664)	(81,457)
Administrative expenses	**(118,443)**	(124,777)	(21,168)	(21,891)
Other expenses	**(41,295)**	(80)	(1,712)	(2,953)
Fair value losses on convertible redeemable preferred shares	**–**	(1,524,320)	(569,588)	(39,793)
Finance costs	**(2,685)**	(959)	(338)	(523)
Loss for the year	**(495,606)**	(1,809,993)	(706,639)	(133,912)
Loss per share				
Basic and diluted (RMB Yuan)	**RMB0.80**	RMB7.71	RMB7.12	RMB1.48

	As at 31 December			
	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	**2,258,827**	2,545,513	617,773	285,637
Total assets	**2,489,549**	2,654,539	665,971	320,236
Total liabilities	**143,160**	118,480	1,770,959	779,261
Total equity	**2,346,389**	2,536,059	(1,104,988)	(459,025)

During the year ended December 31, 2022 and up to the date of this report, we have made significant progresses in many aspects.

FURTHER ADVANCED OUR CLINICAL-STAGE ASSETS

Pimicotinib (ABSK021)

- We are conducting a Phase Ib trial for pimicotinib in the U.S. and mainland China concurrently. We have completed patient enrollment for the TGCT cohorts at 50mg QD and 25mg QD of the Phase Ib trial in mainland China.

- In July 2022, pimicotinib was granted the BTD by NMPA for the treatment of TGCT that is not amenable to surgery. This BTD approval was based on preliminary trial results from the TGCT cohort of the ongoing Phase Ib clinical trial in China for pimicotinib.

- In October 2022, pimicotinib was approved by NMPA for a randomized, double-blind, placebo-controlled and multicenter Phase III clinical study in patients with TGCT. Pimicotinib is the first highly selective CSF-1R inhibitor developed by a Chinese company that has entered Phase III clinical trial.

- In November 2022, the preliminary Phase Ib results of pimicotinib for advanced TGCT were published at the 2022 Connective Tissue Oncology Society annual meeting. The data demonstrated excellent antitumor efficacy and the safety profile of pimicotinib in the treatment of patients with advanced TGCT. Pimicotinib demonstrated significant antitumor efficacy with a preliminary objective objective response rate ("**ORR**") of 68.0% (17/25, 95% CI: 46.50%-85.05%), including one complete response and 16 partial responses confirmed by independent review committee ("**IRC**") within six months. The safety profile of pimicotinib was favorable with no apparent hepatotoxicity. The mean treatment duration was 6.8 months, and 85.2% of patients are still on treatment.

- In January 2023, pimicotinib was approved by the NMPA for a Phase II clinical study in patients with chronic graft-versus-host disease ("**cGvHD**'). Pre-clinical data indicated that pimicotinib is a highly potent and selective small molecule inhibitor of CSF-1R that may play important roles for treating many human diseases including complications associated with transplantation.

- In January 2023, pimicotinib was granted the BTD from the U.S. FDA for the treatment of TGCT patients that are not amenable to surgery. This BTD approval was based on results from the Phase Ib clinical trial of TGCT cohort for pimicotinib.

Irpagratinib (ABSK011)

- We are conducting a Phase Ib monotherapy trial in second-line treatment of HCC patients with FGF19 overexpression in mainland China and have completed patient enrollment of the 180mg QD cohort. We are further exploring higher doses and different dose regimen in Phase Ia and have started patient enrollment of 160mg BID cohort and 320mg QD cohort.

- We are also conducting a Phase II trial of irpagratinib in combination with the anti-PD-L1 antibody atezolizumab from F. Hoffmann-La Roche Ltd. and Roche China Holding Ltd. ("**Roche**") in late stage HCC patients with FGF19 overexpression in mainland China. The first patient was dosed in January 2022. Patient enrollment is ongoing.

- In December 2022, we reported the preliminary Phase I efficacy and safety results of irpagratinib in the treatment of second-line HCC with FGF19 overexpression.

- The preliminary proof-of-concept data of irpagratinib Phase I has shown promising efficacy in FGF19+ HCC patients, with 22% ORR (4/18) in patients with high FGF19 expression and 33.3% ORR (2/6) in the 160mg BID FGF19 IHC+ cohort. Irpagratinib was well tolerated across all cohorts.

Fexagratinib (ABSK091, AZD4547)

- We are conducting a Phase II trial in mainland China for fexagratinib in patients with locally advanced or metastatic urothelial carcinoma with FGFR2/3 genetic alterations. We dosed the first patient in November 2021 and patient enrollment is ongoing.

- In February 2022, we entered into partnership with BeiGene for combination therapy of fexagratinib and tislelizumab, an anti-PD-1 antibody developed by BeiGene, for the treatment of urothelial cancer with FGFR2/3 genetic alterations. In May 2022, we received the IND approval from NMPA.

- In November 2022, we completed the first patient enrollment for this Phase II clinical trial. This is the first clinical combination trial of a pan-FGFR inhibitor with an immunotherapy in China.

- In December 2022, we announced the preliminary Phase II efficacy and safety results of fexagratinib in patients with urothelial carcinoma harboring FGFR2 or FGFR3 alterations in mainland China.

- The preliminary efficacy results showed an ORR confirmed by IRC of 30.7% (4/13) in mUC patients with FGFR3 alterations (including mutations and/or fusions) and an IRC confirmed ORR of 44% (4/9) in patients with FGFR3 mutations, which is consistent with results from the prior BISCAY trial of fexagratinib in similar patient groups outside of China. The preliminary safety results showed that 80mg BID of fexagratinib was well-tolerated in Chinese patients, and no drug related grade 4 or above adverse effects were reported. These results support further development of fexagratinib in the ongoing Phase II trial.

- In addition to urothelial carcinoma, we also plan to conduct clinical trials for fexagratinib in other solid tumors. In March 2022, we received orphan drug designation ("**ODD**") granted by the U.S. FDA to fexagratinib in gastric cancer.

ABSK043

- We are conducting a Phase I trial in Australia to assess the safety, tolerability and PK/PD profile of ABSK043 in patients with solid tumors. Patient enrollment is ongoing.

- In March 2022, we received the IND approval for a Phase I trial of ABSK043 in the treatment of patients with solid tumors in mainland China. In September 2022, we completed the dosing of the first patient in China for this trial.

ABSK061

- We have received IND approvals in both mainland China and the U.S. to conduct a Phase I clinical trial for ABSK061 in patients with solid tumors. In June 2022, we dosed the first patient. Patient enrollment is ongoing.

ABSK121

- In November 2022, we obtained clinical trial approval from the U.S. FDA for ABSK121, and will launch the first Phase I clinical trial in humans for the treatment of advanced solid tumors.

ABSK081

- We are conducting a Phase Ib/II clinical trial of ABSK081 (mavorixafor) in combination with toripalimab from Shanghai Junshi Biomedical Technology Co., Ltd.("**Junshi**") in triple-negative breast cancer ("**TNBC**") patients in mainland China. Patient enrollment has been completed.

ESTABLISHED A WORLDWIDE CO-DISCOVERY COLLABORATION WITH LILLY

In January 2022, we entered into a worldwide co-discovery collaboration with Lilly for the discovery, development and potential commercialization of novel molecules against an undisclosed target.

- We are responsible for the discovery and development of such molecules using our proprietary research and development ("**R&D**") platform.

- Lilly has joined the effort by providing prior discovery information associated with this target as well as certain additional disease knowledge and expertise.

- Lilly will have the right to further develop and commercialize the compounds if the compounds meet the agreed endpoints.

- We are eligible to receive up to US$258 million in potential payments upon achievement of pre-specified preclinical, clinical development and commercial milestones, as well as tiered royalties on sales, if Lilly is responsible for further clinical development and commercialization.

REACHED AN EXCLUSIVE OUT-LICENSE AGREEMENT WITH ALLIST

In March 2023, we entered into an exclusive out-license agreement with Allist.

- We granted Allist the research, development, manufacture, use, and sales of ABK3376 (a next-generation EGFR-TKI) in Greater China Region (mainland China, Hong Kong, Macau, and Taiwan).

- We also granted Allist a time-limited option to expand the licensed territory to worldwide in accordance with the terms and conditions agreed upon by both parties.

- We will receive upfront, development, and sales milestone payments up to US$187.90 million in total, plus tiered royalty payments based on the net sales.

CONTINUED TO MOVE FORWARD PRE-CLINICAL CANDIDATES

Despite the lockdown in Shanghai due to COVID-19 in the first half of 2022, we have taken various measures to minimize the impact on our pre-clinical programs and advanced the following three programs into late IND-enabling stage:

- **ABSK051** – a small molecule CD73 inhibitor which could be applied for the treatment of various tumor types including lung cancer, pancreatic cancer and other cancers;

- **ABSK012** – a next-generation small molecule FGFR4 inhibitor with strong potency against both wild-type and mutant FGFR4; and

- **ABSK112** – A next-generation EGFR-exon20 inhibitor with improved selectivity over wild-type EGFR and strong brain-penetrating ability.

I. BUSINESS REVIEW

Our vision

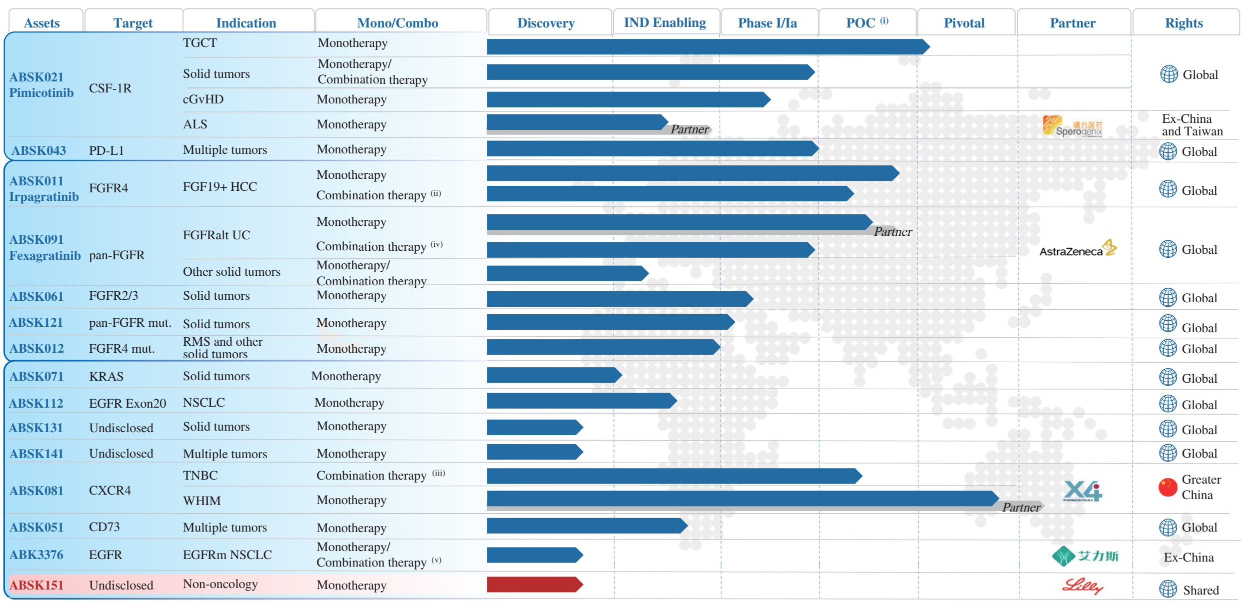
Our vision is to discover and develop novel, differentiated therapies in oncology and beyond to address critical unmet medical needs for patients in China and worldwide.

Company overview

We are a clinical-stage biopharmaceutical company primarily dedicated to the discovery and development of innovative and differentiated small molecule oncology therapies. Since our inception in 2016, we have strategically designed and developed a pipeline of 15 candidates primarily focused on oncology, including seven candidates at clinical stage. Our product candidates are primarily small molecules that focus on small molecule precision oncology and small molecule immuno-oncology therapeutic areas.

Product pipeline

We have a pipeline of 15 drug candidates ranging from pre-clinical to clinical stage programs. The following chart summarizes our pipeline and the development status of each candidate as of March 15, 2023.



Abbreviations: HCC = hepatocellular carcinoma; RMS = rhabdomyosarcoma; FGFRalt = FGFR altered; UC = urothelial cancer; NSCLC = non-small cell lung cancer; TGCT = tenosynovial giant cell tumor; cGvHD = chronic graft-versus-host disease; ALS = amyotrophic lateral sclerosis; TNBC = triple-negative breast cancer; WHIM = warts, hypogammaglobulinemia, infections and myelokathexis

Notes:

i. Represents Phase Ib/II clinical trial

ii. In combination with anti-PD-L1 antibody atezolizumab with Roche

iii. In combination with anti-PD-1 antibody toripalimab with Junshi

iv. In combination with anti-PD-1 antibody tislelizumab with BeiGene

v. In combination with Furmonertinib mesylate with Allist

Clinical candidates

Pimicotinib (ABSK021)

Pimicotinib is an orally bioavailable, selective, potent small molecule CSF-1R inhibitor being developed for the treatment of multiple types of oncology and non-oncology indications. The overexpression of CSF-1 is observed in many tumors and also at sites of inflammation. Indications for CSF-1R inhibitors include, the treatment of adult patients with TGCT, pancreatic cancer, colorectal cancer, cGvHD and ALS.

Current status

We are conducting a Phase Ib trial for pimicotinib in the U.S. and mainland China concurrently. We have completed patient enrollment for the TGCT cohorts at 50mg QD and 25mg QD of the Phase Ib trial in mainland China.

In July 2022, pimicotinib was granted the BTD by NMPA for the treatment of TGCT that is not amenable to surgery. This BTD approval was based on preliminary trial results from the TGCT cohort of the ongoing Phase Ib clinical trial in China for pimicotinib.

In October 2022, pimicotinib was approved by NMPA for a randomized, double-blind, placebo-controlled and multicenter Phase III clinical study in patients with TGCT. Pimicotinib is the first highly selective CSF-1R inhibitor developed by a Chinese company that has entered Phase III clinical trial.

In November 2022, the preliminary Phase Ib results of pimicotinib for advanced TGCT were published at the 2022 Connective Tissue Oncology Society annual meeting. The data demonstrated the excellent antitumor efficacy and the safety profile of pimicotinib for the treatment of patients with advanced TGCT.

Pimicotinib showed significant antitumor efficacy with a preliminary ORR of 68.0% (17/25, 95% CI: 46.50%-85.05%), including one complete response and 16 partial responses confirmed by IRC within six months. The safety profile of pimicotinib was favorable with no apparent hepatotoxicity. The mean treatment duration was 6.8 months, and 85.2% of patients are still on treatment.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK021 SUCCESSFULLY.

Irpagratinib (ABSK011)

Irpagratinib is a potent and highly selective small molecule inhibitor of FGFR4 that we are conducting clinical trials in China. Irpagratinib is being developed for the treatment of advanced HCC with hyper-activation of FGF19/FGFR4 signaling. The FGFR4 signaling pathway is a promising direction for the development of molecularly targeted therapies in HCC. The number of patients with an overexpression of FGF19/FGFR4 account for approximately 30% of total HCC patients worldwide, according to Frost & Sullivan. Currently, no FGFR4 inhibitor has been approved to the market yet.

Current status

We are conducting a Phase Ib trial for patients in second-line HCC with FGF19 overexpression. We have completed patient enrollment for the 180mg QD cohort. Given the superior safety and quality PK/PD profiles of irpagratinib from the Phase Ia trial, we are further exploring higher doses and different dose regimen. We have started patient enrollment of 320mg QD and 160mg BID for dose escalation. We may continue to explore additional dose levels in order to identity the optimal dosage for dose expansion.

We are also conducting a Phase II trial of irpagratinib in combination with the anti-PD-L1 antibody atezolizumab from Roche in late stage HCC patients with FGF19 overexpression in mainland China. The first patient was dosed in January 2022 and patient enrollment is ongoing.

In December 2022, we announced the preliminary Phase I efficacy and safety results of irpagratinib, in the treatment of second-line HCC with FGF19 overexpression. The preliminary proof-of-concept data showed promising efficacy in FGF19+ HCC patients, with 22% ORR (4/18) in patients with high FGF19 expression and 33.3% ORR (2/6) in the 160mg BID FGF19 IHC+ cohort. Irpagratinib was well tolerated across all cohorts. Patient group with high expression of FGF19 was observed in 67% of the FGF19 IHC+ HCC patients. From safety perspective, no drug related adverse effects of grade 4 or above were reported.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK011 SUCCESSFULLY.

Fexagratinib (ABSK091, AZD4547)

Fexagratinib, previously known as AZD4547, is a highly potent and selective inhibitor of FGFR subtypes 1, 2 and 3. According to Frost & Sullivan, the cancers most commonly affected by FGFR aberration are urothelial cancer (32%), cholangiocarcinoma (25%), breast cancer (18%), endometrial carcinoma (11%) and gastric cancer (7%). Specific FGFR aberrations have been observed in a proportion of certain cancers. For example, FGFR1 amplification in squamous cell lung cancer, FGFR2 mutations in endometrial carcinoma and FGFR3 mutations in urothelial cancer.

Fexagratinib has a chemical structure different from other FGFR inhibitors with similar anti-tumor activities. Prior to the in-licensing of fexagratinib, AstraZeneca AB (“**AstraZeneca**”) started conducting clinical trials on fexagratinib (AZD4547) in 2009. From 2009 to 2019, AstraZeneca sponsored and completed a total of four trials, including two Phase I trials and two Phase II trials. In November 2019, we entered into an exclusive license agreement with AstraZeneca and obtained the global rights for the development, manufacturing and commercialization of fexagratinib.

Among the clinical trials conducted by AstraZeneca, the BISCAY trial, a study in patients with advanced urothelial cancer who have progressed on prior treatments, achieved 31.3% response rate in the fexagratinib monotherapy arm, which is on par with the approved pan-FGFR inhibitor Erdafitinib in treatment of locally advanced or metastatic urothelial carcinoma with FGFR2/3 alteration (ORR 32.2%).

In another trial previously conducted by AstraZeneca in patients with previously treated advanced FGFR amplified cancer, 33% of the FGFR2-amplified gastro-oesophageal patients had confirmed responses to fexagratinib. This demonstrated that fexagratinib could potentially bring significant clinical benefits to the treatment of gastric cancer patients with FGFR alterations.

Current status

We are conducting a Phase II trial in mainland China for fexagratinib in patients with locally advanced or metastatic urothelial carcinoma with FGFR2/3 genetic alterations. We dosed the first patient in November 2021. Patient enrollment is ongoing.

In February 2022, we entered into partnership with BeiGene for combination therapy of fexagratinib and tislelizumab, an anti-PD-1 antibody developed by BeiGene for the treatment of urothelial cancer with FGFR2/3 genetic alterations. In May 2022, we received the IND approval from NMPA to initiate a Phase II trial for the combination therapy.

In November 2022, we completed the first patient enrollment for this Phase II clinical trial. This is the first clinical combination trial of a pan-FGFR inhibitor with an immunotherapy in China.

In December 2022, we announced the preliminary Phase II efficacy and safety results of fexagratinib in patients with urothelial carcinoma harboring FGFR2 or FGFR3 alterations in mainland China.

The preliminary efficacy results showed an ORR confirmed by IRC of 30.7% (4/13) in mUC patients with FGFR3 alteration (including mutations and/or fusions) and an IRC confirmed ORR of 44% (4/9) in patients with FGFR3 mutations, which is consistent with results from the prior BISCAY trial of fexagratinib in similar patient groups outside of China. The preliminary safety results showed that 80mg BID of fexagratinib was well-tolerated in Chinese patients, and no drug related grade 4 or above adverse effects were reported. These results support further development of fexagratinib in the ongoing Phase II trial.

In March 2022, we received ODD granted by the U.S. FDA to fexagratinib in gastric cancer.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK091 SUCCESSFULLY.

ABSK043

ABSK043 is an orally bioavailable, highly selective small molecule PD-L1 inhibitor being developed for the treatment of various cancers and potentially non-oncology indications. While anti-PD-1/anti-PD-L1 antibodies have revolutionized cancer treatment, the antibody-based immunotherapies carry a number of disadvantages such as high cost, lack of oral bioavailability, and immunogenicity, which could likely be improved with small molecule inhibitors. Pre-clinical data have demonstrated strong inhibition of PD-1/PD-L1 interaction by ABSK043, and rescue of PD-L1-mediated inhibition of T-cell activation. ABSK043 has also demonstrated strong anti-tumor efficacy and excellent safety profile in several pre-clinical models.

Current status

We are conducting a Phase I trial in Australia to assess the safety, tolerability and PK/PD profile of ABSK043 in patients with solid tumors. Patient enrollment is ongoing.

In March 2022, we received the IND approval for a Phase I trial of ABSK043 in the treatment of patients with malignant tumor in mainland China. In September 2022, we completed the dosing of the first patient in China. This trial (ABSK043-101) is the first clinical study of ABSK043 in China.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK043 SUCCESSFULLY.

ABSK061

ABSK061 is a highly selective small molecule FGFR2/3 inhibitor. Pre-clinical research has shown that ABSK061 selectively inhibits FGFR2/3 over FGFR1 across various in vitro and cellular assays, with little activity against other kinases. Its high selectivity against FGFR2/3 and reduced FGFR1 activity could lead to an improved safety profile due to less off-target side effects, and potentially improved therapeutic window and efficacy as well as better opportunities for treating non-oncology indications. We believe that ABSK061 has the potential to be a second generation FGFR inhibitor with its improved selectivity over currently marketed FGFR inhibitors based on our pre-clinical data.

Current status

We have received IND approval in both mainland China and the U.S. to conduct Phase I clinical trials for ABSK061 in patients with solid tumors. In June 2022, we dosed the first patient. Patient enrollment is ongoing.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK061 SUCCESSFULLY.

ABSK121

ABSK121 is a highly selective, next-generation small molecule FGFR inhibitor that targets both wild-type and mutants of FGFR1-3 including those that are resistant to the currently approved or clinical FGFR inhibitors. It could potentially bring clinical benefits to patients who relapsed or progressed after initial treatment with first-generation FGFR inhibitors. In pre-clinical studies, ABSK121 has demonstrated strong potency against wild-type and various mutations of FGFR1-3, and showed excellence in vivo efficacy in FGFR dependent and FGFR-mutant dependent models.

Current status

In November 2022, we obtained clinical trial approval from the U.S. FDA for ABSK121 and will launch the first Phase I clinical trial in humans for the treatment of advanced solid tumors.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK121 SUCCESSFULLY.

ABSK081

ABSK081 (mavorixafor), also known as X4P-001, is a novel small molecule antagonist to CXCR4 and currently the only orally bioavailable CXCR4 modulator in clinical development globally, according to Frost & Sullivan. ABSK081 is a potential treatment option for various cancers in which CXCR4 and its ligand CXCL12 contribute to the tumor microenvironment (TME) that supports immune evasion, neoangiogenesis, and tumor metastasis. In July 2019, we entered into an exclusive license agreement with X4 and obtained the rights for the development, manufacturing and commercialization of the licensed compound ABSK081 (mavorixafor) in mainland China, Taiwan, Hong Kong and Macau for any oncological indication and WHIM Syndrome in humans, excluding mozobil indications and any use for auto-HSCT treatment and allo-HSCT treatments.

Current status

In November 2021, our partner, X4, announced that it had completed patient enrollment in the Phase III clinical trial. In November 2022, positive top-line results were disclosed.

In mainland China, we are conducting a Phase Ib/II clinical trial of ABSK081 (mavorixafor) in combination with toripalimab from Junshi in TNBC patients in China. We dosed the first patient in July 2021. Patient enrollment has been completed.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK081 SUCCESSFULLY.

IND-enabling candidates

ABSK051 is a small molecule CD73 inhibitor being developed for the treatment of various tumor types including lung cancer, pancreatic cancer and other cancers. It has demonstrated strong potency in inhibiting the activities of soluble and surface-expressed CD73. It has also shown strong efficacy in vivo in various animal models. We are currently conducting IND-enabling studies.

ABSK012 is an orally bioavailable, highly selective, next-generation small molecule FGFR4 inhibitor with strong potency against both wild-type and mutant FGFR4. In pre-clinical studies, ABSK012 has demonstrated strong activities in vitro and in cells against both wild-type FGFR4 and various FGFR4 mutants that are resistant to current FGFR4 inhibitors in clinical development, and excellent in vivo efficacy in FGF19-driven and FGFR4-mutant models. We are currently conducting IND-enabling studies.

ABSK112 is a next-generation EGFR-exon20 inhibitor with improved selectivity over wild-type EGFR and strong brain penetrating ability. EGFR-exon20 mutations occur in 3-5% of NSCLC patients, and are resistant to the currently available first, second and third generation EGFR inhibitors. Current clinical compounds targeting these mutations have limited therapeutic window due to limited selectivity against wild-type EGFR. Increased selectivity will likely lead to better target modulation and efficacy in clinical trials. ABSK112 demonstrates strong activity against EGFR-exon20 mutants and clear selectivity against wild-type EGFR in various cellular assays. It has efficacy and PD effects in mouse xenograft models bearing EGFR Exon20 mutation. We are currently conducting IND-enabling studies.

Business development activities

We have established a dedicated business development team to source and evaluate potential opportunities for licensing deals opportunities as well as strategic partnerships of various forms. Through business development activities, we aim to not only maximize the commercial value of our pipeline globally, but also expand the potential of our in-house drug discovery engine.

- In January 2022, we entered into a worldwide co-discovery collaboration with Lilly for the discovery, development and commercialization of novel small molecules against an undisclosed target with critical unmet medical needs. Under the agreement, Lilly will provide prior discovery information as well as additional disease knowledge and expertise to us, and we will be responsible for the discovery and development of molecules that modulate a novel and challenging drug target using our proprietary R&D platform. Upon achievement of the agreed endpoints, Lilly will have the right to further develop and commercialize the asset, and we will be eligible to receive up to US$258 million in potential payments based on the achievement of prespecified preclinical, clinical development and commercial milestones, as well as tiered royalties on sales.

- In February 2022, we announced a collaboration with BeiGene on the combination therapy of fexagratinib and tislelizumab, an anti-PD-1 antibody developed by BeiGene, for the treatment of urothelial cancer. In May 2022, we received the IND approval from NMPA to initiate a Phase II trial for the combination therapy. In November 2022, we completed the first patient enrollment in the Phase II clinical trial for fexagratinib in combination with tislelizumab.

- In March 2023, we entered into an exclusive out-license agreement with Allist for the research, development, manufacture, use, and sales of ABK3376 (a next-generation EGFR-TKI) in Greater China Region (Mainland China, Hong Kong, Macau, and Taiwan). We also granted Allist a time-limited option to expand the licensed territory worldwide in accordance with the terms and conditions agreed upon by both parties. The total deal size is up to US$187.90 million, including upfront development and sales milestones payments, plus tiered royalties on net sales.

Research and development

We believe R&D are critical to our future growth and our ability to remain competitive in the Chinese biopharmaceutical market. We are dedicated to enhancing our pipeline by leveraging our leading in-house R&D capabilities, which spans from early drug discovery to clinical development.

As at December 31, 2022, our R&D team consisted of approximately 200 employees and have extensive clinical development experience, with a particular focus on oncology. Among our R&D team members, over 68% have obtained at least post-graduate degrees, and approximately 21% hold Ph.D. degrees. Among our pre-clinical R&D team members, approximately 79% have obtained at least post-graduate degrees, and approximately 32% hold Ph.D. degrees.

Drug discovery and pre-clinical development

Our drug discovery effort is led by our co-founders, Dr. Xu Yao-Chang, Dr. Yu Hongping and Dr. Chen Zhui, who collectively have made contributions to dozens of discovery programs, a number of which led to successful commercialization, such as Ameile (almonertinib), Cymbalta (duloxetine), Balversa (erdafitinib), Reyvow (lasmiditan), Fu Laimei (PEG-loxenatide), Kisqali (ribociclib), Xinfu (flumatinib) and Venclexta (venetoclax).

We use various discovery and engineering technologies to discover and select our lead compounds with suitable pharmaceutical properties and market potential. Our drug discovery team collaborates with our Chemistry, Manufacturing and Controls ("**CMC**") team at an early stage to complement each team's needs and to ensure continued knowledge sharing, regulatory compliance and a streamlined transition from discovery to development. Our drug discovery team also includes a translational medicine function that conducts biomarker discovery and bioinformatics data processing and analysis to facilitate our clinical studies. We conduct translational research to assess the effectiveness of treatment, evaluate different ways to customize therapies, and improve personalized medicine guidelines using the new data generated. These insights help further guide us toward new directions in novel drug and biomarker discovery.

Clinical development

Our clinical development team is led by Dr. Ji Jing, who received a M.D. degree from Fudan University and Shanghai Second Medical University, majoring in GI and liver disease. She has over 25 years of experience in early and late-stage clinical development in global pharmaceutical companies, serving as clinical development leader and head of therapy area. She has led and executed a wide range of functions, including medical, clinical operations, quality control, clinical research, clinical pharmacology and patient safety.

Our clinical development team manages all stages of our clinical trials, including clinical trial design, implementation, drug supply, and the collection and analysis of trial data. We have entered into agreements with hospitals and principal investigators located in China, the U.S. and other regions that can support our clinical trials of different indications at different stages. We believe our experience in executing clinical trials helps us accelerate our drug development.

With the vision to address unmet medical needs of global patients, we have always been aiming for the global markets. We believe such going-global approach will maximize the commercial value of our assets, for which we own global rights. We have received 15 IND or clinical trial approvals in four countries and regions. Trials outside mainland China include a Phase Ib trial ongoing in the U.S. for pimicotinib, a Phase I trial ongoing in Australia for ABSK043, a Phase I trial ongoing in the U.S. for ABSK061, and two completed trials in Taiwan for irpagratinib Phase Ia and fexagratinib Phase I respectively.

Events after the Reporting Period

Subsequent to December 31, 2022, the significant events that took place are listed below:

Pimicotinib has been approved by the NMPA for a Phase II clinical study in patients with cGvHD. Pre-clinical data indicated that pimicotinib is a highly potent and selective small molecule inhibitor of CSF-1R that may play important roles for treating many human diseases including complications associated with transplantations.

Pimicotinib has also been granted the BTD from the U.S. FDA for the treatment of TGCT patients that are not amenable to surgery. This BTD approval is based on results from the Phase Ib clinical trial of TGCT cohort for pimicotinib.

ABK3376, a pre-clinical candidate was licensed out to Allist. ABK3376, which is a highly potent, selective, and brain-penetrating new-generation EGFR inhibitor, was discovered by our proprietary drug discovery platform. It can efficiently inhibit the C797S mutation occurring after third-generation EGFR-TKI resistance.

Future and Outlook

The 2022 has been challenging due to continuous regional outbreak of COVID-19 pandemic and strict zero-COVID policy. Shanghai has experienced a city-wide lockdown. Despite the challenges we faced during 2022, we took various measures to minimize the impact of COVID-19 on business operations and R&D activities.

Under the joint efforts of all departments of our Company, we were able to progress most of our business during lockdown without disruption. For instance, we managed to successfully submit IND application for fexagratinib combo study during the lockdown, and subsequently received IND approval before lockdown was over.

Looking forward into 2023, we will continue to advance our clinical and preclinical programs as planned and expect to release the next wave of proof-of-concept data during 2023. We also expect to submit IND applications for several pre-clinical assets.

Looking beyond 2023, as a company focused on discovery and development of differentiated therapies in cancer and targeted to treat critical unmet needs for patients in China and globally, we will continue to strive for our initial goals, which mainly comprise the following:

- We will continue to advance our clinical-stage compounds with quality and speed, and push forward the development of pre-clinical candidates.

- We will continue to expand our pipeline with innovative programs primarily focusing on first-in-class or best-in-class therapies, to address critical unmet medical needs for patients in China and globally, as always advocated in our mission statement.

- We will also continue to explore, evaluate and identify suitable business development opportunities so as to maximize the commercial value of our pipeline candidates.

Impact of COVID-19

During the first half of 2022, the PRC government has continuously stuck to the strict zero-COVID policy and imposed mandatory quarantine, closure of workplaces and facilities, travel restriction and other related measures to contain the spread and regional outbreak of the virus.

In particular, in response to the outbreak of COVID-19 in Shanghai, the PRC government adopted a city-wide lockdown. Disruption of hospitals in Shanghai caused minor impacts on certain trials. However, given that our clinical trials are conducted in hospitals located in multiple cities across China and most of the clinical trial sites are located outside of Shanghai, there was no significant impact on the progress of our clinical trials due to the lockdown. We do not expect the pandemic to have any material impact on the overall clinical development plans in the long term.

Due to the closure of our lab in Zhangjiang area and the disruption of certain Contract Research Organisations ("**CROs**") during Shanghai lockdown, some delays have occurred to our pre-clinical programs. During the lockdown, we kept monitoring the latest pandemic prevention and control policy and maintained continuous communication with relevant government authorities regarding resumption of business operation. In May 2022, we were included in the white list of enterprise resuming work and production issued by Shanghai municipal government and our lab successfully resumed operation afterwards, with most of the key R&D staff back to lab in mid-May. Since early June, we have fully resumed business operations in all aspects. As of the date of this report, the Chinese government had also lifted nearly all of restrictive measures that were once in force.

II. FINANCIAL REVIEW

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

	2022 RMB'000	2021 RMB'000
Revenue	–	22,682
Cost of sales	–	–
Gross profit	–	22,682
Other income and gains	45,563	43,587
R&D expenses	(378,746)	(226,126)
Administrative expenses	(118,443)	(124,777)
Other expenses	(41,295)	(80)
Fair value losses on convertible redeemable preferred shares	–	(1,524,320)
Finance costs	(2,685)	(959)
LOSS BEFORE TAX	(495,606)	(1,809,993)
Income tax expenses	–	–
LOSS FOR THE YEAR	(495,606)	(1,809,993)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	774	53,268
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	199,493	(60,895)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	200,267	(7,627)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(295,339)	(1,817,620)
Loss attributable to:		
Owners of the parent	(495,606)	(1,809,993)
Total comprehensive loss attributable to:		
Owners of the parent	(295,339)	(1,817,620)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted		
For loss for the year	RMB0.80	RMB7.71

	2022	2021
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**32,364**	15,209
Right-of-use assets	**44,936**	54,085
Intangible assets	**4,505**	3,051
Other non-current assets	**27**	805
Total non-current assets	**81,832**	73,150
CURRENT ASSETS		
Prepayments and other receivables	**55,094**	35,876
Financial assets at fair value through profit or loss	**93,796**	–
Cash and bank balances	**2,258,827**	2,545,513
Total current assets	**2,407,717**	2,581,389
CURRENT LIABILITIES		
Other payables and accruals	**97,585**	64,676
Lease liabilities	**9,968**	8,862
Total current liabilities	**107,553**	73,538
NET CURRENT ASSETS	**2,300,164**	2,507,851
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,381,996**	2,581,001
NON-CURRENT LIABILITIES		
Lease liabilities	**35,607**	44,942
Total non-current liabilities	**35,607**	44,942
Net assets	**2,346,389**	2,536,059
EQUITY		
Equity attributable to owners of the parent		
Share capital	**46**	46
Treasury shares	**(3)**	(5)
Other reserves	**2,346,346**	2,536,018
Total equity	**2,346,389**	2,536,059

Revenue. Revenue for the year ended December 31, 2022 was zero, while revenue for the year ended December 31, 2021 was RMB22.7 million which was attributed to an out-license upfront payment generated from one of our clinical candidates.

Other income and gains. Other income and gains increased by RMB2.0 million from RMB43.6 million for the year ended December 31, 2021 to RMB45.6 million for the year end December 31, 2022, primarily attributable to: 1) an increase in bank interest income by RMB18.1 million, resulting from an increase in our average cash and bank balances and an increase in interest rates of our time deposits; 2) a decrease in government subsidies by RMB3.5 million; and 3) a decrease in gain on disposal of an associate, resulting from a non-recurring gain of RMB5.9 million recognized from the disposal of a previous equity investment occurred in 2021.

Other income and gains

	2022 RMB'000	2021 RMB'000
Bank interest income	35,018	16,938
Government grants	10,545	14,081
Gain on disposal of an associate	–	5,900
Foreign exchange gains	–	6,668
Total	45,563	43,587

Research and development expenses. R&D expenses increased by RMB152.6 million from RMB226.1 million for the year ended December 31, 2021 to RMB378.7 million for the year ended December 31, 2022, primarily attributable to: 1) increase in employee cost by RMB56.0 million due to continuous expansion of functions related to R&D; and 2) increase in third party contracting cost by RMB87.6 million as we advanced our clinical trials to later stage while expanding early discovery and research activities at the same time.

Research and development expenses

	2022 RMB'000	2021 RMB'000
Employee cost	167,917	111,916
Third party contracting cost	183,548	95,998
Others	27,281	18,212
Total	378,746	226,126

Administrative expenses. Administrative expenses decreased by RMB6.4 million from RMB124.8 million for the year ended December 31, 2021 to RMB118.4 million for the year ended December 31, 2022, primarily attributable to: 1) an increase in employee cost by RMB18.3 million due to expansion of workforce in non-R&D related functions; 2) an decrease in third party advisory service cost by RMB22.2 million, mainly due to the absence of RMB27.6 million IPO related expenses, while partially offset by increased professional service fees.

Administrative expenses

	2022 RMB'000	2021 RMB'000
Employee cost	88,621	70,339
Third party advisory service cost	20,798	43,007
Others	9,024	11,431
Total	118,443	124,777

Finance costs. Finance costs increased by RMB1.7 million from RMB1.0 million for the year ended December 31, 2021 to RMB2.7 million for the year ended December 31, 2022. The nature of the finance cost is the interest expense incurred on lease liabilities. Increase in finance cost for the year ended in December 31, 2022 is mainly due to the increase of interest on lease liabilities.

Other expenses. Other expenses increased by RMB41.2 million from RMB0.1 million for the year ended December 31, 2021 to RMB41.3 million for the year ended December 31, 2022, primarily due to the fluctuation of foreign exchange differences.

Fair value losses on convertible redeemable preferred shares. Fair value losses on convertible redeemable preferred shares decreased by RMB1,524.3 million from RMB1,524.3 million for the year ended December 31, 2021 to zero for the year ended December 31, 2022, primarily due to the convertible redeemable preferred shares had been converted into ordinary shares upon the listing of the Company's shares, and will not affect our financial performance in the subsequent financial years.

NON-IFRS MEASURE

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS, the Company also uses adjusted loss for the year and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the IFRS. 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.

Adjusted loss for the year represents the loss for the year excluding the effect of certain non-cash items and onetime events, namely the loss on fair value changes of the convertible redeemable preferred shares and share-based compensation cost. The term adjusted loss for the year is not defined under the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS. The 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 measures are reflections of the Group's normal operating results by eliminating potential impacts of items that the management do not consider to be indicative of the Group's operating performance, and thus facilitate comparisons of operating performance from period to period and company to company to the extent applicable.

The table below sets forth a reconciliation of the loss to adjusted loss during the periods indicated:

	2022 **RMB'000**	2021 RMB'000
Loss for the year	**(495,606)**	(1,809,993)
Added:		
Fair value losses on convertible redeemable preferred shares	**–**	1,524,320
Share-based compensation cost	**110,121**	89,933
Adjusted loss for the year	**(385,485)**	(195,740)

The table below sets forth a reconciliation of the R&D expenses to adjusted R&D expenses during the periods indicated:

	2022 **RMB'000**	2021 RMB'000
R&D expenses for the year	**(378,746)**	(226,126)
Added:		
Share-based compensation cost	**65,110**	49,811
Adjusted R&D expenses for the year	**(313,636)**	(176,315)

The table below sets forth a reconciliation of the administrative expenses to adjusted administrative expenses during the periods indicated:

	2022 ***RMB'000***	2021 RMB'000
Administrative expenses for the year	**(118,443)**	(124,777)
Added:		
Share-based compensation cost	**45,011**	40,122
Adjusted administrative expenses for the year	**(73,432)**	(84,655)

Liquidity

Liquidity and Financial Resources

The Group's cash and bank balances as at December 31, 2022 were RMB2,258.8 million, representing an decrease of 11% compared to RMB2,545.5 million for the year ended December 31, 2021. The decrease was primarily attributable to continuous expansion and rapid progress of various R&D pipelines as well as business operations, partially offset by impact from foreign exchange volatility.

Gearing ratio

Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. As at December 31, 2022, our gearing ratio was 6% (as at December 31, 2021: 4%).

Other Financial Information

Significant Investment Held

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

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Future Plans for Material Investments or Capital Assets

Save as disclosed in this report, we do not have any future plans for material investments or capital assets as at the date of this report.

Foreign Exchange Risk

Our financial statements are expressed in RMB, but certain of our financial assets measured at fair value through profit or loss and other payables are denominated in foreign currencies, and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Bank Loans and Other Borrowings

As at December 31, 2022, we did not have any bank loans or other forms of borrowings.

Contingent Liabilities

The Group had no material contingent liability as at December 31, 2022.

DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out as follows:

EXECUTIVE DIRECTORS

Dr. XU Yao-Chang, aged 66, is a co-founder of the Group. Dr. Xu founded the Group on April 12, 2016 and was appointed as a Director, Chairman of the Board and CEO of the Company on March 28, 2018. Dr. Xu was designated as an Executive Director on June 10, 2021.

Dr. Xu has over 30 years of experience in research and development in oncology and other disease areas. Dr. Xu began his career at the University of Sherbrooke in Canada as a postdoctoral researcher in 1988. He then worked at BioChem Pharma Inc., a company engaged in new drug research and development for anti-virus and anti-tumor in the early 1990s. Dr. Xu served as senior organic chemist from October 1993 and subsequently Head of Discovery Chemistry Research until January 2006 at Lilly, a pharmaceutical company engaged in the development of pharmaceutical products for treatment in areas of oncology, diabetes, immunology and neurodegeneration. From January 2006 to March 2012, Dr. Xu served as the Executive Director at Novartis International AG, a pharmaceutical company principally engaged in the development, manufacture and marketing of branded and generic prescription drugs, active pharmaceutical ingredients ("**APIs**"), biosimilars and ophthalmic products. From March 2012 to March 2016, Dr. Xu served as the General Manager of the Hansoh Pharmaceutical Group Shanghai Research and Development Centre (豪森醫藥集團上海新藥研發中心) of Shanghai Hansoh BioMedical Co., Ltd. (上海翰森生物醫藥科技有限公司) ("**Hansoh Shanghai**"), a subsidiary of 江蘇豪森藥業集團有限公司 ("**Hansoh**"), a pharmaceutical company engaged in the development of pharmaceutical products in areas of anti-tumor, central nervous system and diabetes. During his tenure at Hansoh, Dr. Xu also served as the Chairman of Hengrui-Hansoh New Drug Discovery Committee (恒瑞－豪森醫藥研發委員會).

Dr. Xu has served as a Director at Abbisko Hong Kong since April 2018, a Director and the CEO at Abbisko Shanghai since April 2016, a Director at Abbisko Wuxi since July 2020 and a Director at Abbisko Australia since December 2020, all four of which are wholly-owned subsidiaries of the Company.

Dr. Xu obtained his Bachelor's degree in chemistry from Nanjing University in the PRC in July 1982, and his Doctoral degree in organic chemistry from the University of Chicago in the United States in July 1988. He served as an Industrial Alternate Councilor from 2010 to 2012 for American Chemical Society, the Division of Medicinal Chemistry. He also has been an elected member of the Medicinal Chemistry Committee of the Chinese Pharmaceutical Association.

Dr. YU Hongping, aged 55, is a co-founder of the Group. Dr. Yu founded the Group on April 12, 2016 and was appointed as a Director and Senior Vice President, Chemistry on March 28, 2018. Dr. Yu was designated as an Executive Director on June 10, 2021 and was re-designated as Chief Scientific Officer (“**CSO**”) in March, 2022.

Dr. Yu worked as a senior research chemist at the Merck Frosst Centre for Therapeutic Research from October 2002 to April 2007, a pharmaceutical company engaged in the development, manufacture and marketing of pharmaceutical drugs, vaccines and animal-health products. From April 2007 to February 2012, Dr. Yu served as a Senior Research Investigator I at Novartis Institutes for BioMedical Research Co., Ltd., a pharmaceutical company engaged in the development, manufacture and marketing of branded and generic prescription drugs, APIs, biosimilars and ophthalmic products. From October 2012 to February 2016, Dr. Yu served as the deputy General Manager of medicinal chemistry at Hansoh Shanghai (formerly known as 上海捷森藥物化學科技有限公司).

Dr. Yu has served as a Director at Abbisko Hong Kong since April 2018 and as a Director at Abbisko Shanghai since April 2016, both of which are wholly-owned subsidiaries of the Company.

Dr. Yu obtained his Bachelor’s degree in chemistry and his Master’s degree in science from Tsinghua University in the PRC in July 1991 and March 1994, respectively. He obtained his Doctoral degree in chemistry from the University of British Columbia in Canada in November 2000 and was a postdoctoral research fellow at that university between July 2001 and September 2002.

Dr. CHEN Zhui, aged 48, is a co-founder of the Group. Dr. Chen joined the Group on May 23, 2016 and was appointed as a Director and Senior Vice President, Biology in March 28, 2018. Dr. Chen was designated as an Executive Director on June 10, 2021 and was re-designated as CSO in March, 2022.

Prior to joining the private healthcare sector, Dr. Chen worked at the University of Texas Southwestern Medical Center in the United States until October 2006. From October 2006 to November 2008, Dr. Chen served as a senior scientist at Abbott Laboratories in the United States. From December 2008 to February 2014, Dr. Chen served as an Investigator II at China Novartis Institutes of Biological Research. From February 2014 to May 2016, he served as an Associate Director in oncology research for Johnson & Johnson.

Dr. Chen has served as a Director at Abbisko Hong Kong since April 2018 and a Director at Abbisko Shanghai since June 2016, both of which are wholly-owned subsidiaries of the Company.

Dr. Chen obtained his Bachelor’s degree in Biochemistry from the University of Texas in the United States in May 1997. He obtained his Doctoral degree from Duke University in the United States in December 2003. He has been a member of the American Association of Cancer Research since 2007.

NON-EXECUTIVE DIRECTORS

Dr. XIA Gavin Guoyao (previously known as Guoyao Xia), aged 43, joined the Group as Non-Executive Director of Abbisko Shanghai on July 1, 2016 and was appointed as a Director on October 22, 2018. Dr. Xia was designated as a Non-Executive Director on June 10, 2021.

Dr. Xia has joined Lilly Asia Ventures since February 2015 and currently serves as a Venture Partner at Lilly Asia Ventures. Since August 2019, he has served as a Director of ClinChoice Medical Development Limited, a clinical contract research organization engaged in offering flexible solutions to pharmaceutical, biotechnology, medical device and consumer products clients. Dr. Xia served as a Director of Shanghai Kun Yuan Biotechnology Co., Ltd. (上海鵾遠生物技術有限公司), a company engaged in next generation sequencing (NGS) testing that allows clinicians to test many genes of a cancer simultaneously and early detection and screening of cancers, from August 2016 to February 2021. He also served as a Director of Jacobio Pharmaceuticals Co., Ltd. (北京加科思新藥研發有限公司) from July 2018 to March 2020, an indirectly wholly-owned subsidiary of Jacobio Pharmaceuticals Group Co., Ltd. (加科思藥業集團有限公司) (a company listed on the Hong Kong Stock Exchange (HKEX Stock Code: 1167)). He has served as a Director of Alebund Biotech Inc., a company engaged in drug discovery and development for kidney diseases, since November 2019 and has also served as its CEO since October 2019.

Dr. Xia obtained his dual Bachelor's degrees in chemistry and economics from Peking University in the PRC in July 2001, and obtained his Doctoral degree in chemistry from the University of Chicago in the United States in June 2007.

Ms. TANG Yanmin (唐艷旻) aged 50, joined the Company on June 10, 2021 and was designated as a Non-Executive Director on the same day.

Ms. Tang worked at Asia Baokang Pharmaceutical Consulting (Beijing) Co., Ltd. (亞洲保康藥業諮詢(北京)有限公司) as General Manager of the Beijing office from December 2002 to August 2015. Ms. Tang has been serving as a Partner at Suzhou Qiyuan Equity Investment Management Partnership Enterprise (Limited Partnership) (蘇州啟元股權投資管理合夥企業(有限合夥)) since December 2015.

Ms. Tang has been serving as a Director and Vice General Manager of Beijing Sinotau International Pharmaceutical Technology Co., Ltd. (北京先通國際醫藥科技股份技術有限公司) and a Director of Beijing Sinotau Pharmaceutical Technology Co., Ltd. (北京先通生物醫藥技術有限公司) since May 2016. Since March 2019, Ms. Tang has also served as a Director of Sinocelltech Group Ltd (北京神州細胞生物技術集團股份公司) (Shanghai Stock Exchange stock code: 688520). Ms. Tang is also currently a Director of Sino Biological Inc. (北京義翹神州科技股份有限公司) and a Director of Suzhou Keyu Biotechnology Limited (蘇州克愈生物科技有限公司). She has been serving as Non-Executive Director of Jacobio Pharmaceuticals Group Co., Ltd. (HKEX Stock Code: 1167) and a Director of Jacobio Pharmaceuticals Co., Ltd. and Jacobio (HK) Pharmaceuticals Co., Limited since August 2018. Ms. Tang also serves as a Director of Cure Genetics Co., Ltd (蘇州克睿基因生物科技有限公司). Ms. Tang has also been serving as a Director of Guangdong Xiantong Molecular Imaging Technology Co., Ltd. (廣東先通分子影像科技有限公司) since September 2020.

Ms. Tang obtained her Bachelor's degree in pharmacy in English from Shenyang Pharmaceutical University (瀋陽藥科大學) in the PRC in July 1996 and her Master's degree in business administration for senior management from Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. SUN Piaoyang (孫飄揚), aged 64, was appointed as an Independent Non-Executive Director on September 30, 2021.

Dr. Sun has served as a Director and a member of the strategic committee of Jiangsu Hengrui Pharmaceuticals Co., Ltd. (江蘇恒瑞醫藥股份有限公司) (Shanghai Stock Exchange Code: 600276) ("**Jiangsu Henrui Pharmaceuticals**") since March 2003 and as the Chairman of the Board of Jiangsu Hengrui Pharmaceuticals from 2003 to January 2020 and from July 2021 until now. Dr. Sun has served as the Chairman of the Board and an Executive Director of Jiangsu Hengrui Pharmaceutical Group Co., Ltd. (江蘇恒瑞醫藥集團有限公司) since February 2020.

Dr. Sun obtained his Bachelor's degree in pharmaceutical chemistry from China Pharmaceutical University in the PRC in July 1982. He obtained his Doctoral degree in organic chemistry from Nanjing University in December 2004.

Mr. SUN Hongbin (孫洪斌), aged 47, was appointed as an Independent Non-Executive Director on September 30, 2021.

Mr. Sun has served as an Independent Non-Executive Director of New Century Healthcare Holding Co. Limited (HKEX Stock Code: 1518) since December 2016. He has served as an Independent Non-Executive Director of CStone Pharmaceuticals (HKEX Stock Code: 2616) since February 2019. He has served as an Independent Non-Executive Director of Mobvista Inc. (HKEX Stock Code: 1860) since July 2020. Mr. Sun was appointed as a Director of Shanghai MicroPort MedBot (Group) Co., Ltd. (HKEX Stock Code: 2252,) in April 2020 and re-designated as a Non-Executive Director of MedBot in June 2021. He has also served as Chairman of the Board of Directors of MedBot. He has been the chief financial officer ("**CFO**") of MicroPort Scientific Corporation (微創醫療科學有限公司), a company listed on the Stock Exchange (HKEX Stock Code: 0853), since July 2010 and served as its Executive Director from July 2010 to September 2012. Mr. Sun has over 23 years of finance and audit experience. Mr. Sun was the deputy Financial Director of Otsuka (China) Investment Co., Ltd. (大冢(中國)投資有限公司) from January 2004 to January 2006 and served as its General Manager from January 2006 to August 2010. From August 1998 to January 2004, he was an Assistant Manager in the audit department of KPMG Huazhen (畢馬威華振會計師事務所) in Shanghai.

Mr. WANG Lei (王磊), aged 50, was appointed as an Independent Non-Executive Director of the Company on September 30, 2021.

Mr. Wang worked at Shanghai Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司) from 1996 to 2013, as Virology/Osteoporosis/Anemia Business Unit Vice President, International Product Manager, National Sales Manager and Strategic Marketing Business Leader, consecutively.

Mr. Wang joined AstraZeneca China in 2013 as Vice President for GI, Respiratory, Anaesthesia and was promoted to President of AstraZeneca China in 2015. In 2017, Mr. Wang was appointed as Executive Vice President, International Region and China Country President.

Mr. Wang holds an EMBA from China Europe International Business School, and a Bachelor of Arts from Shanghai International Studies University in the PRC. Mr. Wang is the Member of the 12th Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference and the Member of the 16th Wuxi Municipal People's Congress. Mr. Wang serves as the Vice Chairman of the Federation of Enterprises and Entrepreneurs in Shanghai Pudong New District (上海市浦東新區企業、企業家聯合會) and Council Member of Shanghai Yangtze River Delta Institute of Business Innovation (上海長三角商業創新研究院).

SENIOR MANAGEMENT

Dr. JI Jing (嵇靖), aged 52, joined the Group as Chief Medical Officer on February 1, 2021 and is responsible for leading cross-functional teams and overseeing company-wide clinical development and regulatory strategies.

Dr. Ji worked as a doctor at Shanghai First People's Hospital from July 1995 to December 1997. She served as the Clinical Research Manager at Merck Sharp & Dohme, a pharmaceutical company engaged in the development of vaccines, medicines and health products, from December 1997 to March 2003. From September 2003 to September 2005, Dr. Ji served as the Clinical Development Manager at Sanofi S.A., a biopharmaceutical company engaged in manufacture of pharmaceutical products. From June 2006 to January 2010, Dr. Ji served as the Head of Medical Affairs at GlaxoSmithKline plc, a pharmaceutical company engaged in the development, manufacture and marketing of pharmaceutical products. From January 2010 to April 2015, Dr. Ji served as Medical Director in early clinical development at Johnson & Johnson Medical (Shanghai) Ltd. (強生(上海)醫療器材有限公司), a pharmaceutical company that engaged in the development of medical devices, pharmaceuticals, and consumer packaged goods. From April 2015 to May 2020, Dr. Ji served as the Head of Cardiovascular, Renal and Metabolism Therapy Area and Vice President at AstraZeneca plc, a pharmaceutical and biotechnology company engaged in the development and manufacture of pharmaceutical products. From May 2020 to January 2021, Dr. Ji served as the Senior Vice President of medical and clinical development at Shanghai Lianbio Development Co., Ltd. (上海聯拓生物科技有限公司).

Dr. Ji obtained her Bachelor of Medicine degree from Fudan University and Shanghai Second Medical University in the PRC in July 1993 and Master's degree in medicine from Fudan University and Shanghai Second Medical University in the PRC in July 1995.

Mr. LI Yongyi (李勇毅), aged 48, joined the Group as General Counsel on June 1 2021, and is responsible for overseeing the Group's legal, compliance as well as public relations.

Mr. Li worked as an attorney at Latham & Watkins LLP from March 2010 to April 2011. From June 2013 to June 2017, Mr. Li served as Vice President and General Counsel at Cardinal Health China. From July 2017 to May 2021, Mr. Li served as Vice President and General Counsel at Lilly China.

Mr. Li obtained his Bachelor of Engineering degree in management information systems from the University of Science and Technology Beijing in the PRC in July 1997. He obtained his Master of Arts degree and Juris Doctor degree from Duke University in the United States in May 1999 and May 2007, respectively.

Dr. ZHANG Zhen (張臻), aged 49, joined the Group as Vice President and Head of CMC on April 1, 2021 and is responsible for overseeing the Group's chemistry, manufacturing and controls in the drug development cycle. Dr. Zhang served as a Senior Director of the research and development department of Shanghai Chempartner Co. Ltd. from December 2009 to January 2013. He served as the Director at Stability China of Bristol Myers Squibb from January 2013 to July 2013. He served as a Director of small molecule development at Johnson & Johnson from July 2013 to March 2021.

Dr. Zhang obtained his Bachelor of Science degree in chemistry from Nanjing University in the PRC in July 1994. He obtained his Doctoral degree from the Rutgers University in the United States in October 2002.

Dr. ZHANG Zidong (張子棟), aged 43, joined the Group as CFO on May 16, 2022, and is responsible for the the Company's financial management, capital market, investor relations and other related activities.

He served as the CFO at Novotech Health Holdings Pte. Ltd. prior to joining the Group, overseeing all aspects of financial management. He also previously served as the CFO at Shanghai Henlius Biotech, Inc. (a company listed on the main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 2696), where he built and managed the finance team and played a crucial role in its initial public offering in 2019. Prior to that, Dr. Zhang was an equity analyst at UBS in New York, covering US large cap and specialty pharmaceutical sector. He also served as a senior consultant for Bayer A.G. in its healthcare group. Before entering the industry, Dr. Zhang conducted his postdoctoral research in diabetes-related drug discovery at Boston University.

Dr. Zhang obtained his Bachelor's degree in chemistry from Fudan University and Master's degree of business administration from Duke University in the United States. He obtained his Doctoral degree in biochemistry from Boston University.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

We are a clinical-stage biopharmaceutical company dedicated to the discovery and development of innovative and differentiated small molecule oncology therapies. Since our inception in 2016, we have strategically designed and developed a pipeline of 15 candidates focused on oncology, including seven candidates at clinical stage. Our product candidates are primarily small molecules that focus on small molecule precision oncology and small molecule immuno-oncology therapeutic areas.

There were no significant changes in the nature of the Group's principal activities during the Reporting Period. Please refer to note 1 to the consolidated financial statements on page 104 of this report for details of the principal activities of the principal subsidiaries of the Group.

BUSINESS REVIEW

A fair review of the business of the Group, the outlook of future development of the business of the Group as well as a discussion and analysis of the Group's performance during the Reporting Period and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Companies Ordinance can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this report. The financial risk management objectives and policies of the Group are set out in note 29 to the consolidated financial statements.

For further details, please refer to the section headed "Management Discussion and Analysis" on pages 17 to 31.

RESULTS AND FINAL DIVIDENDS

Details of the consolidated loss of the Group for the Reporting Period and the Group's financial position as at December 31, 2022 are set out in the consolidated financial statements.

The Board does not recommend payment of a final dividend for the year ended December 31, 2022. No dividend was paid or declared by the Company or other members of the Group during the year ended December 31, 2022 (2021: nil). In addition, there was no arrangement under which a Shareholder has waived or agreed to waive any dividends.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

For further details, please refer to the Company's "Environmental, Social and Governance ("**ESG**") Report".

PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks involved in our operations, many of which are beyond our control. Some of the major risks we face include:

- We face fierce competition from existing products and product candidates under development in the entire oncology market. Our competitors may discover, develop or commercialize competing drugs earlier or more successfully than we do. If we fail to effectively compete with our competitors, our competitive position in our target markets may be undermined, our drug candidates, if and when approved, may fail to be commercially successful and our business, financial condition, results of operations and prospects could suffer;

- Our business and financial prospects depend substantially on the success of our clinical stage and pre-clinical stage drug candidates. If we are unable to successfully complete their clinical development, obtain relevant regulatory approvals or achieve their commercialization, or if we experience significant delays in any of the foregoing, our business, results of operations and financial condition may be adversely affected;

- We rely on certain third-party licensors for some of our clinical development activities;

- If safety, efficacy or other issues arise with any drug or medical product used in combination with or to facilitate the use of our drug candidates, we may be unable to market such drug candidate or may experience significant regulatory delays;

- We may be restricted from transferring our scientific data abroad;

- We have incurred significant net losses since our inception, and expect to continue to incur net losses for the foreseeable future and may not be able to generate sufficient revenue to achieve profitability. Potential investors are at risk of losing substantially all of their investments in our Shares;

- We have net operating cash outflow; and

- Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our convertible redeemable preferred shares.

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

DIRECTORS

The Directors during the Reporting Period and up to the date of this report are:

Executive Directors

Dr. Xu Yao-Chang (徐耀昌博士)
Dr. Yu Hongping (喻紅平博士)
Dr. Chen Zhui (陳椎博士)
Mr. Yeh Richard (葉霖先生) (resigned on April 28, 2022)

Non-Executive Directors

Dr. Xia Gavin Guoyao (夏國堯博士)
Ms. Tang Yanmin (唐艷旻女士)

Independent Non-Executive Directors

Dr. Sun Piaoyang (孫飄揚博士)
Mr. Sun Hongbin (孫洪斌先生)
Mr. Wang Lei (王磊先生)

In accordance with Article 16.19 of the Articles of Association, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to, but not less than one-third) shall retire from office by rotation at every Annual General Meeting (“**AGM**”) and, being eligible, offer themselves for re-election.

In accordance with Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a causal vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

In accordance with Article 16.3 of the Articles of Association, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors.

Details of the Directors to be re-elected at the forthcoming AGM are set out in the circular to Shareholders to be dispatched in due course.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 32 to 37 of this report.

CHANGES IN INFORMATION OF DIRECTORS

So far as the Directors are aware and save as disclosed in this report, there has been no other change of information of Directors during the Reporting Period pursuant to Rule 13.51B(1) of the Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the Independent Non-Executive Directors, namely Dr. Sun Piaoyang, Mr. Sun Hongbin and Mr. Wang Lei, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our Independent Non-Executive Directors have been independent during the year ended December 31, 2022 and remain so as at the date of this report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

As at December 31, 2022, we had approximately 250 employees. Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security contributions and other welfare payments. In accordance with applicable PRC laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees in the PRC.

Our Directors receive compensation in the form of fees, salaries, bonuses, other allowances, benefits in kind, contribution to the pension scheme and other share-based compensation. We determine the compensation of our Directors based on each Director's responsibilities, qualification, position and seniority. Details of the Directors' remuneration during the year are set out in note 9 to the consolidated financial statements. No amount was paid to any Director or any of the five highest paid individual disclosed in note 10 to the consolidated financial statements as an inducement to join or upon joining the Company or as a compensation for loss of office. In addition, there was no arrangement under which a Director waived or agreed to waive any remuneration.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Articles of Association provide that the Directors or other officers of the Company are entitled to be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Reporting Period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the Reporting Period and up to the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to the date of this report between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouse or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As far as the Company is aware, as at December 31, 2022, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Name of Director or chief executive officer	Nature of Interest	Total number of shares/ underlying shares	Approximate Percentage of Shareholding Interest[2]
Dr. Xu Yao-Chang[3]	Founder of discretionary trust; interest in controlled corporation; interests held jointly with another person; interest of a party to an agreement regarding interest in our Company; beneficial owner	161,352,577 (L)[1]	22.99%
Dr. Chen Zhui[3]	Founder of discretionary trust; interest in controlled corporation; interests held jointly with another person; interest of a party to an agreement regarding interest in our Company; beneficial owner	161,352,577 (L)[1]	22.99%
Dr. Yu Hongping[3]	Interest in controlled corporation; interests held jointly with another person; interest of a party to an agreement regarding interest in our Company; beneficial owner	161,352,577 (L)[1]	22.99%

Notes:

(1) "L" means holding a long position in Shares.

(2) Refers to the percentage of the number of relevant Shares involved divided by the total number of Shares in issue of the Company as at December 31, 2022, being 701,774,350 Shares.

(3) Includes (1) Dr. Xu is the settlor of a discretionary trust, the Xu Family Trust, of which Trident Trust Company (HK) Limited acts as its trustee and the beneficiaries of which are Dr. Xu's family members. Yaochang Family Holding Limited is wholly owned by Hery International Development Limited, which is in turn wholly owned by Trident Trust Company (HK) Limited as the trustee of the Xu Family Trust. Each of Dr. Xu (as settlor of the Xu Family Trust), Trident Trust Company (HK) Limited and Hery International Development Limited are deemed to be interested in the 70,290,520 Shares in the Company held by Yaochang Family Holding Limited.; and (2) Dr. Xu directly holds 3,143,544 Shares.

Includes (1) Dr. Chen is the settlor of a discretionary trust, the Zabuye Trust, of which Trident Trust Company (HK) Limited acts as its trustee and the beneficiaries of which are Dr. Chen's family members. Chogir Limited is wholly owned by Zabuye Limited, which in turn is wholly owned by Trident Trust Company (HK) Limited as the trustee of the Zabuye Trust. Jamdrok Limited is wholly owned by Dr. Chen. Each of Dr. Chen (as the settlor of the Zabuye Trust), Trident Trust Company (HK) Limited and Zabuye Limited are deemed to be interested in the 4,948,690 Shares in the Company held by Chogir Limited.; (2) Dr. Chen is also deemed to be interested in the 4,948,680 Shares in the Company held by Jamdrok Limited; and (3) Dr. Chen directly holds 2,528,231 Shares.

Includes (1) Dr. Yu through his interest in controlled corporation, Panorama HY Investment Limited, held 9,897,370 Shares and (2) Dr. Yu directly holds 2,528,231 Shares.

Dr. Xu, Dr. Yu and Dr. Chen entered into an acting-in-concert agreement on May 26, 2021, pursuant to which they acknowledged and confirmed that (i) since 2016, each of Dr. Xu, Dr. Yu, Dr. Chen and their controlled entities has been acting in concert at the Shareholders' meetings of Abbisko Therapeutics Co., Ltd. and the Company; (ii) they will continue to act in concert at the Shareholders' meeting of the Company; and (iii) in the event that the parties are unable to reach consensus on matters of the Company, each of the parties shall exercise their respective voting rights in accordance with the instructions of Dr. Xu. As such, each of Dr. Xu, Dr. Chen and Dr. Yu (i.e. the "Concert Parties") are deemed to be interested in the Shares each other is interested in.

As Dr. Xu had exercisable voting power over such shares which were held by Computershare Hong Kong Trustees Limited and Futu Trustee Limited, Dr. Xu, Dr. Chen and Dr. Yu were deemed to be interested in shares held by Computershare Hong Kong Trustees Limited and Futu Trustee Limited. According to disclosure of interest filings of Dr. Xu, Dr. Chen and Dr. Yu subsequent to the Reporting Period, Dr. Xu ceased to be entitled to instruct Computershare Hong Kong Trustees Limited and Futu Trustee Limited to exercise their voting rights in respect of such shares held by them. As such, Dr. Xu, Dr. Chen and Dr. Yu ceased to be deemed to be interested in shares held by Computershare Hong Kong Trustees Limited and Futu Trustee Limited.

Save as disclosed above, as at December 31, 2022, none of the Directors or chief executives of the Company had or was deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO; or which were required, pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2022, to the best of the knowledge of the Company and the Directors, the following are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

Name of Shareholder	Nature of Interest	Total number of shares/ underlying shares	Approximate Percentage of Shareholding Interest[2]
LAV GP III, L.P.[3]	Interest in controlled corporation	51,454,060 (L)[1]	7.33%
LAV Corporate GP, Ltd.[3]	Interest in controlled corporation	51,454,060 (L)[1]	7.33%
Yi Shi[3]	Interest in controlled corporation	75,143,790 (L)[1]	10.71%
Qiming Venture Partners VI, L.P.[4]	Beneficial owner	47,323,020 (L)[1]	6.74%
Qiming Corporate GP VI, Ltd[4]	Interest in controlled corporation	48,596,400 (L)[1]	6.92%
Elbrus Investments Pte. Ltd.[5]	Beneficial owner	46,508,460 (L)[1]	6.63%
Temasek Holdings (Private) Limited[5]	Interest in controlled corporation	52,734,460 (L)[1]	7.51%
Trident Trust Company (HK) Limited[6]	Trustee	75,239,210 (L)[1]	10.72%
Futu Trustee Limited[6]	Trustee	37,441,240 (L)[1]	5.34%
Morgan Stanley[7]	Interest in controlled corporation	52,486,000 (L)[1] 21,108,000 (S)[1]	7.48% 3.01%

Notes:

(1) "L" means holding a long position in Shares, while "S" means holding a short position in Shares.

(2) Refers to the percentage of the number of relevant Shares involved divided by the total number of Shares in issue of the Company as at December 31, 2022, being 701,774,350 Shares.

(3) Absolute Investment Limited, Sky Infinity Investment Limited and LAV Biosciences Fund V, L.P. directly owns 34,302,700 Shares, 17,151,360 Shares and 11,235,730 Shares respectively. Absolute Investment Limited is wholly-owned by LAV Biosciences Fund III, L.P.. Sky Infinity Investment Limited is wholly-owned by Lilly Asia Ventures Fund III, L.P.. The general partner of both LAV Biosciences Fund III, L.P. and Lilly Asia Ventures Fund III, L.P. is LAV GP III, L.P., whose general partner is LAV Corporate GP, Ltd., a company owned by Yi Shi. LAV Biosciences Fund V, L.P. is a Cayman exempted limited partnership fund. The general partner of LAV Biosciences Fund V, L.P. is LAV GP V, L.P., whose general partner is LAV Corporate V GP, Ltd., a company owned by Yi Shi.

Each of LAV Star Limited, LAV Star Opportunities Limited and LAV Amber Limited directly owns 4,982,000 Shares, 4,982,000 Shares and 2,490,000 Shares. LAV Star Limited is wholly-owned by LAV Fund VI, L.P. and LAV Star Opportunities Limited is wholly-owned by LAV Fund VI Opportunities, L.P. The ultimate beneficial owner of LAV Star Limited and LAV Star Opportunities Limited is Yi Shi. LAV Amber Limited is wholly owned by LAV Biosciences Fund V, L.P..

Based on the above, under the SFO, LAV Biosciences Fund III, L.P. is deemed to be interested in the 34,302,700 Shares held by Absolute Investment Limited. Each of LAV GP III, L.P. and LAV Corporate GP, Ltd. (through its interests in controlled corporations) is interested in the 34,302,700 Shares held by Absolute Investment Limited and the 17,151,360 Shares held by Sky Infinity Investment Limited. LAV Biosciences Fund V, L.P. is deemed to be interested in the 2,490,000 Shares held by LAV Amber Limited. Yi Shi (through his interests in controlled corporations) is deemed to be interested in the 34,302,700 Shares held by Absolute Investment Limited, the 17,151,360 Shares held by Sky Infinity Investment Limited and the 11,235,730 Shares LAV Biosciences Fund V, L.P. is interested in.

(4) Qiming Venture and Qiming Managing directly owns 47,323,020 Shares and 1,273,380 Shares respectively. Each of Qiming Venture and Qiming Managing is an exempted limited partnership managed and controlled by its ultimate general partner Qiming Corporate GP VI, Ltd.. Based on the above, under the SFO, Qiming Corporate GP VI, Ltd. is deemed to be interested in (through its interests in controlled corporations) the 47,323,020 Shares and 1,273,380 Shares held by Qiming Venture and Qiming Managing respectively.

(5) Elbrus Investments directly owns 46,508,460 Shares. Elbrus Investments is a company incorporated in Singapore, being a wholly-owned subsidiary of Temasek Life Sciences Private Limited, which is in turn a wholly-owned subsidiary of Fullerton Management Pte Ltd, which is in turn a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Under the SFO, each of Temasek Life Sciences Private Limited, Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited is deemed to be interested in (through their interests in controlled corporations) the 46,508,460 Shares held by Elbrus Investments.

In addition, taking into account 6,226,000 Shares directly owned by Aranda Investments Pte. Ltd., an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited, Temasek Holdings (Private) Limited is deemed to be interested in the 6,226,000 Shares held by Aranda Investments Pte. Ltd.

(6) Please refer to note 3 to the table under the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" as disclosed in this report.

(7) Morgan Stanley & Co. International plc directly holds 52,486,000 and 21,108,000 in long position and short position in Shares respectively. Morgan Stanley & Co. International plc is directly wholly owned by Morgan Stanley Investments (UK), which is in turn wholly owned by Morgan Stanley International Limited, which is in turn wholly owned by Morgan Stanley International Holdings Inc., which is in turn wholly owned by Morgan Stanley. Therefore, Morgan Stanley is deemed to be interested in the 52,486,000 long position in Shares and 21,108,000 short position in Shares held by Morgan Stanley & Co. International plc.

Save as disclosed above, as at December 31, 2022, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

LARGEST SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

At no time during the Reporting Period had the Company or any of its subsidiaries, and its largest Shareholders of the Company or any of their subsidiaries (as the case may be) entered into any contract of significance or any contract of significance for the provision of services by any such largest Shareholders or their subsidiaries (as the case may be) to the Company or any of its subsidiaries.

EQUITY INCENTIVE PLANS

2019 Share Incentive Plan

The 2019 Share Incentive Plan was a pre-IPO share incentive plan adopted and approved by resolutions in writing by the Board and the Shareholders on July 4, 2019 and was further amended on June 10, 2021. The purpose of the 2019 Plan is to attract and retain the best available personnel and to provide additional incentives to employees, Directors and consultants of the Company and to promote the success of the Company's business. All shares underlying the awards and options which may be granted under the 2019 Plan have been allotted and issued prior to the listing of the Company's shares on the Stock Exchange. No further shares of the Company would be or have been issued pursuant to the 2019 Plan after the listing of the Company's shares on the Stock Exchange.

1. *Summary of terms*

   (a) *Duration*

   The 2019 Plan shall be valid and effective for the period of ten years commencing from the adoption date after which period no further options, share appreciation right, dividend equivalent right, restricted shares and restricted share units ("**Award**") will be granted, unless terminated sooner. Therefore, as at December 31, 2022, the remaining life of the 2019 Plan was approximately six years and six months.

   (b) *Participants*

   The participants of the 2019 Plan include employees who are in the employment of the Company and its affiliates, directors and consultants of the Company and its affiliates.

   (c) *Administration*

   The 2019 Plan shall be subject to the administration of (i) the Board; (ii) one of the officers or Directors or a committee designated by the Board (the "**Administrator**"); and (iii) the Shareholders. The Board shall have the authority to (i) approve the 2019 Plan and the separate programs under the 2019 Plan; (ii) select the core management team and Directors to which Awards may be granted from time to time; (iii) to determine whether and to what extent the Awards are granted for the core management team and Directors; (iv) to determine the type or the number of Awards to be granted for the core management team and Directors and the number of shares to be covered by each Award granted; (v) to determine the terms and conditions of any Award granted for the core management team and Directors; (vi) amend the terms of any outstanding Award granted for the core management team and Directors under the 2019 Plan; (vii) amend, suspend or terminate the 2019 Plan at any time provided, however, that no such amendment shall be made without the approval of the Shareholders to the extent that such approval is required by the applicable laws; (viii) terminate the grant of Award during any suspension of the 2019 Plan or after termination of the 2019 Plan; (ix) to take such other major action, not inconsistent with the terms of the 2019 Plan and the applicable laws, as the Board deems appropriate, such as the early exercise of the Awards and the loan plan and the amount of consideration to be covered by each Award granted. The Shareholders shall have the power to approve and determine the maximum aggregate number of ordinary shares which may be issued pursuant to all Awards under the 2019 Plan.

The Administrator shall have the authority to (i) propose amendments to the 2019 Plan and separate programs under the 2019 Plan and report the propose amendments of the 2019 Plan to the Board for approval; (ii) to select employees (not including the core management team and consultants) whom Awards may be granted from time to time; (iii) to determine whether and to what extent Awards are granted for the employees (not including the core management team and consultants); (iv) to determine the type or the number of Awards to be granted for the employees (not including the core management team and consultants), the number of ordinary shares to be covered by each Award; (v) to approve forms of Award agreements for use under the 2019 Plan and the separate programs and to amend the terms of the Award agreements; (vi) to determine the terms and conditions of any Award granted for the employees (not including the core management team and consultants); (vii) to amend the terms any outstanding Award granted for the employees (not including the core management team) and consultants under the 2019 Plan; (viii) to construe and interpret the terms of the 2019 Plan and Awards; (ix) to take such other action, not inconsistent with the terms of the 2019 Plan and the applicable laws, as the Administrator deems appropriate.

(d) *Award Agreement, Exercise Period and Vesting Period*

Each Award granted under the 2019 Plan shall be evidenced by an award agreement between the Company and the eligible participant, approved by the Administrator or the Board.

The Awards to be issued under the 2019 Plan shall be subject to the vesting schedule and exercise period as specified in the award agreement. The Board shall have the right to adjust the vesting schedule of the options granted to the grantees.

(e) *Type of Award*

The 2019 Plan provides for awards of options, share appreciation right, dividend equivalent right, restricted share and restricted share units ("**RSUs**").

(i) **Options.** Subject to the 2019 Plan, the Administrator or the Board (as the case may be) shall be entitled to make an offer to any eligible participant to take up options in respect of such number of Shares as the Administrator may determine and at the exercise price determined by the Administrator or the Board (as the case may be) in its sole discretion and disclosed in the notices of stock option award and the award agreement. An option shall be deemed exercised when the Company receives (i) application from the eligible participant to the Company in the specified incentive management systems; (ii) full payment for the Shares with respect to which the option is exercised. The period within which the option may be exercised by the grantee under the 2019 Plan is subject to the terms and conditions as set out in the notices of stock option award and the award agreement.

(ii) **Share Appreciation right and dividend equivalent right.** Subject to the 2019 Plan, the Administrator or the Board (as the case may be) shall be entitled to make an offer to any eligible participant to take up share appreciation right or dividend equivalent right in respect of such number of Shares as the Administrator may determine and at the exercise or purchase price determined by the Administrator or the Board (as the case may be) in its sole discretion and disclosed in the award agreement.

(iii) **Restricted Share.** Subject to the 2019 Plan, a restricted share may be issued to the eligible participant for such consideration, if any, and subject to such restrictions on transfer, rights of first refusal, repurchase provisions, forfeiture provisions, and other terms and conditions established by the Administrator or the Board (as the case may be).

(iv) **Restricted Share Units.** A restricted share unit may be earned in whole or in part upon the passage of time or the attainment of performance criteria established by the Administrator or the Board (as the case may be) and may be settled for cash, Shares or other securities or a combination of cash, Shares or other securities as established by the Administrator or the Board (as the case may be).

(f) Payment

The consideration to be paid for the Shares to be issued upon exercise or purchase of an Award including the method of payment, shall be determined by the Board according to the specific circumstances and subject to the applicable laws. The tax withholding to be paid for the Shares shall be determined according to the provisions in the 2019 Plan and the applicable laws.

(g) Non-transferability of Awards

Subject to the applicable laws, the Awards shall not be transferrable unless otherwise approved by the Administrator. Upon the Administrator's approval, the eligible participant may designate one or more beneficiaries of the eligible participant's award in the event of the participant's death on a beneficiary designation form provided by the Administrator.

(h) Maximum Number of ordinary shares

Subject to the terms of the 2019 Plan, the maximum aggregate number of ordinary shares which may be issued pursuant to all Awards was 8,360,280 Shares (which was subsequently adjusted to 83,602,800 Shares upon completion of the Share Subdivision), or any other share as approved by the Board or the Shareholders' meeting according to the Shareholders' agreement and the Articles of Association of the Company. As at December 31, 2022, (i) the aggregate number of underlying ordinary shares pursuant to the outstanding options and RSUs granted under the 2019 Plan was 33,781,395 Shares; and (ii) the aggregate number of underlying ordinary shares pursuant to the outstanding RSUs to be granted under the 2019 Plan was 20,509,891 Shares. No shares are available for issue under the 2019 Plan, as all shares underlying the the awards and options which may be granted under the 2019 Plan have already been allotted and issued.

Unless approved by the Shareholders in general meeting, the total number of the ordinary shares issued and to be issued upon the vesting or exercise of the Awards granted to each participant in any 12-month period shall not exceed 1% of the Shares in issue for the time being.

On December 16, 2019, 910,676 ordinary shares were issued to Affluent Bay Limited, which was owned and managed by The Core Trust Company Limited (滙聚信託有限公司), the trustee of Affluent Bay Trust. On September 18, 2021, 3,705,480 ordinary shares were issued to Computershare Hong Kong Trustees Limited, the trustee of Abbisko Cayman Limited Trust, and were transferred out to share award scheme participants as of December 7, 2022. On September 18, 2021, 1,909,023 ordinary shares were issued to Abbisko Galaxy Myth Limited and on September 18, 2021, 1,835,101 ordinary shares were issued to Abbisko Glorious Ode Limited, both of which were owned and managed by Futu Trustee Limited, the trustee of Abbisko Galaxy Myth Trust and Abbisko Glorious Ode Trust. The Affluent Bay Trust, Abbisko Cayman Limited Trust, Abbisko Galaxy Myth Trust and Abbisko Glorious Ode Trust are all trusts set up by the Company to facilitate the administration of the ordinary shares Incentive Plan. Above mentioned share numbers were made corresponding changes upon completion of the Company's Share Subdivision.

(i) Change in Control

In the event of a Corporate Transaction, each Award can be assumed or replaced immediately prior to the specified effective date of such Corporate Transaction. For the portion of each Award that is neither assumed or substituted, such portion of the Award shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights for all of the ordinary shares at the time represented by such portion of the Award, immediately prior to the specified effective date of such Corporate Transaction, provided that the eligible participant's continuous service has not terminated prior to such date. All outstanding Awards under the 2019 Plan shall terminate effective upon the consummation of a Corporate Transaction, provided however that all such Awards shall not terminate to the extent that they are assumed or replaced in connection with the Corporate Transaction.

For the above purpose, a "Corporate Transaction" means the following events as determined by the Board: (i) a merger, amalgamation, consolidation or other business combination of the Company with or into any person, in which the Company is not the surviving entity, as a result of which the Shareholders of the company immediately prior to such transaction will cease to own a majority of the voting power of the surviving entity immediately after consummation of such transaction; (ii) the sale, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company and its Subsidiaries and Affiliates; (iii) the complete liquidation or dissolution of the Company; (iv) any reverse merger or series of related transactions culminating in a reverse merger in which the Company is the surviving entity but the ordinary shares outstanding immediately prior to such merger are converted or exchanged by virtue of the merger into other property, whether in the form of securities, cash or otherwise, or in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person different from those who held such securities immediately prior to such merger or the initial transaction culminating in such merger but excluding any such transaction or series of related transactions that the Board determines shall not be a corporate transaction; or (v) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities, but excluding any such transaction or series of related transactions that the Board determines shall not be a corporate transaction.

2. *Outstanding options, share appreciation right, dividend equivalent right, restricted shares and RSUs*

As at December 31, 2022, the aggregate number of underlying ordinary shares pursuant to the outstanding options granted was 10,509,145 Shares, representing approximately 1.5% of the total issued Shares. The exercise price of all the options granted under the 2019 Plan is between RMB0.01 and RMB2.61 per share. No options under the 2019 Plan have been or could be granted after the Listing Date.

As at December 31, 2022, the aggregate number of underlying ordinary shares pursuant to the outstanding RSUs granted under the 2019 Plan is 23,272,250 Shares, representing approximately 3.32% of the total issued Shares.

As at December 31, 2022, no shares appreciation right or dividend equivalent right had been granted pursuant to the 2019 Plan.

3. Movements of the Awards

Details of movements of share options under the 2019 Plan Scheme during the year ended December 31, 2022 are as follows:

			Number of shares underlying options									
Name of Participant or Category of Participant	Date of grant	Closing price of shares immediately before the date on which the options were granted	Outstanding as of the beginning of the reporting period	Granted during the reporting period	Lapsed during the reporting period	Cancelled during the reporting period	Exercised during the reporting period	Outstanding as of the ending of the reporting period	Vesting period	Exercise period	Exercise price	Performance targets
Directors												
Xu Yao-Chang	December 1, 2019	N/A	1,519,940	–	–	–	1,519,940	–	Note 1	Note 4	HKD2.87	Note 7
	December 1, 2019	N/A	297,820	–	–	–	223,365	74,455	Note 2	Note 4	HKD2.87	Note 7
Chen Zhui	December 1, 2019	N/A	999,630	–	–	–	999,630	–	Note 1	Note 4	HKD2.87	Note 7
	December 1, 2019	N/A	297,820	–	–	–	223,365	74,455	Note 2	Note 4	HKD2.87	Note 7
Yu Hongping	December 1, 2019	N/A	999,630	–	–	–	999,630	–	Note 1	Note 4	RMB0.01	Note 7
	December 1, 2019	N/A	297,820	–	–	–	223,365	74,455	Note 2	Note 4	RMB1.34	Note 7
Employee participants	Note 8	N/A	25,594,330	–	1,554,060	–	13,754,490	10,285,780	Note 3	Note 4	Note 6	Note 7

Notes:

1. 20%,30%,50% respectively of the Options shall vest on each of the 1st, 2nd, 3rd anniversary of the date of grant.

2. 25% of the Options shall vest on each of the 1st, 2nd, 3rd and 4th anniversary of the date of grant.

3. Both Note 1 and Note 2 vesting situations exist for different batches

4. The exercise period of the Options commences on any day after the date upon which the Option is accepted or deemed to be accepted and in any event shall end not later than the 10th anniversary of the relevant date of the letter by which an Option is offered, subject to the provisions for early termination or the relevant document of grant or other notification issued by the Board.

5. The weighted average closing price of the Shares immediately before the dates on which the share options under the 2019 Plan were exercised was HK$3.10.

6. RMB0.01, RMB1.34, RMB1.45 for different batches

7. Subject to satisfaction of certain performance targets as determined by the Board at its absolute discretion, either on a case by-case basis or generally:

   (i) Group level performance: The Board will assess the performance of the Group for the relevant year, including in particular key performance indicators, such as revenue, profit and sales volume of the Group as a whole and of the applicable business.

   (ii) Individual level performance: The Group has established a standard performance appraisal system for its employees to evaluate their performance and contribution to the Group. The Company will determine whether the Grantees meet the individual performance target based on their performance appraisal results for the relevant year.

8. December 1, 2019, December 1, 2020, June 1, 2021 and September 1, 2021.

9. No option under the 2019 Share Incentive Plan has been granted to any of the directors which have not been identified in the table; no option under the 2019 Share Incentive Plan has been granted to any of the five highest paid individuals during the financial year which has not been individually identified in the table.

Details of movements of RSUs under the 2019 Plan Scheme during the year ended December 31, 2022 are as follows:

Name of Participant or Category of Participant	Date of grant	Closing price of shares immediately before the date on which the awards were granted	Number of shares underlying awards: Outstanding as of the beginning of the reporting period	Granted during the reporting period	Vested during the reporting period	Lapsed during the reporting period	Cancelled during the reporting period	Outstanding as of the ending of the reporting period	Vesting Period	Performance targets	Fair value of awards at the date of grant
Directors											
Xu Yao-Chang	November 1, 2022	HK$2.62	–	300,000	–	–	–	300,000	Note 2	Note 5	Note 6
	June 1, 2021	N/A	11,237,500	–	3,143,544	2,475,206	–	5,618,750	Note 3	Note 5	Note 6
Chen Zhui	November 1, 2022	HK$2.62	–	250,000	–	–	–	250,000	Note 2	Note 5	Note 6
	June 1, 2021	N/A	9,000,000	–	2,528,231	1,971,769	–	4,500,000	Note 3	Note 5	Note 6
Yu Hongping	November 1, 2022	HK$2.62	–	250,000	–	–	–	250,000	Note 2	Note 5	Note 6
	June 1, 2021	N/A	9,000,000	–	2,528,231	1,971,769	–	4,500,000	Note 3	Note 5	Note 6
Top-paid individuals during the reporting period (Note 1)											
	March 1, 2022	HK$5.21	–	250,000	–	–	–	250,000	Note 2	Note 5	Note 6
	June 1, 2022	HK$3.74	–	3,500,000	–	–	–	3,500,000	Note 2	Note 5	Note 6
Employee participants											
	2022/3/1	HK$5.21	–	200,000	–	–	–	200,000	Note 2	Note 5	Note 6
	2022/6/1	HK$3.74	–	890,000	–	–	–	890,000	Note 2	Note 5	Note 6
	2022/9/1	HK$4	–	375,000	–	–	–	375,000	Note 2	Note 5	Note 6
	2022/11/1	HK$2.62	–	1,921,000	–	40,000	–	1,881,000	Note 2	Note 5	Note 6
	Prior to FY 2022	N/A	8,947,300	–	3,167,723	5,022,077	–	757,500	Note 2 and Note 3 for different batches	Note 5	Note 6

Notes:

1. Three of the five highest paid individuals during the reporting period have been individually identified as directors of the Company in the table.

2. 25% of the Share Awards shall vest on each of the 1st,2nd, 3rd and 4th of anniversary of the Grant Date.

3. 50%, 25%, 25% of the Share Awards shall vest on 18 months, 30 months and 42 months from the Grant Date.

4. The weighted average closing price of the Shares immediately before the dates on which the RSUs under the 2019 Plan were vested was HK$3.73.

5. Subject to satisfaction of certain performance targets as determined by the Board at its absolute discretion, either on a case by-case basis or generally:

   (i) Group level performance: The Board will assess the performance of the Group for the relevant year, including in particular key performance indicators, such as revenue, profit and sales volume of the Group as a whole and of the applicable business.

   (ii) Individual level performance: The Group has established a standard performance appraisal system for its employees to evaluate their performance and contribution to the Group. The Company will determine whether the Grantees meet the individual performance target based on their performance appraisal results for the relevant year.

6. For the fair value of awards at the date of grant, please refer to Note 23 to the consolidated financial statements.

7. No RSU under the 2019 Share Incentive Plan has been granted to any of the directors which have not been identified in the table.

Post-IPO RSU Scheme

The Company has conditionally adopted the Post-IPO RSU Scheme by Shareholders' resolutions dated September 16, 2021. The Company may appoint a trustee (the "**RSU Trustee**") to administer the Post-IPO RSU Scheme with respect to the grant of any Award RSUs, by way of which may vest in the form of Shares (the "**Award Shares**") or the actual selling price of the Award Shares in cash in accordance with the Post-IPO RSU Scheme.

1. Eligible Persons to the Post-IPO RSU Scheme

Any individual, being an employee, Director (including Executive Directors, Non-Executive Directors and Independent Non-Executive Directors) or consultant of any member of the Group or any affiliate (an "**Eligible Person**" and, collectively "**Eligible Persons**") who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an award granted by the Board by way of RSUs, which may vest in the form of Award Shares or the actual selling price of the Award Shares of RSUs in cash in accordance with the Post-IPO RSU Scheme. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Post-IPO RSU Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO RSU Scheme.

2. Purpose of the Post-IPO RSU Scheme

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

3. Awards

An Award gives a selected participant a conditional right, when the RSU vests, to obtain the Award Share or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Award Shares. An Award includes all cash income from dividends in respect of those Shares from the date the Award is granted (the "**Grant Date**") to the date the Award vests (the "**Vesting Date**"). For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by our Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

4. Grant of Award

(i) Making the Grant

The Board or the committee of the Board or person(s) to which the Board has delegated its authority may, from time to time, at their absolute discretion, grant an Award to a selected participant by way of an award letter. The award letter will specify the Grant Date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the Vesting Date and such other details as the Board or its delegate(s) may consider necessary. No amount is payable by the grantee on the acceptance of an Award, and no purchase price is payable by the grantee on vesting of an Award.

Each grant of an Award to any Director, chief executive or substantial shareholder of our Company shall be subject to the prior approval of the Independent Non-Executive Directors of our Company (excluding any Independent Non-Executive Director who is a proposed recipient of an Award). Our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of our Company.

(ii) Restrictions on Grants and Timing of Grants

The Board and its delegate(s) may not grant any Award to any selected participant in any of the following circumstances:

(A) where any requisite approval from any applicable regulatory authorities has not been granted;

(B) where any member of our Group will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of such Award or the Post-IPO RSU Scheme, unless the Board determines otherwise;

(C) where such Award would result in a breach by any member of our Group or its Directors of any applicable securities laws, rules or regulations in any jurisdiction;

(D) where such grant of Award would result in a breach of the Post-IPO RSU Limit (as defined below) or the minimum public float requirement as required under the Listing Rules, or would otherwise cause our Company to issue Shares in excess of the permitted amount in the mandate approved by the Shareholders;

(E) where an Award is to be satisfied by way of issue of new Shares to the RSU Trustee, in any circumstances that cause the total Shares issued or allotted to connected persons to be in excess of the amount permitted in the mandate approved by the Shareholders;

(F) where any Director of our Company is in possession of unpublished inside information in relation to our Company or where dealings by Directors of our Company are prohibited under any code or requirement of the Listing Rules and all applicable laws, rules or regulations, from time to time;

(G) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results, unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met, in accordance with the Listing Rules;

(H) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and the half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results, unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met, in accordance with the Listing Rules; and

(I) during any period of delay in the publication of a results announcement.

5. Maximum Number of Shares to be Granted

The aggregate number of Shares underlying all grants made pursuant to the Post-IPO RSU Scheme (excluding Award which have been forfeited in accordance with the Post-IPO RSU Scheme) will not exceed 10% of the issued share capital of the Company as of the date of approval of the Post-IPO RSU Scheme without Shareholders' approval (the "**Post-IPO RSU Scheme Limit**"), being 4,872,343 ordinary shares, which was subsequently adjusted to 48,723,430 Shares following the Share Subdivision. As at the date of this report, no grant of Awards have been made pursuant to the Post-IPO RSU Scheme. As such, the total number of shares available for issue under the Post-IPO RSU Scheme remained to be 48,723,430, which represented approximately 6.94% of the Company's total number of issued shares as at the date of this report. No service provider sublimit has been adopted for the Post-IPO RSU Scheme.

Unless approved by the Shareholders in general meeting, the total number of the ordinary shares issued and to be issued upon the vesting or exercise of the Awards granted to each participant in any 12-month period shall not exceed 1% of the Shares in issue for the time being.

6. Rights attached to the Award

Save that the Board at its discretion may from time to time determine that any dividends declared and paid by our Company in relation to the Award Shares be paid to the selected participants even though the RSUs have not yet vested in the form of Award Shares, the selected participant only has a contingent interest in the Award Shares underlying an Award unless and until such Award Shares are actually transferred to the selected participant, nor does he/she have any rights to any related income until the RSUs vest in the form of Award Shares.

The RSU Trustee shall not exercise the voting rights in respect of any Award Shares which are held under the Trust that have not yet vested.

7. Issue of Shares and/or transfer of funds to the RSU Trustee

Our Company shall, as soon as reasonably practicable and no later than 30 business days from the Grant Date, (i) issue and allot Shares to the RSU Trustee and/or (ii) transfer to the RSU Trustee the necessary funds and instruct the RSU Trustee to acquire Shares through on-market transactions at the prevailing market price, so as to satisfy the Awards.

Our Company shall not issue or allot Award Shares nor instruct the RSU Trustee to acquire Shares through on-market transactions at the prevailing market price, where such action (as applicable) is prohibited under the Listing Rules, the Securities and Futures Ordinance or other applicable laws from time to time. Where such a prohibition causes the prescribed timing imposed by the Post-IPO RSU Scheme Rules or the trust deed to be missed, such prescribed timing shall be treated as extended until as soon as reasonably practicable after the first Business Day on which the prohibition no longer prevents the relevant action.

8. Assignment of Awards

Unless express written consent is obtained from the Board or the committee of the Board or person(s) to which the Board has delegated its authorities, any Award granted under the Post-IPO RSU Scheme but not yet vested are personal to the selected participants to whom they are granted and cannot be assigned or transferred. A selected participant shall not in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any Award, or enter into any agreement to do so.

9. Vesting of Awards

The Board or its delegate(s) may from time to time while the Post-IPO RSU Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

Within a reasonable time period as agreed between the RSU Trustee and the Board from time to time prior to any Vesting Date, the Board or its delegate(s) will send a vesting notice to the relevant selected participant and instruct the RSU Trustee the extent to which the Award Shares held in the trust shall be transferred and released from the trust to the selected participant. Subject to the receipt of the vesting notice and notification from the Board or its delegate(s), the RSU Trustee will transfer and release the relevant Award in the manner as determined by the Board or its delegate(s).

If, in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, solely due to legal or regulatory restrictions with respect to the selected participant's ability to receive the Award in Shares or the RSU Trustee's ability to give effect to any such transfer to the selected participant, the Board or its delegate(s) will direct and procure the RSU Trustee to sell, on-market at the prevailing market price, the number of RSUs so vested in the form of Award Shares in respect of the selected participant and pay the selected participant the proceeds arising from such sale based on the actual selling price of the Award Shares following vesting of such RSUs in cash as set out in the vesting notice.

If there is an event of change in control of our Company by way of a merger, a privatization of our Company by way of a scheme or by way of an offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at their sole discretion determine whether the Vesting Dates of any Awards will be accelerated to an earlier date.

10. Consolidation, subdivision, bonus issue and other distribution

In the event our Company undertakes a subdivision or consolidation of the Shares, corresponding changes will be made to the number of outstanding RSUs that have been granted provided that the adjustments shall be made in such manner as the Board determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Post-IPO RSU Scheme for the selected participants. All fractional shares (if any) arising out of such consolidation or subdivision in respect of the Award Shares of a selected participant shall be deemed as returned shares and shall not be transferred to the relevant selected participant on the relevant Vesting Date. The RSU Trustee shall hold returned shares to be applied towards future Awards in accordance with the provisions of the Post-IPO RSU Scheme rules for the purpose of the Post-IPO RSU Scheme.

In the event of an issue of Shares by our Company credited as fully paid to the holders of the Shares by way of capitalization of profits or reserves (including share premium account), the Shares attributable to any Award Shares held by the RSU Trustee shall be deemed to be an accretion to such Award Shares and shall be held by the RSU Trustee as if they were Award Shares purchased by the RSU Trustee hereunder and all the provisions hereof in relation to the original Award Shares shall apply to such additional Shares.

In the event of any non-cash distribution or other events not referred to above by reason of which the Board considers an adjustment to an outstanding Award to be fair and reasonable, an adjustment shall be made to the number of outstanding RSUs of each selected participant as the Board shall consider as fair and reasonable, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Post-IPO RSU Scheme for the selected participants. Our Company shall provide such funds, or such directions on application of the returned shares or returned trust funds, as may be required to enable the RSU Trustee to purchase Shares on-market at the prevailing market price to satisfy the additional Award.

In the event of other non-cash and non-scrip distributions made by our Company not otherwise referred to in the Post-IPO RSU Scheme rules in respect of the Shares held upon trust, the RSU Trustee shall sell such distribution and the net sale proceeds thereof shall be deemed as related income of the Post-IPO RSU Scheme or returned trust funds of the returned Shares held upon trust as the case may be.

11. Cessation of employment and other events

Except as otherwise determined by the Board or the committee of the Board or person(s) to which the Board has delegated its authority, upon termination of employment, office or service with our Company during the applicable restriction period, Awards that are at that time unvested shall be forfeited or repurchased in accordance with the terms and provisions of the grant letter and/or award agreement to be entered into by such selected participant; provided, however, that the Board or the committee of the Board or person(s) to which the Board has delegated its authority may (a) provide in any grant letter and/or award agreement that restrictions or forfeiture and repurchase conditions relating to the Awards will be waived in whole or in part in the event of terminations resulting from specified causes; and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to the Awards.

If a selected participant ceases to be an Eligible Person for reasons other than those stated this paragraph, any outstanding RSUs and related income not yet vested in the form of Award Shares shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

12. Alteration of the Post-IPO RSU Scheme

The Post-IPO RSU Scheme may be altered in any respect (save for the Post-IPO RSU Scheme Limit) by a resolution of the Board provided that no such alteration shall operate to affect adversely any subsisting rights of any selected participant unless otherwise provided for in the rules of the Post-IPO RSU Scheme, except:

(i) with the consent in writing of selected participants amounting to three-fourths in nominal value of all RSUs held by the RSU Trustee on that date; or

(ii) with the sanction of a special resolution that is passed at a meeting of the selected participants amounting to three-fourths in nominal value of all RSUs held by the RSU Trustee on that date.

13. Termination and remaining life

The Post-IPO RSU Scheme shall terminate on the earlier of:

(i) the end of the period of ten years commencing on the Listing Date except in respect of any non-vested RSUs granted hereunder prior to the expiration of the Post-IPO RSU Scheme, for the purpose of giving effect to the vesting in the form of Award Shares of such RSUs or otherwise as may be required in accordance with the provisions of the Post-IPO RSU Scheme. Therefore, the remaining life of the Post-IPO RSU Scheme is eight years and nine months; and

(ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the Post-IPO RSU Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the RSUs already granted to a selected participant.

As such, the remaining life of the Post-IPO RSU Scheme is approximately 8.5 years.

14. Administration of the Post-IPO RSU Scheme

Our Company has established a committee comprising of, among others, Directors and senior management members, for the administration of the Post-IPO RSU Scheme.

Post-IPO Share Option Scheme

A summary of the principal terms of the Post-IPO Share Option Scheme conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by resolutions of our Shareholders on September 16, 2021 is as follows. As at December 31, 2022, the aggregate number of underlying ordinary shares pursuant to the outstanding options granted was 3,635,000 Shares, representing approximately 0.52% of the total issued Shares.

1. *Purpose*

   The Post-IPO Share Option Scheme is established to reward employees, Directors or consultants for their past contribution to the success of the Company, and to provide incentives to them to further contribute to the Company.

2. *Eligible persons*

   Any individual, being an employee, Director or consultant of any member of our Group who the Board may in its absolute discretion select to grant an Option to subscribe for such number of Shares as the Board may determine at the Subscription Price (as defined below).

3. *Maximum number of Shares*

   The maximum number of Shares in respect of which Options may be granted under the Post-IPO Share Option Scheme shall not exceed 10% of the issued share capital of the Company as of the date of approval of the Post-IPO Share Option Scheme by the Shareholders of the Company, being 4,872,343 ordinary shares, which was subsequently adjusted to 48,723,430 Shares following the Share Subdivision. As at January 1, 2022 and December 31, 2022, the number of options available for grant under the Post-IPO Share Option Scheme is 48,723,430 Shares and 45,088,430 Shares respectively. The total number of shares available for issue under the Post-IPO Share Option Scheme, comprising the options available for grant and the number of granted outstanding options which remained unexercised, as at the date of this report is 48,723,430 Shares, representing approximately 6.94% of the total number of issued shares of the Company as at the date of this report. Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme shall not be counted for the purpose of calculating the Limit of the Scheme. The total number of Shares to be issued upon exercise of all outstanding Options under the Post-IPO Share Option Scheme and all other schemes of the Company granted and yet to be exercised shall not exceed 30% of all the Shares in issue from time to time. No Option may be granted under the Post-IPO Share Option Scheme if this will result in the limit being exceeded. No service provider sublimit has been adopted for the Post-IPO Share Option Scheme.

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

4. *Maximum entitlement of a grantee*

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

5. *Performance target*

The Post-IPO Share Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, subject to the provisions of the Listing Rules, the Board may in its absolute discretion specify such event, time limit or conditions (if any) as it thinks fit including, without limitation, conditions as to performance criteria to be satisfied and/or the Company and/or the Group which must be satisfied before an Option can be exercised, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the Post-IPO Share Option Scheme.

6. *Subscription price*

The amount payable for each Share to be subscribed for under an option ("**Subscription Price**") in the event of the option being exercised shall be determined by the Board at its absolute discretion, but shall be not less than the greater of:

(i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share on the date of grant, provided that, for the purpose of determining the Subscription Price where the Shares have been listed on the Stock Exchange for less than five business days, the issue price of the Shares in the Company's Global Offering of the Shares shall be used as the closing price of the Shares for any business day falling within the period before the listing of the Shares on the Stock Exchange.

7. *Rights are personal to grantee*

An Option is personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of the Post-IPO Share Option Scheme.

8. *Grant offer letter and notification of grant of options*

An offer of the grant of an Option shall be made to any Grantee by letter in such form as the Board may from time to time determine specifying the number of Shares, the Subscription Price, the Option Period, the date by which the grant must be accepted being a date not more than 28 days after the Offer Date (provided such offer shall be open for acceptance after the effective period of the Post-IPO Share Option Scheme) and further requiring the employee to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Post-IPO Share Option Scheme. The letter shall also state that the offer of an Option shall be personal to the employee concerned and shall not be transferable. The inadvertent non-compliance with the requirements of the above shall not render the grant of an Option invalid if the Board so determines and makes such remedial action, if any, as it deems appropriate in its absolute discretion.

An Option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of the Option duly signed by the Grantee together with a payment to the Company and/or any of its Subsidiaries of HK$1 (or the equivalent of HK$1 in the local currency of any jurisdiction where the company and/or its Subsidiaries operate, as the Board may in its absolute discretion determine) by way of consideration for the grant thereof is received by the Company within the time period specified in the offer of the grant of the Option. Such remittance shall not be refundable.

Any offer of the grant of an Option may be accepted or deemed to have been accepted in respect of any number of Shares up to the number in respect of which the Option is offered provided that it is accepted in respect of a Board Lot or an integral multiple thereof. To the extent that the offer of the grant of an Option is not accepted within 28 days after the Offer Date, it will be deemed to have been irrevocably declined and will lapse, unless the Board in its absolute discretion determines otherwise.

9. Restriction of grant of options

No Option shall be offered or granted:

(a) to any employee after inside information has become to the Company's knowledge until (and including) the trading day after the Company has announced the information;

(b) to any employee during the period commencing one month immediately before the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the results of the Company for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. No Option shall be granted during any period of delay in publishing a results announcement.

(c) to any Director of the Company (except where the Subscription Price is to be determined by the Board at the time of exercise of the Option):

(i) during the period of 60 days immediately preceding the publication of the annual results of the Company or, if shorter, the period from the end of the relevant financial year up to the publication of the results; or

(ii) during the period of 30 days immediately preceding the publication of the quarterly (if any) or half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication of the results.

10. Time of exercise of an Option

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

11. Lapse of Option

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

(a) the expiry of the Option Period;

(b) subject to the date of the commencement of the winding-up of the Company;

(c) the date on which the Grantee ceases to be an employee, Director or consultant of the Company by reason of the summary termination of his employment, office or service on any one or more of the grounds that he has been guilty of misconduct, or has been convicted of any criminal offense involving his integrity or honesty or (if so determined by the Board in its absolute discretion) on any other ground on which the relevant company in the Group would be entitled to terminate his employment, office or service summarily at common law or pursuant to any applicable laws or under the Grantee's service contract with relevant company in the Group;

(d) where the Grantee is an employee, Director or consultant of a subsidiary of the Company, the date on which such subsidiary ceases to be a member of the Group;

(e) the date on which the Option is canceled by the Board;

(f) the date on which the Grantee commits a breach of Post-IPO Share Option Scheme rule; or

(g) the occurrence or non-occurrence of any event, expiry of any period, or nonsatisfaction of any condition, as specified in the letter containing the offer or grant of the relevant Option.

12. Voting and dividend rights

No dividends shall be payable and no voting rights shall be exercisable in relation to any options or Shares that are the subject of options that have not been exercised.

13. Effects of alterations in the capital structure of our Company

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company in accordance with applicable laws and regulatory requirements (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such corresponding adjustments (if any) shall be made to:

(a) the number or nominal amount of Shares, the subject matter of the Option (insofar as it is unexercised); and/or

(b) the aggregate number of Shares subject to outstanding Options; and/or

(c) the Subscription Price; and/or

(d) the method of exercise of the Option, as the auditor of the Company shall certify in writing to the Board to be in their opinion fair and reasonable, provided that any adjustment shall be made on the basis that the proportion of the issued share capital of the Company to which a Grantee is entitled after such adjustment shall remain the same, or as nearly as possible the same as that to which he was entitled to subscribe had he exercised all the Options held by him immediately before such adjustment, but so that no such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to alter any terms of the relevant Option to the advantage of the Grantee without the approval of the Shareholders of the Company.

If there has been any alteration in the capital structure of the Company as referred to in the Company shall, upon receipt of a notice from the Grantee, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made pursuant to the certificate of the auditor of the Company obtained by the Company for such purpose, or if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the auditor of the Company to issue a certificate in that regard.

14. *Rights on takeover and schemes of compromise or arrangement*

If a general or partial offer (whether by way of take-over offer, share repurchase offer or otherwise in like manner other than by way of a scheme of arrangement) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror) the Company shall use its best endeavors to procure that such offer is extended to all the Grantees (on the same terms mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders of the Company). If such offer becomes or is declared unconditional, the Grantee (or his legal personal representative(s)) shall be entitled to exercise his outstanding Option(s) in full at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

15. *Rights on a voluntary winding up*

In the event of an effective resolution being passed for the voluntary winding-up of the Company or an order of the court being made for the winding-up of the Company, notice thereof shall be given by the Company to Grantees with Options outstanding in full or in part at such date. If a Grantee immediately prior to such event had any outstanding Options, the Grantee (or his legal personal representative(s)) may by notice in writing to the Company within 21 days after the date of such resolution elect to be treated as if the Options had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the notice, such notice to be accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon the Grantee shall be duly issued and allotted with the relevant Shares (or treated as such by the Company) and entitled to receive out of the assets available in the liquidation pari passu with the holders of Shares such sum as would have been received in respect of the Shares that are the subject of such election.

16. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association of the Company for the time being in force and will rank pari passu with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends and other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor falls before the date of allotment.

17. Duration

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date when the Post-IPO Share Option Scheme becomes unconditional, after which period no further Options will be granted by the provisions of the Post-IPO Share Option Scheme, but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. The remaining life of the Post-IPO Share Option Scheme is approximately 8.5 years.

18. Alteration of the Post-IPO Share Option Scheme

The Board may subject to the rules of the Post-IPO Share Option Scheme amend any of the provisions of the Post-IPO Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Post-IPO Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any grantee at that date).

Those specific provisions of the Post-IPO Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Eligible Persons, and no changes to the authority of the Administrator of the Post-IPO Share Option Scheme in relation to any alteration of the terms of the Post-IPO Share Option Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms of the Post-IPO Share Option Scheme which are of a material nature, or any change to the terms and conditions of options granted (including those granted to a substantial shareholder or an Independent Non-Executive Director of the Company, or any of their respective associates), must also, to be effective, be approved by our Shareholders in general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme. The options and the Post-IPO Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules. Any change to the authority of the Directors or Post-IPO Share Option Scheme Administrators in relation to any alternation to the terms of the Post-IPO Share Option Scheme must be approved by Shareholders in general meeting.

Notwithstanding any provisions to the contrary in the Post-IPO Share Option Scheme, if on the relevant date of exercise there are restrictions or conditions imposed by the relevant laws and regulations to which the grantee is subject and the grantee has not obtained approval, exemption or waiver from the relevant regulatory authorities for the subscription of and dealing in our Shares, the grantee may sell the options to such transferee, subject to the approval by the Board, which shall not unreasonably withhold or delay such approval. In the event that the options are transferred to a connected person of our Company, no Shares shall be allotted and issued upon the exercise of the options by a connected person of our Company unless the Board is satisfied that the allotment and issue of Shares will not trigger any breach of the Listing Rules, the Articles of Association, the Companies Act or the Takeovers Code.

19. Termination

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

20. Administration of the Post-IPO Share Option Scheme

Our Company has established a committee comprising of, among others, Directors and senior management members, for the administration of the Post-IPO Share Option Scheme.

21. General

Details of movements of share options under the Post-IPO Share Option Scheme during the year ended December 31, 2022 are as follows:

			Number of shares underlying options										
Name of Participant or Category of Participant	Date of grant	Closing price of shares immediately before the date on which the options were granted	Outstanding as of the beginning of the reporting period	Granted during the reporting period	Lapsed during the reporting period	Cancelled during the reporting period	Exercised during the reporting period	Outstanding as of the ending of the reporting period	Vesting period	Exercise period	Exercise price	Performance targets	Fair value of options at the date of grant
Employee participants													
	June 1, 2022	HK$4	–	1,700,000	0	0	0	1,700,000	Note 1	Note 2	HKD4.00	Note 3	Note 4
	November 1, 2022	HK$2.85	–	1,975,000	40,000	0	0	1,935,000	Note 1	Note 2	HKD2.85	Note 3	Note 4

Notes:

1. 25% of the Options shall vest on each of the 1st, 2nd, 3rd and 4th anniversary of the Grant Date.

2. The exercise period of the Options commences on any day after the date upon which the Option is accepted or deemed to be accepted and in any event shall end not later than the 10th anniversary of the relevant date of the letter by which an Option is offered, subject to the provisions for early termination or the relevant document of grant or other notification issued by the Board.

3. Subject to satisfaction of certain performance targets as determined by the Board at its absolute discretion, either on a case by-case basis or generally:

   (i) Group level performance: The Board will assess the performance of the Group for the relevant year, including in particular key performance indicators, such as revenue, profit and sales volume of the Group as a whole and of the applicable business.

   (ii) Individual level performance: The Group has established a standard performance appraisal system for its employees to evaluate their performance and contribution to the Group. The Company will determine whether the Grantees meet the individual performance target based on their performance appraisal results for the relevant year.

4. For the fair value of the options at the date of grant and the accounting standard and policy adopted, please refer to Note 23 to the consolidated financial statements.

5. No option has been granted to any of the directors, chief executive or substantial shareholders of the Company, or their respective associates under the Post-IPO Share Option Scheme; no participant has been granted with options under the Post-IPO Share Option Scheme in excess of the 1% individual limit; No related entity participant or service provider has been granted with options under the Post-IPO Share Option Scheme.

The number of shares that may be issued in respect of options and awards granted under all schemes of the Company during the year of 2022 divided by the weighted average number of shares of the relevant class in issue for the year of 2022 was 0.59%.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

For the year ended December 31, 2022, none of the related parties transactions as disclosed in note 26 to the consolidated financial statements constitute any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. For the year ended December 31, 2022, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year ended December 31, 2022 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the Reporting Period are set out in note 21 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2022, the Company's reserves available for distribution from share premium less accumulated losses, calculated in accordance with the provisions of Companies Law of the Cayman Islands, was nil (2021: nil).

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Stock Exchange on October 13, 2021 and the Company obtained net proceeds of approximately HK$1,674 million (after deducting the underwriting commissions and other estimated expenses in connection with the global offering and the exercise of the over-allotment option).

The net proceeds have been and will be utilized in accordance with the purposes set out in the prospectus of the Company dated September 30, 2021 under the section headed "Future Plans and Use of Proceeds". The table below sets out the planned allocations of the net proceeds and actual usage up to December 31, 2022:

	% of use of proceeds (Approximately)	Net proceeds from the IPO *(HK$ million)*	Amount of unutilized net proceeds as at January 1, 2022 *(HK$ million)*	Actual usage during the Reporting Period *(HK$ million)*	Unutilized net proceeds as of December 31, 2022 *(HK$ million)*	Expected timeline for application of the unutilized proceeds
Fund the ongoing and future R&D including planned clinical trials, preparation of registration filings, and future commercialization of our Core Product Candidate Irpagratinib (ABSK011)	19.7%	329.78	329.78	20.88	308.90	Expected to be fully utilized by December 31, 2024
Fund the ongoing and future R&D including planned clinical trials, preparation of registration filings and future commercialization of our Core Product candidate fexagratinib (ABSK091, AZD4547)	32.6%	545.72	545.72	28.34	517.38	Expected to be fully utilized by December 31, 2024
Fund our other clinical stage products and product candidates in our pipeline	28.0%	468.72	468.72	66.27	402.45	Expected to be fully utilized by December 31, 2024
Fund our pre-clinical research and studies, including continued development of our R&D platform and R&D of new pre-clinical candidates	8.4%	140.62	140.62	63.02	77.60	Expected to be fully utilized by December 31, 2024
Fund the construction of manufacturing facility in Shanghai	6.3%	105.46	105.46	20.25	85.21	Expected to be fully utilized by December 31, 2024
Working capital and general corporate purposes	5.0%	83.70	83.70	20.94	62.76	Expected to be fully utilized by December 31, 2024
Total	**100%**	**1,674.00**	**1,674.00**	**219.70**	**1,454.30**	

Note:

(1) Net IPO proceeds were received in Hong Kong dollars and translated to Renminbi for application planning.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company's sufficiency of public float complies with the requirements of the Listing Rules.

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

In February 2022 the Company repurchased in total 804,000 shares on the Stock Exchange for an aggregate consideration of approximately HK$4.7 million before expenses. The highest price per share paid and the lowest price per share paid was HK$5.9 and HK$5.69 respectively. All of the repurchased shares were cancelled. The repurchase of the Company's shares during the reporting period was effected by the Directors, pursuant to the general mandate granted to the Directors at the annual general meeting dated June 8, 2022, with a view to benefiting the Company and the Shareholders by enhancing the net asset value per share and/or earnings per share.

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

MAJOR CUSTOMERS AND SUPPLIERS

As at December 31, 2022, the Company has not commercialized its products and there was no major customer.

During the year ended December 31, 2022, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in relation to R&D activities and business operations in aggregate was 6.11% and 26.12%, respectively.

None of our Directors or any of their close associates or any Shareholder (which to the best knowledge of our Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest suppliers.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2022, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

KEY RELATIONSHIP WITH STAKEHOLDERS

The details of an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company are set out in the "Environmental, Social and Governance (ESG) Report" of the Company.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Particulars of the Company's significant events affecting the Company or any of its subsidiaries after the year ended December 31, 2022 are set out in the section headed "Management Discussion and Analysis – Events after the Reporting Period" of this report.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" of this report.

EQUITY-LINKED AGREEMENT

Other than the 2019 Share Incentive Plan, the Post-IPO RSU Scheme and the Post-IPO Share Award Scheme as disclosed above and in note 23 to the financial statements respectively and the grant letters issued pursuant to the schemes, the Company has not entered into any equity-linked agreement during the Reporting Period.

REVIEW BY AUDIT COMMITTEE

The Audit Committee currently comprises three Independent Non-Executive Directors, namely, Mr. Sun Hongbin, Dr. Sun Piaoyang and Mr. Wang Lei. The Audit Committee with the management of the Company have reviewed the audited consolidated financial statements of the Group for the Reporting Period.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2022 have been audited by Ernst & Young.

Ernst & Young shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the forthcoming annual general meeting.

There has been no change of independent auditor of the Company in the preceding three years.

By order of the Board of Directors
Abbisko Cayman Limited
Dr. Xu Yao-Chang
Chairman and Chief Executive Officer

Shanghai, March 15, 2023

The Board is committed to achieving good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate our business strategies and policies, and enhance its transparency and accountability. The Company has adopted the principles and code provisions contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. In the opinion of the Directors, during the Reporting Period, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (“**CG Code**”), except for code provision C.2.1 of the CG Code which provides that the roles of Chairman and CEO should be separated and should not be performed by the same individual, and code provision C.5.1 of the CG Code which stipulates that the Board should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals, details of which are set out on page 78 and page 86 under the section headed “Board of Directors – Chairman and Chief Executive Officer” and “Attendance Records of Directors” respectively of this Corporate Governance Report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding dealings in the securities of the Company by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the Reporting Period. The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company during the Reporting Period.

BOARD OF DIRECTORS

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

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

Board Composition

As at the date of this report, the Board currently comprises eight Directors, consisting of three Executive Directors, two Non-Executive Directors and three Independent Non-Executive Directors as follows:

Executive Directors

Dr. Xu Yao-Chang *(Chairman and CEO)*
Dr. Yu Hongping
Dr. Chen Zhui

Non-Executive Directors

Dr. Xia Gavin Guoyao
Ms. Tang Yanmin

Independent Non-Executive Directors

Dr. Sun Piaoyang
Mr. Sun Hongbin
Mr. Wang Lei

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" on pages 32 to 37 of this report.

Except for the relationships between the Directors set forth in the respective Director's biography under the section headed "Directors and Senior Management", the Directors do not have financial, business, family or other material/relevant relationships with one another.

Chairman and Chief Executive Officer

The roles of the Chairman and CEO of the Company are held by Dr. Xu Yao-Chang who is also an Executive Director. Therefore, the Board considers that there is a deviation from the code provision C.2.1 of the CG Code. The Board believes that, in view of Dr. Xu's experience, personal profile and his roles in our Company as mentioned in the section headed "Directors and Senior Management – Executive Directors", Dr. Xu is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our chief executive officer. The Board also believes that the combined role of Chairman and CEO can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. The Board will continue to review and consider splitting the roles of chairman of our Board and the CEO of our Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole.

Independent Non-Executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise in accordance with Rules 3.10 and 3.10A. The Company has received written annual confirmation from each of the Independent Non-Executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-Executive Directors are independent.

Appointment and Re-election of Directors

Each of the Executive Directors and Non-Executive Directors has entered into a service agreement with the Company under which the initial term of their service agreement shall commence from the date of their appointment for a period of three years until terminated in accordance with the terms and conditions of the service agreement and subject to re-election as and when required under the Articles of Association or by either party giving to the other not less than three months' prior notice.

Each of the Independent Non-Executive Directors has entered into an appointment letter with the Company effective from September 16, 2021. The initial term of their appointment letters shall commence from the date of their appointment for a period of three years (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than two month's prior notice in writing (as the case may be). The appointments of Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Under the Articles of Association, at every AGM of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any AGM at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Responsibilities of the Directors

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

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

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

The Independent Non-Executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

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

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

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company.

Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

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

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

For the year ended December 31, 2022, all Directors attended training sessions on the respective obligations of the Directors and senior management. The training sessions covered a wide range of relevant topics including Directors' duties and responsibilities, continuing connected transaction, disclosure of interests and regulatory updates. In addition, relevant reading materials including compliance manual, legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying.

The record of continuous professional development relating to Director's duties and regulatory and business development that have been received by the Directors for the year ended December 31, 2022 is summarized as follows:

Directors	**Participated in continuous professional development** Note 1
Executive Directors	
Dr. Xu Yao-Chang *(Chairman and CEO)*	√
Dr. Yu Hongping	√
Dr. Chen Zhui	√
Mr. Yeh Richard (resigned as an Executive Director with effect on April 28, 2022)	√
Non-Executive Directors	
Dr. Xia Gavin Guoyao	√
Ms. Tang Yanmin	√
Independent Non-Executive Directors	
Dr. Sun Piaoyang	√
Mr. Sun Hongbin	√
Mr. Wang Lei	√

Note:

1. Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.

Board Diversity and Board Diversity Policy

The Board has adopted a Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of the Board, in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board. The Board will continue to seek opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of chemistry, biotechnology, clinical research and life sciences, business management and finance and accounting. They obtained degrees in various areas including chemistry, biology, biological science, pharmaceutical chemistry, pharmacy, business administration, economics, finance and accounting. The Company has also taken, and will continue to take steps to promote gender diversity at the Board level of our Company. The Board currently comprises 7 male members (including 3 Executive Directors, 1 Non-Executive Director and 3 Independent Non-Executive Directors) and 1 female member (a Non-Executive Director). The Board of Directors is of the view that the Board satisfies the gender diversity and other aspects of diversity on the Board under the Board Diversity Policy. The Nomination Committee is responsible for reviewing the diversity of the Board. The Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Board Diversity Policy is well implemented as evidenced by the fact that there are both female and male Directors ranging from 47 years old to 66 years old with experience from different sectors.

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

The Nomination Committee is delegated by the Board to be responsible for compliance with relevant codes governing Board diversity. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the relevant criteria as set out in the Company's Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. The Nomination Committee would consider criteria such as candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

Nomination Policy

The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of Independent Non-Executive Directors and making recommendations to the Board of Directors on matters relating to the appointment of Directors. The Company has a Director Nomination Policy which sets out the objectives, selection criteria and nomination procedures for identifying and recommending candidates for appointment or reappointment of Directors.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Audit Committee consists of three members, including three Independent Non-Executive Directors, namely Dr. Sun Piaoyang, Mr. Sun Hongbin and Mr. Wang Lei. Mr. Sun Hongbin, being the chairperson of the Audit Committee, holds the appropriate professional qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules. The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code.

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

- making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor;

- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- developing and implementing policy on the engagement of an external auditor to supply non-audit services and report to the Board, identifying and making recommendations on any matters in respect of which it considers that action or improvement is needed;

- discussing with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

- discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of Senior Management where necessary);

- monitoring integrity of financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;

- reviewing the Company's financial controls and, unless expressly addressed by a separate Board risk committee or by the Board itself, reviewing the Company's risk management and internal control systems;

- discussing the risk management and internal control system with the senior management of the Company and to ensure that the senior management of the Company has performed its duties in establishing and maintaining effective systems, including adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

- considering major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and the response of the senior management of the Company to those findings;

- where an internal audit function exists, ensuring co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness; and

- reviewing the Group's financial and accounting policies and practices.

During the Reporting Period, the Audit Committee has held 3 meetings to review material controls including the draft audited annual consolidated financial statements and significant issues on the financial reporting, the draft annual results announcement, the draft annual report, the independence of the both internal and external audit team of the Company, interim results, re-appointment of external auditor, remuneration and terms of engagement of external auditor.

Remuneration Committee

The Remuneration Committee consists of three members, including one Executive Director, namely Dr. Xu Yao-Chang and two Independent Non-Executive Directors, namely Mr. Sun Hongbin and Mr. Wang Lei. Mr. Wang Lei is the chairperson of the Remuneration Committee. Dr. Xu Yao-Chang, the CEO and Chairman of the Board, has been appointed to fill the vacancy following Mr. Yeh Richard's cessation to act as a member of the Remuneration Committee which took effect on April 28, 2022.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code.

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

- making recommendations to the Board on the Company's policy and structure for all Directors' and senior management of the Company remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- assessing performance of Executive Directors and senior management:

- reviewing and approve management's remuneration proposals with reference to the Board's goals and objectives;

- being responsible for either: (i) determining with delegated responsibility, the remuneration packages of individual Executive Directors and senior management of the Company; or (ii) making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management of the Company including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- making recommendations to the Board on the remuneration of Non-Executive Directors;

- considering salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;

- reviewing and approving the compensation payable to Executive Directors and senior management of the Company for any loss or termination of office or appointment in order to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;

- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct in order to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate;

- ensuring that no Director or any of his associates is involved in deciding his own remuneration;

- reviewing the Group's policy on expense reimbursements for the Directors and senior management of the Company; and

- reviewing and/or approving matters relating to share schemes under chapter 17 of the Listing Rules.

During the Reporting Period, the Remuneration Committee has held 2 meetings. The Remuneration Committee is responsible in making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management.

The remuneration payable to the senior management of the Company (who are not the Directors) is shown in the following table by band:

	2022 Number of Individual(s)	2021 Number of Individual(s)
Annual Remuneration		
HK$100,001 to HK$500,000	**0**	0
HK$500,001 to HK$1,000,000	**0**	0
HK$6,000,001 to HK$6,500,000	**2**	1
HK$6,500,001 to HK$7,000,000	**1**	2
HK$7,000,001 to HK$12,500,000	**1**	0
HK$12,500,001 to HK$13,000,000	**0**	1

Nomination Committee

The Nomination Committee consists of three members, including one Executive Director namely Dr. Xu Yao-Chang, and two Independent Non-Executive Directors, namely Dr. Sun Piaoyang and Mr. Sun Hongbin. Dr. Xu Yao-Chang is the chairperson of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

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

- reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, as well as formulating, or assisting the Board to formulate, a Board diversity policy for the Company;

- identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorship;

- assessing the independence of Independent Non-Executive Directors on an annual basis;

- reviewing annually the time required from Non-Executive Directors to assess whether the Non-Executive Directors are spending enough time in fulfilling their duties;

- keeping up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates; and

- formulating, or assisting the Board to formulate, a Board diversity policy for the Company.

During the Reporting Period, the Nomination Committee has held 1 meeting. The structure, size and composition of the Board and the independence of the Independent Non-Executive Directors have been reviewed by the Board and the Board considered that an appropriate balance of diversity perspectives of the Board is maintained for 2022.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of part 2 of the CG Code.

During the Reporting Period, the Board had reviewed and determined the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

During the Reporting Period, the Company has held 3 Board meetings to review and discuss the annual and interim results and operating performance, and considering and approving the overall strategies and policies of the Company. In the second quarter of 2022, Shanghai was locked down due to the outbreak of COVID-19 pandemic and the Board meeting of the second quarter was cancelled. The Company does not announce its quarterly results and hence the Board does not consider the holding of quarterly meetings as indispensable. During the Reporting Period, management of the Company has provided all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail. The Company expects to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the CG Code. The Chairman should annually hold meetings with the Independent Non-Executive Directors so as to comply with the requirement of code provision C.2.7 of the CG Code. During the Reporting Period, the Chairman held 1 meeting with the Independent Non-Executive Directors without the presence of the other Directors.

The attendance records of each Director at the Board and Board committee meetings and the general meeting(s) of the Company held during the Reporting Period are set out in the table below:

	Attendance/Number of meetings eligible for attendance				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual general meeting**
Executive Directors					
Dr. Xu Yao-Chang *(Chairman and CEO)*	3/3	–	1/1	1/1	1/1
Dr. Yu Hongping	3/3	–	–	–	1/1
Dr. Chen Zhui	3/3	–	–	–	1/1
Mr. Yeh Richard (resigned as an Executive Director with effect on April 28, 2022)	1/1	–	1/1	–	–
Non-Executive Directors					
Dr. Xia Gavin Guoyao	3/3	–	–	–	–
Ms. Tang Yanmin	3/3	–	–	–	–
Independent Non-Executive Directors					
Dr. Sun Piaoyang	3/3	3/3	–	1/1	1/1
Mr. Sun Hongbin	3/3	3/3	2/2	1/1	1/1
Mr. Wang Lei	3/3	3/3	2/2	–	1/1

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

The Company recognizes that risk management is critical to the success of its business. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company has established a Whistle-blowing Policy and system for employees and those who deal with the Company, including but not limited to customers and suppliers, to raise concerns in confidence and anonymity with the Audit Committee or senior management or the Company's Legal and Compliance Department about possible improprieties in any matter related to the Company.

The Company has adopted risk management policies to identify, assess, evaluate and monitor key risks (including ESG risks) associated with its strategic objectives on an ongoing basis. Our Audit Committee and ultimately our Directors supervise the implementation of our risk management policies. Risks identified by our management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Group and reported to our Directors. The Board reviews and assesses the adequacy and effectiveness of risk management system of the Group semi-annually.

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

- The Audit Committee and senior management of the Company oversees and manages the overall risks associated with the Group's business operations, including (i) reviewing and approving its risk management policy to ensure that it is consistent with the Group's corporate objectives; (ii) monitoring the most significant risks associated with the Group's business operations and its management's handling of such risks; and (iii) ensuring the appropriate application of the risk management framework across the Group.

- The CFO, Dr. Zhang Zidong, has been responsible for (i) reviewing and approving major risk management issues of the Company; (ii) providing guidance on the Company's risk management approach to the relevant departments in the Company; (iii) reviewing the relevant departments' reporting on key risks and providing feedback; (iv) supervising the implementation of the Company's risk management measures by the relevant departments; and (v) reporting to the Audit Committee on the Company's material risks.

- The relevant departments in the Company, including but not limited to the finance department, the legal department and the human resources department are responsible for developing and implementing the risk management policy and carrying out our day-to-day risk management practice, such as assessing risks on key business operations, advising risk responses and optimizing risk management policies. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments; (iii) continuously monitor the key risks relating to their operation or function; (iv) implement appropriate risk responses where necessary; and (v) develop and maintain an appropriate mechanism to facilitate the application of the Group's risk management framework.

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

Internal Control

The Board is responsible for establishing and ensuring effective internal controls to safeguard the Shareholder's investment at all times. The Board reviews and assesses the adequacy and effectiveness of internal control system of the Group semi-annually. The Company's internal control policies set out a framework to identify, assess, evaluate and monitor key risks associated with its strategic objectives on an ongoing basis.

The Company has established internal audit function for risk management and internal control systems with relevant policies and procedures that the Company believes are appropriate for our business operations. The Company has adopted various measures and procedures regarding each aspect of its business operation, such as protection of intellectual property, environmental protection, and occupational health and safety. The Company also constantly monitors the implementation of those measures and procedures through its on-site internal control for each stage of the drug development process. The Directors (who are responsible for monitoring the corporate governance of the Group), with help from the Company's legal advisors, will also periodically review its compliance status with all relevant laws and regulations.

The Audit Committee will (i) make recommendations to the Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of the Group.

The Company had engaged a compliance advisor to provide advice to the Directors and management team regarding matters relating to the Listing Rules. The compliance adviser is expected to provide support and advice regarding the requirements of relevant regulatory authorities, including those relating to corporate governance, on a timely basis.

The Company has engaged a PRC law firm to advise it on and keep it abreast of PRC laws and regulations. The Company will continue to arrange various trainings sessions to be provided by external legal advisors from time to time when necessary, and/or any appropriate accredited institution to update the Directors, senior management and relevant employees on the latest PRC laws and regulations.

The Company maintains strict anti-corruption policies on personnel with external communication functions. The Company will also ensure that its commercialization team complies with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities. During the Reporting Period, the Company has regularly reviewed and enhanced its internal control system.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. The Board confirms its responsibilities for risk management and internal control systems, and for reviewing the effectiveness of such risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failing to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Reporting Period, the Company has reviewed the effectiveness of the internal audit system and the risk management and the internal control system of the Group, including qualifications and experience of staff in the aforementioned systems, and the adequacy of their training programs and budget and ESG risks. Accordingly, the Company believes that its risk management and internal control systems are effective and adequate.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2022. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the independent auditors' report in this report.

AUDITORS' REMUNERATION

The remuneration paid or payable to the Company's external auditors of the Group in respect of audit services and non-audit services for the year ended December 31, 2022 is set out below:

Service category category	Fees paid and payable for the year ended December 31, 2022 (RMB million)
Audit Services	**2,150,000**
Non-audit Services – Taxation	**418,146**

JOINT COMPANY SECRETARIES

During the Reporting Period, Ms. Tian Huimin and Ms. Chan Yin Wah, who is an associate director of SWCS Corporate Services Group (Hong Kong) Limited, were the joint company secretaries of the Company. Mr. Yeh Richard, an Executive Director and the former CFO of the Company, was the primary corporate contact person at the Group. Following Mr. Yeh's resignation that took effect on April 28, 2022, Dr. Xu Yao-Chang, the CEO and Chairman of the Board, is the primary corporate contact person at the Group. During the Reporting Period, Ms. Tian Huimin and Ms. Chan Yin Wah have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the Reporting Period. All Directors have access to the advice and services of the joint company secretaries on corporate governance and Board practices related matters.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening Shareholders' General Meetings

A Shareholders' annual general meeting is required to be held in each year, with a period not more than 15 months after the holding of the last preceding annual general meeting or not more than 18 months after the date of adoption of the Articles of Association.

Pursuant to Article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, call extraordinary general meetings. Extraordinary general meetings shall also be convened on the written requisition to the Board or the Secretary of the Company of one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions under the Articles of Association or the Companies Law of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as a Director. Shareholders may follow the procedures set out above to convene an extraordinary general meetings for any business specified in such requisition. The contents of such proposals shall fall with the functions and powers of the general meeting, shall feature definite topics and specific issues for resolution, and shall be in compliance with relevant requirements of laws, administrative regulations, listing rules for stock exchanges where the Company's shares are listed and the Articles of Association. For proposal of a person for election as Director, pursuant to Article 16.4 of the Articles of Association, no person shall, unless recommended by the Board for election, be eligible for election to the office as a Director at any general meeting unless a notice in writing by member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected shall have been given to the joint company secretaries of the Company. The minimum length of the period during which such notice(s) are given shall be at least seven days, and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. For procedures of nomination of candidates for directorship by Shareholders, please refer to the website of the Company.

Putting Forward Enquiries to the Board

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

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, by online feedback, a web-based enquiry form (https://www.computershare.com/hk/en/online_feedback), or calling its hotline at +852 2862 8555, or go in person to its public counter at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. For this purpose, the Company has set up a website (www.abbisko.com), where relevant latest information, the up-to-date state of the Company's business operation and development, the Company's financial information and corporate governance practices and other data are available to the public. The Shareholders may send written enquiries to the Company, for the attention of the Board of Directors by mail to Building 3, No. 898, Halei Road, Zhangjiang Hi-Tech Park Pudong New Area, Shanghai, PRC. The Company endeavours to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

Changes to the Articles of Association

The existing Articles of Association were adopted on September 16, 2021 with effect from the Listing Date. During the Reporting Period, no changes were made to the Articles of Association.

The Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

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

The Company's proactive approach to investor relations has widened and expanded the coverage of the Company. A number of local and international sell-side brokers published research reports on the Company. The Company's management and investor relations function take great efforts to maintain an open dialogue with the investment community to ensure a thorough understanding of the Company's business development, core strategies and corporate governance principles.

The Company announced its progresses in a timely manner to enhance Shareholders' understanding of business performance and strategy, including but not limited to the following documents of the Company: (a) the directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; (f) a proxy form; and (g) voluntary announcements of material business progresses.

Dividend Policy

The Company has adopted a policy on payment of dividends pursuant to code provision F.1.1 of the CG Code taking into consideration of various elements including but not limited to, among other things, the capital requirements of the Company, financial results and general business conditions of the Company and any other conditions which the Board may deem relevant. The policy sets out the factors in consideration, procedures and methods of the payment of dividends with an objective to provide the Shareholders with continuing, stable and reasonable returns on investment while maintaining the Company's business operation and achieving its long-term development goal. The distribution of dividends will be formulated by our Board, and will be subject to Shareholders' approval.

WORKFORCE DIVERSITY

The Company is committed to promote diversity in our Company to the extent practicable by taking into consideration a number of factors in respect of our corporate governance structure. The Company seeks to achieve Board diversity and workforce diversity through the consideration of a number of factors, including but not limited to gender, age, language, cultural background, educational background, industry experience and professional experience.

We have adopted the Board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. For more details, please refer to the section headed "Corporate Governance Report – Board of Directors – Board Diversity and Board Diversity Policy" in this report. In 2022, we hired 234 full-time employees, of which 104 were male and 130 were female. The gender ratio in the workforce (including senior management) was approximately 8 males to 10 females. The Company is aiming to achieve a more balanced gender ratio in the workforce next year and will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness.

EY 安永

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To the shareholders of Abbisko Cayman Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Abbisko Cayman Limited (the "Company") and its subsidiaries (the "Group") set out on pages 98 to 168, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Measurement research and development costs	
The Group incurred significant research and development ("R&D") costs of RMB378,746,000 as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022. A large portion of the Group's R&D costs was service fees paid to contract research organisations ("CROs") and contract development manufacture organisations ("CDMO") (collectively referred to as the "Outsourced Service Providers"). The R&D activities with these Outsourced Service Providers are documented in detailed agreements and are typically performed over an extended period. The expenses for R&D activities with theses Outsourced Service Providers are charged to profit or loss based on the progress of the research and development projects. We identified the measurement of R&D costs as a key audit matter due to the significant amount of R&D costs and the risk of not recording R&D costs incurred in the appropriate financial reporting period. Related disclosures are included in notes 2.4 and 3 to the financial statements.	Our procedures included, among others: 1. obtaining an understanding of and evaluating the design of controls, and testing the operating effectiveness of the controls in relation to the measurement of the R&D costs; 2. reviewing the contracts entered with the Outsourced Service Providers, on a sampling basis, and evaluating the completion status of R&D projects based on inquiry with project managers, and inspection of supporting documents and external progress reports from the Outsourced Service Providers; 3. obtaining the external confirmations of the Outsourced Service Providers; and 4. evaluating the method adopted by the management in setting up the calculation basis for R&D costs and re-calculating the accrued R&D costs using the management's method. We also read and assessed the Group's disclosures of R&D.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is SHUN, Lung Wai.

Ernst & Young
Certified Public Accountants
Hong Kong
15 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2022

	Notes	**2022**	2021
		RMB'000	RMB'000
Revenue	5	**–**	22,682
Cost of sales		**–**	–
Gross profit		**–**	22,682
Other income and gains	6	**45,563**	43,587
Research and development expenses		**(378,746)**	(226,126)
Administrative expenses		**(118,443)**	(124,777)
Other expenses		**(41,295)**	(80)
Fair value losses on convertible redeemable preferred shares		**–**	(1,524,320)
Finance costs	8	**(2,685)**	(959)
LOSS BEFORE TAX	7	**(495,606)**	(1,809,993)
Income tax expenses	11	**–**	–
LOSS FOR THE YEAR		**(495,606)**	(1,809,993)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**774**	53,268
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company		**199,493**	(60,895)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**200,267**	(7,627)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(295,339)**	(1,817,620)
Loss attributable to:			
Owners of the parent		**(495,606)**	(1,809,993)
Total comprehensive loss attributable to:			
Owners of the parent		**(295,339)**	(1,817,620)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
For loss for the year		**RMB0.80**	RMB7.71

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**32,364**	15,209
Right-of-use assets	15	**44,936**	54,085
Intangible assets	16	**4,505**	3,051
Other non-current assets		**27**	805
Total non-current assets		**81,832**	73,150
CURRENT ASSETS			
Prepayments and other receivables	18	**55,094**	35,876
Financial assets at fair value through profit or loss	17	**93,796**	–
Cash and bank balances	19	**2,258,827**	2,545,513
Total current assets		**2,407,717**	2,581,389
CURRENT LIABILITIES			
Other payables and accruals	20	**97,585**	64,676
Lease liabilities	15	**9,968**	8,862
Total current liabilities		**107,553**	73,538
NET CURRENT ASSETS		**2,300,164**	2,507,851
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,381,996**	2,581,001
NON-CURRENT LIABILITIES			
Lease liabilities	15	**35,607**	44,942
Total non-current liabilities		**35,607**	44,942
Net assets		**2,346,389**	2,536,059
EQUITY			
Equity attributable to owners of the parent			
Share capital	21	**46**	46
Treasury shares	21	**(3)**	(5)
Other reserves	22	**2,346,346**	2,536,018
Total equity		**2,346,389**	2,536,059

XU Yao-Chang
Director

CHEN Zhui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2022

	Attributable to owners of the parent						
	Share capital RMB'000	Treasury shares RMB'000	Share option reserve* RMB'000	Share premium* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses* RMB'000	Total RMB'000
At 1 January 2022	46	(5)	98,847	5,369,594	47,456	(2,979,879)	2,536,059
Loss for the year	–	–	–	–	–	(495,606)	(495,606)
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations and the Company	–	–	–	–	200,267	–	200,267
Total comprehensive loss for the year	–	–	–	–	200,267	(495,606)	(295,339)
Issue of shares	–	–	–	–	–	–	–
Issue of shares from initial public offering ("IPO")	–	–	–	–	–	–	–
Issue of shares from exercise of an over-allotment option	–	–	–	–	–	–	–
Share issue expenses	–	–	–	–	–	–	–
Conversion of convertible redeemable preferred shares to ordinary shares	–	–	–	–	–	–	–
Repurchase of shares	–	–	–	(4,055)	–	–	(4,055)
Vesting of equity-settled share options and restricted share units	–	2	(133,249)	132,850	–	–	(397)
Equity-settled share-based payment expense	–	–	110,121	–	–	–	110,121
At 31 December 2022	46	(3)	75,719	5,498,389	247,723	(3,475,485)	2,346,389

* These reserve accounts comprise the consolidated other reserves of RMB2,346,346,000 (2021: RMB2,536,018,000) in the consolidated statement of financial position.

continued/...

	Attributable to owners of the parent						
	Share capital RMB'000	Treasury shares RMB'000	Share option reserve* RMB'000	Share premium* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses* RMB'000	Total RMB'000
At 1 January 2021	6	–	8,914	895	55,083	(1,169,886)	(1,104,988)
Loss for the year	–	–	–	–	–	(1,809,993)	(1,809,993)
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations and the Company	–	–	–	–	(7,627)	–	(7,627)
Total comprehensive loss for the year	–	–	–	–	(7,627)	(1,809,993)	(1,817,620)
Issue of shares	5	(5)	–	–	–	–	–
Issue of shares from initial public offering ("IPO")	9	–	–	1,450,825	–	–	1,450,834
Issue of shares from exercise of an over-allotment option	–	–	–	1,146	–	–	1,146
Share issue expenses	–	–	–	(98,043)	–	–	(98,043)
Conversion of convertible redeemable preferred shares to ordinary shares	26	–	–	4,014,771	–	–	4,014,797
Equity-settled share option arrangements	–	–	89,933	–	–	–	89,933
At 31 December 2021	46	(5)	98,847	5,369,594	47,456	(2,979,879)	2,536,059

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(495,606)**	(1,809,993)
Adjustments for:			
Finance costs	8	**2,685**	959
Bank interest income	6	**(35,018)**	(16,938)
Fair value losses on convertible redeemable preferred shares	7	**–**	1,524,320
Depreciation of property, plant and equipment	14	**4,569**	4,179
Depreciation of right-of-use assets	15	**9,555**	7,003
Amortisation of intangible assets		**1,674**	704
Equity-settled share option expense	23	**110,121**	90,362
Share issue expenses		**–**	29,199
Fair value loss on financial assets at fair value through profit or loss		**219**	–
Foreign exchange differences, net	7	**41,001**	(6,668)
		(360,800)	(176,873)
Decrease in prepayments and other receivables	18	**(1,921)**	(21,175)
Increase in other payables and accruals	20	**18,824**	28,307
Net cash flows used in operating activities		**(343,897)**	(169,741)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from bank		**20,324**	19,691
Purchases of items of property, plant and equipment		**(19,618)**	(9,014)
Purchases of intangible assets		**(3,128)**	(3,321)
Purchases of financial assets at fair value through profit or loss		**(94,015)**	–
Repayment of the amount due from related parties		**–**	9,057
Repayment of the amounts due from shareholders		**–**	66
Purchases of time deposits with original maturity of more than three months		**(5,488,778)**	(1,476,204)
Redemption of time deposits with original maturity of more than three months		**5,368,640**	–
Net cash flows used in investing activities		**(216,575)**	(1,459,725)

continued/...

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments	24	**(8,635)**	(7,414)
Interest portion of lease payments	15	**(2,685)**	(959)
Exercise of share options		**3,740**	–
Repurchase of share options		**–**	(429)
Repurchase and cancellation of shares		**(4,055)**	–
Proceeds from IPO		**–**	1,451,980
Share issue expenses		**(9,179)**	(117,936)
Proceeds from issue of convertible redeemable preferred shares		**–**	776,617
Net cash flows (used in)/from financing activities	24	**(20,814)**	2,101,859
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(581,286)**	472,393
Cash and cash equivalents at beginning of the year		**1,063,857**	617,773
Effect of foreign exchange rate changes, net		**159,266**	(26,309)
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		**641,837**	1,063,857

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 28 March 2018. The registered address of the Company is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were involved in the research and development of pharmaceutical products.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") effective from 13 October 2021.

In the opinion of the Company's directors (the "Directors"), the holding company and the ultimate holding company of the Company is Yao Chang Family Holding Limited, which was incorporated in the Cayman Islands on 20 April 2021. Yao Chang Family Holding Limited is ultimately controlled by Dr. XU Yao-Chang, the chairman and the chief executive officer of the Company.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Abbisko Hongkong Limited	Hong Kong 13 April 2018	Hong Kong Dollars ("HKD") 10,000	100%	–	Investment holding
Abbisko Therapeutics Co., Ltd. [1, 2] (上海和譽生物醫藥科技有限公司)	the People's Republic of China ("PRC")/ Mainland China 12 April 2016	RMB1,200,000,000	–	100%	Research and development in areas of biomedical and biotechnology, technical services and technical consultation
Wuxi Abbisko Biomedical Technology Co., Ltd. [1, 2] (無錫和譽生物醫藥科技有限公司)	PRC/Mainland China 28 July 2020	United States Dollars ("USD") 30,000,000	–	100%	Research and development

1. CORPORATE INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Abbisko Therapeutics Australia Pty Ltd.	Australia 25 September 2020	Australian Dollars ("AUD") 3,958,510	–	100%	Research and development
Beijing Qianyu Therapeutics Co. Ltd.[1] (北京千譽生物醫藥科技有限公司)	PRC/Mainland China 24 November 2021	RMB20,000,000	–	100%	Research and development

1 The English names of these companies represent the best effort made by the Directors to translate the Chinese names as these companies have not been registered with any official English names.

2 These subsidiaries were registered as wholly-foreign-owned enterprises under PRC law.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

(a) Amendments to IFRS 3 replace a reference to a previous version of the IASB's *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments that arose during the period.

(b) Amendments to IAS 16 prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) Amendments to IAS 37 specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the consolidated financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2,4]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

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

Amendments to IAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, investment properties and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

	Principal annual rates	Estimated useful lives
Electronic equipment	19%	5 years
Office equipment	19%	5 years
R&D equipment	19%	5 years
Motor vehicles	19%	5 years
Leasehold improvement	20%	5 years

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

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

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

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software for research and development activities	1 to 3 years
Software for management activities	10 years

The useful life of the software for R&D activities is estimated based on the authority period of the software, while the useful life of the software for management activities is estimated based on management's judgement.

Research and development expenses

All research costs are charged to the statement of profit or loss and other comprehensive income as incurred.

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

Leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee

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

(a) Right-of-use assets

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

Property, office premises and plant	1 to 5 years

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

(b) Lease liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

Gains and losses on these financial assets are never recycled to the statement of profit or loss and other comprehensive income. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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

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

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

The revenue from a license is recognised over time if all of the following criteria are met:

(a) the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights

(b) the rights granted by the licence directly expose the customer to any positive or negative effects of the entity's activities identified in (a); and

(c) those activities do not result in the transfer of a good or a service to the customer as those activities occur

Otherwise, revenue is recognised at a point in time when the customer obtains the control of the license.

Other income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 23 to the consolidated financial statements.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

Other employee benefits

Pension scheme

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 12 to the consolidated financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss and other comprehensive income.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Research and development expenses

Development expenses incurred on the Group's drug product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the reporting period, all expenses incurred for research and development activities were expensed when incurred.

Estimation uncertainty

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

Share-based payments

The Group has set up the equity share option plan for the Company's directors and the Group's employees. The fair value of the options is determined by the binomial model at the grant dates.

Estimating fair value for share-based payment transactions requires the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatizing and dividend yield and making assumptions about them.

For the fair value measurement of equity-settled transactions with employees at the grant date, the Group uses a binomial model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 23.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Leases – Estimating the incremental borrowing rate

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

4. OPERATING SEGMENT INFORMATION

Operating segment information

For management purposes, the Group has only one reportable operating segment, which is the development of innovative medicines. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Since nearly all of the Group's non-current assets were located in Mainland China, no geographical information in accordance with IFRS 8 *Operating Segments* is presented.

5. REVENUE

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	–	22,682

Disaggregated revenue information

For the year ended 31 December 2021

	License fee income RMB'000
Type of goods or services	
License fee income	22,682
Geographical market	
Mainland China	22,682
Timing of revenue recognition	
License fee income at a point in time	22,682

6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2022 RMB'000	2021 RMB'000
Other income		
Bank interest income	35,018	16,938
Other gains		
Government grants*	10,545	14,081
Gain on disposal of an associate	–	5,900
Foreign exchange gains	–	6,668
	10,545	26,649
	45,563	43,587

* The government grants mainly represent subsidies received from the local governments for the purpose of supporting on research and clinical trial activities, allowance for new drug development and funds for talents. There were no unfulfilled conditions or contingencies relating to these grants received during the year.

7. LOSS BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Depreciation of items of property, plant and equipment	14	**4,569**	4,179
Depreciation of right-of-use assets	15	**9,555**	7,003
Amortisation of intangible assets	16	**1,674**	704
Research and development expenses excluding depreciation and amortisation		**366,714**	218,617
Lease payments not included in the measurement of lease liabilities		**1,351**	–
Auditor's remuneration		**2,150**	2,450
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):			
Wages and salaries		**103,328**	65,644
Pension scheme contributions (defined contribution scheme)*		**18,992**	9,841
Equity-settled share option expense		**32,469**	35,376
		154,789	110,861
Share issue expenses		**–**	29,198
Foreign exchange differences, net		**41,001**	(6,668)
Fair value losses on convertible redeemable preferred shares		**–**	1,524,320
Fair value loss on financial assets at fair value through profit or loss		**219**	–
Gain on disposal of an associate		**–**	5,900

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**2,685**	959

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2022	2021
	RMB'000	RMB'000
Fees	**676**	162
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind*	**23,175**	16,802
Pension scheme contributions	**246**	51
Equity-settled share option expense	**77,652**	54,557
	101,749	71,572

* The bonuses paid or receivable by the directors and chief executive of the Company are not discretionary or based on the Company's, the Group's or any member of the Group's performance.

During the year, certain directors were granted restricted share units, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 23 to the financial statements. The fair value of such restricted share units, which has been recognised in the statement of profit or loss and other comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

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

	2022
	RMB'000
Mr. Sun Piaoyang	**–**
Mr. Sun Hongbin	**338**
Mr. Wang Lei	**338**
	676

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2022					
Executive directors:					
Dr. YU Hongping	–	3,305	106	22,787	26,198
Dr. CHEN Zhui	–	6,482	106	22,787	29,375
Mr. YEH Richard (i)	–	2,804	34	3,647	6,485
	–	12,591	246	49,221	62,058
Non-executive directors:					
Dr. XIA Gavin Guoyao	–	–	–	–	–
Ms. Tang Yanmin	–	–	–	–	–
Chief executive:					
Dr. XU Yao-Chang	–	10,584	–	28,431	39,015
	–	23,175	246	77,652	101,073
2021					
Executive directors:					
Dr. YU Hongping	–	2,923	17	14,118	17,058
Dr. CHEN Zhui	–	3,123	17	14,118	17,258
Mr. YEH Richard (i)	–	5,279	17	8,727	14,023
	–	11,325	51	36,963	48,339
Non-executive directors:					
Mr. Shen Jingkang (ii)	–	–	–	–	–
Mr. Chen Kan (iii)	–	–	–	–	–
Ms. Miao Jingwen (iv)	–	–	–	–	–
Ms. Yang Ling (v)	–	–	–	–	–
Dr. XIA Gavin Guoyao	–	–	–	–	–
Ms. Tang Yanmin	–	–	–	–	–
Chief executive:					
Dr. XU Yao-Chang	–	5,477	–	17,594	23,071
	–	16,802	51	54,557	71,410

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

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

(i) Mr. YEH Richard was appointed as a director of the Company on 5 January 2021 and resigned as a director on 28 April 2022.

(ii) Mr. Shen Jingkang was appointed as a non-executive director of the Company on 22 October 2018 and resigned as a non-executive director on 10 June 2021.

(iii) Mr. Chen Kan was appointed as a non-executive director of the Company on 21 February 2020 and resigned as a non-executive director on 10 June 2021.

(iv) Ms. Miao Jingwen was appointed as a non-executive director of the Company on 21 February 2020 and resigned as a non-executive director on 10 June 2021.

(v) Ms. Yang Ling was appointed as a non-executive director of the Company on 5 January 2021 and resigned as a non-executive director on 10 June 2021.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2021: four directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining one (2021: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2022	2021
	RMB'000	RMB'000
Salaries, bonuses, allowances, and benefits in kind*	**4,532**	3,917
Pension scheme contributions	**92**	112
Equity-settled share option expenses	**4,657**	6,347
	9,281	10,376

* The aggregate of bonuses paid or receivable by the Company's five highest paid employees are not discretionary or based on the Company's, the Group's or any member of the Group's performance for the financial year.

10. FIVE HIGHEST PAID EMPLOYEES (continued)

The remuneration of the non-director and non-chief executive highest paid employee fell within the following bands:

	2022	2021
HKD10,500,001 to HKD11,000,000	1	–
HKD12,500,001 to HKD13,000,000	–	1
	1	1

During the year and in prior years, share options were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 23 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss and other comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

11. INCOME TAX

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

Cayman Islands

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

Hong Kong

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

11. INCOME TAX (continued)

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income. A subsidiary was accredited as a "High and New Technology Enterprise" ("HNTE") in October 2022 and therefore it was entitled to a preferential CIT rate of 15% from 1 January 2022 to 31 December 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Australia

No provision for Australia income tax has been made as the Group had no assessable profits derived from or earned in Australia during the year. The subsidiary incorporated in Australia is subject to income tax at the rate of 25% on the estimated assessable profits arising in Australia during the year.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2022 **RMB'000**	2021 RMB'000
Loss before tax	**(495,606)**	(1,809,993)
Tax at the statutory tax rate	**(81,081)**	(69,963)
Income not subject to tax	**(13)**	(10)
Additional deductible allowance for qualified research and development costs	**(40,196)**	(28,588)
Expenses not deductible for tax	**17,490**	22,846
Temporary difference not recognised	**251**	287
Tax losses not recognised	**103,549**	75,428
Tax charge at the Group's effective rate	**–**	–

11. INCOME TAX (continued)

The Group had accumulated tax losses in Mainland China of RMB1,111,814,000 as at 31 December 2022 (2021: RMB707,791,000), which will expire in five to ten years for offsetting against future taxable profits of the companies in which the losses arose:

	2022 RMB'000	2021 RMB'000
Expire in 2026	10,034	10,034
Expire in 2027	40,722	40,722
Expire in 2028	81,191	81,191
Expire in 2029	113,384	113,384
Expire in 2030	183,711	183,711
Expire in 2031	285,350	278,749
Expire in 2032	397,422	–
	1,111,814	707,791

The Group also had accumulated tax losses in overseas subsidiaries of RMB92,702,000 as at 31 December 2022 (2021: RMB71,406,000), which will be carried forward indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilised.

12. DIVIDENDS

No dividend was paid or declared by the Company during the year.

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 620,675,952 (2021: 234,883,376, after adjusting for the effect of the Share Subdivision) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the impact of the share options and redeemable convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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

	2022 **RMB'000**	2021 RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**(495,606)**	(1,809,993)

	Numbers of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**620,675,952**	234,883,376

14. PROPERTY, PLANT AND EQUIPMENT

	Electronic equipment RMB'000	Office equipment RMB'000	R&D equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022							
At 1 January 2022:							
Cost	1,235	346	22,586	1,244	3,744	–	29,155
Accumulated depreciation	(329)	(127)	(11,410)	(331)	(1,749)	–	(13,946)
Net carrying amount	906	219	11,176	913	1,995	–	15,209
At 1 January 2022, net of accumulated depreciation	906	219	11,176	913	1,995	–	15,209
Additions	840	13	7,002	–	187	13,682	21,724
Depreciation provided during the year	(236)	(58)	(3,455)	(205)	(615)	–	(4,569)
At 31 December 2022, net of accumulated depreciation	1,510	174	14,723	708	1,567	13,682	32,364
At 31 December 2022:							
Cost	2,075	359	29,588	1,244	3,931	13,682	50,879
Accumulated depreciation	(565)	(185)	(14,865)	(536)	(2,364)	–	(18,515)
Net carrying amount	1,510	174	14,723	708	1,567	13,682	32,364
31 December 2021							
At 1 January 2021:							
Cost	483	133	17,301	393	2,056	–	20,366
Accumulated depreciation	(218)	(72)	(7,855)	(256)	(1,366)	–	(9,767)
Net carrying amount	265	61	9,446	137	690	–	10,599
At 1 January 2021, net of accumulated depreciation	265	61	9,446	137	690	–	10,599
Additions	752	213	5,285	851	1,688	–	8,789
Depreciation provided during the year	(111)	(55)	(3,555)	(75)	(383)	–	(4,179)
At 31 December 2021, net of accumulated depreciation	906	219	11,176	913	1,995	–	15,209
At 31 December 2021:							
Cost	1,235	346	22,586	1,244	3,744	–	29,155
Accumulated depreciation	(329)	(127)	(11,410)	(331)	(1,749)	–	(13,946)
Net carrying amount	906	219	11,176	913	1,995	–	15,209

As at 31 December 2022 and 2021, there were no pledged property, plant and equipment.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties used in its operations. Leases of properties generally have lease terms between 1 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of use assets

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

	Property, office premises and plant RMB'000
As at 31 December 2022	
At 1 January 2022	**54,085**
Additions	**406**
Depreciation charge	**(9,555)**
As at 31 December 2022	**44,936**
As at 31 December 2021	
As at 1 January 2021	4,176
Additions	56,912
Depreciation charge	(7,003)
As at 31 December 2021	54,085

(b) Lease liabilities

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

	2022 **RMB'000**	2021 RMB'000
Carrying amount at 1 January	**53,804**	4,306
New leases	**406**	56,912
Accretion of interest recognised during the year	**2,685**	959
Lease payment	**(11,320)**	(8,373)
Carrying amount at the end of the year	**45,575**	53,804
Analysed into:		
Current portion	**9,968**	8,862
Non-current portion	**35,607**	44,942

15. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities (continued)

The maturity analysis of lease liabilities is as follows:

	2022			2021		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities	**4.75-5.5**	**2023**	**9,968**	4.75-5.5	2022	8,862
Non-current						
Lease liabilities	**5.5**	**2024-2028**	**35,607**	5.5	2023-2027	44,942

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

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

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**2,685**	959
Depreciation charge of right-of-use assets	**9,555**	7,003
Expense relating to short-term leases	**1,351**	–
Total amount recognised in profit or loss	**13,591**	7,962

(d) The total cash outflow for leases is disclosed in note 24(c), respectively, to the financial statements.

16. OTHER INTANGIBLE ASSETS

	Software RMB'000	Total RMB'000
31 December 2022		
Cost at 1 January 2022, net of accumulated amortisation	**3,051**	**3,051**
Additions	**3,128**	**3,128**
Amortisation provided during the year	**(1,674)**	**(1,674)**
At 31 December 2022	**4,505**	**4,505**
At 31 December 2022:		
Cost	**7,021**	**7,021**
Accumulated amortisation	**(2,516)**	**(2,516)**
Net carrying amount	**4,505**	**4,505**
31 December 2021		
Cost at 1 January 2021, net of accumulated amortisation	434	434
Additions	3,321	3,321
Amortisation provided during the year	(704)	(704)
At 31 December 2021	3,051	3,051
At 31 December 2021:		
Cost	3,893	3,893
Accumulated amortisation	(842)	(842)
Net carrying amount	3,051	3,051

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 **RMB'000**	2021 RMB'000
Wealth management products	**93,796**	–
	93,796	–

The above wealth management product was issued by a financial institution in Hong Kong. It was mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

18. PREPAYMENTS AND OTHER RECEIVABLES

	Note	2022 RMB'000	2021 RMB'000
Prepayments to suppliers		**11,249**	9,393
Amounts due from related parties	26	**7,741**	–
Loans to employees*		**10,058**	–
Deposits and other receivables		**26,046**	26,483
		55,094	35,876

* The loans to employees were given by the Company for the purpose of enabling the employees to exercise share options of the Company.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

19. CASH AND BANK BALANCES

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**2,258,827**	2,545,513
Less:		
Bank deposits with original maturity of more than three months when acquired (i)	**1,616,990**	1,481,656
Cash and cash equivalents	**641,837**	1,063,857

(i) They represent time deposits with initial terms of over three months when acquired in commercial banks with annual return rates ranging from 2.55% to 4.6% (2021: 0.54% to 2.85%). None of these deposits are either past due or impaired. None of these deposits are pledged.

	2022 RMB'000	2021 RMB'000
Denominated in:		
RMB	**729,738**	718,249
USD	**1,524,612**	1,825,043
HKD	**3,219**	1,352
AUD	**1,258**	869
Cash and bank balances	**2,258,827**	2,545,513

19. CASH AND BANK BALANCES (continued)

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

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

20. OTHER PAYABLES AND ACCRUALS

	2022	2021
	RMB'000	RMB'000
Payroll payable	**23,196**	22,303
Payables of construction and purchase of equipment	**1,346**	18
Other tax payables	**24,051**	1,296
Share issue expenses payables	**127**	9,306
Other payables	**48,865**	31,753
	97,585	64,676

Other payables and accruals are unsecured, non-interest-bearing and repayable on demand. The carrying amounts of financial liabilities included in other payables and accruals as at the end of each of the reporting periods approximated to their fair values due to their short-term maturities.

21. SHARE CAPITAL

	2022 USD'000	2021 USD'000
Issued and fully paid:		
701,774,350 (2021: 702,578,350) ordinary shares	7	7
Equivalent to RMB'000	46	46

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2021	9,919,202	6
Issue of shares	7,449,604	5
Conversion of convertible redeemable preferred shares to ordinary shares	38,804,229	26
Share Subdivision	505,557,315	–
Issue of Ordinary Shares from IPO	140,736,000	9
Issue of shares from exercise of an over-allotment option	112,000	–
At 31 December 2021 and 1 January 2022	702,578,350	46
Shares repurchased (i)	(804,000)	–
At 31 December 2022 (ii)	701,774,350	46

(i) The Company purchased 804,000 of its shares on the Hong Kong Stock Exchange at a total consideration of HKD4,699,053 (equivalent to approximately RMB4,055,000). The purchased shares were cancelled during the year and the total amount paid for the purchase of the shares has been charged to share capital and share premium of the Company.

(ii) The Company allotted and issued a total of 83,602,800 ordinary shares of the Company to certain special purpose vehicle companies in order to facilitate the administration of the 2019 Share Incentive Plan and Post-IPO Share Option Scheme as set out in note 23 to the financial statements. The interests of these special purpose vehicle companies are held in several trusts, which are accounted for as treasury shares of the Company. As of 31 December 2022, a total of 54,340,906 treasury shares are held in these trusts (2021: 83,602,800).

22. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 100 to 101 of the financial statements.

(i) Share premium

The share premium account represents the amount paid by shareholders for capital injection in excess of its nominal value and proceeds received from IPO less related costs.

(ii) Share option reserve

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

23. SHARE-BASED PAYMENTS

2019 Share Incentive Plan

In July 2019, the Company adopted the Share Incentive Plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Eligible participants of the Share Incentive Plan may include any employees and directors of the Company and its subsidiaries. The maximum aggregate number of shares that may be issued under this plan is 83,602,800 Ordinary Shares(taking into account the effect of Share Subdivision). Unless otherwise cancelled or amended, the Share Incentive Plan will remain in force for 10 years from that date.

The Board shall have the authority to approve the 2019 Plan and the separate programs under the 2019 Share Incentive Plan and the shareholders shall have the power to approve and determine the maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the 2019 Share Incentive Plan.

23. SHARE-BASED PAYMENTS (continued)

2019 Share Incentive Plan (continued)

(a) Share options

The exercise period of the share options granted is determinable by the directors and commences after a vesting period of one to four years and ends on a date which is not later than ten years from the date of offer of the share options.

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

The following share options were outstanding under the Share Incentive Plan during the years ended 31 December 2022 and 2021:

	Weighted average exercise price RMB per share	Number of options
At 1 January 2022	**1.26**	**30,006,990**
Granted during the year	**–**	**–**
Forfeited during the year	**1.42**	**(1,554,060)**
Exercised during the year	**1.21**	**(17,943,785)**
At 31 December 2022	**1.39**	**10,509,145**
At 1 January 2021	9.80	1,315,821
Granted during the year	14.50	1,730,200
Forfeited during the year	3.98	(45,322)
Share Subdivision	–	27,006,291
At 31 December 2021	1.26	30,006,990

23. SHARE-BASED PAYMENTS (continued)

2019 Share Incentive Plan (continued)

(a) Share options (continued)

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

2022

Number of options '000	**Exercise price RMB per share**	**Exercise period**
482,300	**0.01-0.2**	**1-12-19 to 1-12-29**
896,595	**1.34-2.61**	**1-12-21 to 1-12-29**
247,500	**1.45**	**1-12-21 to 1-12-30**
7,485,250	**1.45**	**1-6-22 to 1-6-31**
1,397,500	**1.45**	**1-9-22 to 1-9-31**
10,509,145		

2021

Number of options '000	Exercise price* RMB per share	Exercise period
5,879,380	0.01-0.2	1-12-19 to 1-12-29
6,335,610	1.34-2.38	1-12-21 to 1-12-29
490,000	1.45	1-12-21 to 1-12-30
15,492,000	1.45	1-6-22 to 1-6-31
1,810,000	1.45	1-9-22 to 1-9-31
30,006,990		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year was nil (2021: RMB72,441,145).

The Group recognised share option expenses of RMB22,665,336 during the year (2021: RMB31,055,009).

23. SHARE-BASED PAYMENTS (continued)

2019 Share Incentive Plan (continued)

(b) Restricted share units

The purpose of granting the restricted share units ("RSUs") under the Share Incentive Plan is to incentivise the Directors and experts for their contribution to the Group and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group, by providing them with the opportunity to own equity interests in the Company.

Unless otherwise cancelled or amended, the exercise period of the RSUs shall commence after a vesting period of one to four years and ends on a date which is not later than ten years from the date of offer of the RSUs.

The following RSUs were outstanding under the Scheme during the years ended 31 December 2022:

	Number of RSUs
At 1 January 2022	**38,184,800**
Granted during the year	**7,963,000**
Forfeited during the year	**(5,062,077)**
Surrendered during the year*	**(6,418,744)**
Exercised during the year	**(11,367,729)**
At 31 December 2022	**23,272,250**
At 1 January 2021	–
Granted during the year	3,818,480
Share Subdivision	34,366,320
At 31 December 2021	38,184,800

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

* For the year ended 31 December 2022, tax has been paid in January 2023 by the Group on behalf of certain directors whose rights were vested under the 2019 Share Incentive Plan and 6,418,744 RSUs were deducted from the total number of RSUs entitled to be vested to those directors, as settlement for the individual income tax paid by the Group on their behalf.

23. SHARE-BASED PAYMENTS (continued)

2019 Share Incentive Plan (continued)

(b) Restricted share units (continued)

2022

Number of RSUs '000	Exercise period
14,718,750	1-12-22 to 1-6-31
470,000	1-12-22 to 1-9-31
187,500	1-12-22 to 1-12-31
450,000	1-3-23 to 1-3-32
4,390,000	1-6-23 to 1-6-32
375,000	1-9-23 to 1-9-32
2,681,000	1-11-23 to 1-11-32
23,272,250	

2021

Number of RSUs '000	Exercise period
37,054,800	1-12-22 to 1-6-31
880,000	1-12-22 to 1-9-31
250,000	1-12-22 to 1-12-31
38,184,800	

The fair value of the RSUs granted during the year was RMB22,948,882 (2021: RMB204,945,140), and the Group recognised a share-based payment expense of RMB86,354,544 (2021: RMB59,307,750) during the year.

The fair value of the RSUs granted during the year was measured as at the date of grant using the fair value of the Company's ordinary shares.

23. SHARE-BASED PAYMENTS (continued)

Post-IPO Share Option Scheme

In September 2021, the Company adopted the Post-IPO Share Option Scheme for the purpose of rewarding employees, Directors or Consultants for their past contribution to the success of the Company and providing incentives to them to further contribute to the Company. The maximum aggregate number of shares that may be issued under this plan is 48,723,430 Ordinary Shares (taking into account the effect of Share Subdivision). Unless otherwise cancelled or amended, the Share Incentive Plan will remain in force for 10 years from that date.

The Board shall have the authority to approve the Post-IPO Share Option Scheme and the shareholders shall have the power to approve and determine the maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the Post-IPO Share Option Scheme.

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date when the Post-IPO Share Option Scheme becomes unconditional, after which period no further Options will be granted by the provisions of the Post-IPO Share Option Scheme, but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

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

The following share options were outstanding under the Post-IPO Share Option Scheme during reporting period ended 31 December 2022:

	Weighted average exercise price RMB per share	Number of options
At 1 January 2022	–	–
Granted during the year	3.09	3,675,000
Forfeited during the year	2.63	(40,000)
At 31 December 2022	3.09	3,635,000

23. SHARE-BASED PAYMENTS (continued)

Post-IPO Share Option Scheme (continued)

The exercise prices and exercise periods of the share options outstanding under the Post-IPO Share Option Scheme as at December 31, 2022 are as follows:

Number of options '000	Exercise price RMB per share*	Exercise period
1,700,000	3.62	1-6-23 to 1-6-32
1,935,000	2.63	1-11-23 to 1-11-32
3,635,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the equity-settled share options granted under the Post-IPO Share Option Scheme during the year was estimated as at the dates of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2022
Dividend yield (%)	–
Expected volatility (%)	57.08
Risk-free interest rate (%)	3.91
Exercise multiple	2.2-2.8
Weighted average share price (HKD per share)	3.20

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the options granted was incorporated into the measurement of fair value.

The fair value of the share options granted under the Post-IPO Share Option Scheme during the year was RMB6,037,996 (2021: Nil).

The Group recognised share option expenses of RMB1,100,924 during the year (2021: Nil).

24. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets of RMB406,000 (2021: RMB56,912,000) and non-cash additions to lease liabilities of RMB406,000 (2021: RMB56,912,000), in respect of lease arrangements for property, office premises and plant.

(b) Changes in liabilities arising from financing activities

	Lease liabilities RMB'000	Other payables and accruals RMB'000
At 1 January 2022	53,804	9,306
Changes from financing cash flows:		
Lease payments	(11,320)	–
Payment of share issue expenses	–	(9,179)
Issue of convertible redeemable preferred shares	–	–
Total changes from financing cash flows	(11,320)	(9,179)
Other changes:		
New leases	406	–
Interest expenses	2,685	–
Share issue expenses	–	–
Fair value loss on convertible redeemable preferred shares	–	–
Conversion to ordinary shares	–	–
Total other changes	3,091	–
At 31 December 2022	45,575	127

24. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

	Lease liabilities RMB'000	Other payables and accruals RMB'000	Other non-current liabilities RMB'000	Convertible redeemable preferred shares RMB'000
At 1 January 2021	4,306	–	19,575	1,719,635
Changes from financing cash flows:				
Lease payments	(8,373)	–	–	–
Payment of share issue expenses	–	(117,936)	–	–
Issue of convertible redeemable preferred shares	–	–	(19,575)	796,192
Total changes from financing cash flows	(8,373)	(117,936)	(19,575)	796,192
Other changes:				
New leases	56,912	–	–	–
Interest expenses	959	–	–	–
Foreign exchange movement	–	–	–	(25,350)
Share issue expenses	–	127,242	–	–
Fair value loss on convertible redeemable preferred shares	–	–	–	1,524,320
Conversion to ordinary shares	–	–	–	(4,014,797)
Total other changes	57,871	127,242	–	(2,515,827)
At 31 December 2021	53,804	9,306	–	–

(c) Total cash outflow for leases

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

	2022 RMB'000	2021 RMB'000
Within financing activities	**11,320**	8,373
Within operating activities	**1,351**	–
	12,671	8,373

25. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for Plant and machinery	**1,084**	2,245
	1,084	2,245

26. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties:

	2022 RMB'000	2021 RMB'000
Due from related parties:		
Dr. XU Yao-Chang	**4,549**	–
Dr. CHEN Zhui	**3,192**	–
	7,741	–

The Group had outstanding balances due from certain directors of RMB7,741,000 (2021: Nil) as at the end of the reporting period. Outstanding balances were payments due from certain directors for exercising the share options under the 2019 Share Incentive Plan on 28 December 2022, which have been settled as at the date of this report.

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

	2022 RMB'000	2021 RMB'000
Salaries, bonuses, allowances, and benefits in kind	**35,435**	26,169
Pension scheme contributions	**683**	328
Equity-settled share option expenses	**89,879**	71,541
Total compensation paid to key management personnel	**125,997**	98,038

Further details of directors' and the chief executive's emoluments are included in note 9 to the consolidated financial statements.

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in other receivables	–	27,102	27,102
Financial assets at fair value through profit or loss	93,796	–	93,796
Cash and bank balances	–	2,258,827	2,258,827
	93,796	2,285,929	2,379,725

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	50,338
	50,338

27. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities (continued)

2021

Financial assets

	Financial assets at amortised cost RMB'000
Financial assets included in other receivables	9,557
Cash and bank balances	2,545,513
	2,555,070

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	41,077
	41,077

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of the Group's financial instrument, other than that with carrying amount that reasonably approximate to fair value, are as follows:

	Carrying amounts		Fair values	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets at fair value through profit or loss	**93,796**	–	**93,796**	–

Management has assessed that the fair values of cash and cash – equivalents, financial assets included in deposits and other receivables, financial liabilities included in other payables and accruals and other non-current liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The Directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The Group invests in a wealth management product issued by a bank in Hong Kong. The Group has estimated the fair value of the wealth management product based on fair values provided by financial institutions.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	93,796	–	93,796

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2021: Nil).

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from changes in exchange rates.

The following table demonstrates the sensitivity at each reporting date to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency	**Increase/ (decrease) in loss before tax**	**Increase/ (decrease) in equity**
	%	RMB'000	RMB'000
31 December 2022			
If RMB weakens against USD	**5**	**94,113**	**94,113**
If RMB strengthens against USD	**(5)**	**(94,113)**	**(94,113)**
31 December 2021			
If RMB weakens against USD	5	113,634	113,634
If RMB strengthens against USD	(5)	(113,634)	(113,634)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets included in deposits and other receivables and other assts, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's other receivables are widely dispersed in different sectors and industries.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2022

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Financial liabilities in other payables and accruals	–	50,338	–	–	50,338
Lease liabilities	–	2,480	7,637	42,055	52,172
	–	52,818	7,637	42,055	102,510

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

2021

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Financial liabilities in other payables and accruals	–	41,077	–	–	41,077
Lease liabilities	–	2,260	7,200	54,076	63,536
	–	43,337	7,200	54,076	104,613

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

30. EVENTS AFTER THE REPORTING PERIOD

The Group has no other significant events after the reporting period up to the approval date of these financial statements.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,420,960**	866,319
Total non-current assets	**1,420,960**	866,319
CURRENT ASSETS		
Prepayments and other receivables	**22,584**	14,104
Cash and bank balances	**1,873,895**	2,250,815
Financial assets at fair value through profit or loss	**93,796**	–
Total current assets	**1,990,275**	2,264,919
CURRENT LIABILITIES		
Other payables and accruals	**24,644**	26,310
Total current liabilities	**24,644**	26,310
NET CURRENT ASSETS	**1,965,631**	2,238,609
Net assets	**3,386,591**	3,104,928
EQUITY		
Equity attributable to owners of the parent		
Share capital	**46**	46
Other reserves	**3,386,545**	3,104,882
Total equity	**3,386,591**	3,104,928

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

A summary of the Company's reserves is as follows

	Attributable to owners of the parent					
	Share capital	Share option reserve	Share premium	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	46	98,847	5,369,594	(7,410)	(2,356,149)	3,104,928
Loss for the year	–	–	–	–	(23,497)	(23,497)
Other comprehensive loss for the year:						
Exchange differences on translation of foreign operations and the Company	–	–	–	199,493	–	199,493
Total comprehensive loss for the year	–	–	–	199,493	(23,497)	175,996
Issue of shares	–	–	–	–	–	–
Issue of shares from initial public offering ("IPO")	–	–	–	–	–	–
Issue of shares from exercise of an over-allotment option	–	–	–	–	–	–
Share issue expenses	–	–	–	–	–	–
Conversion of convertible redeemable preferred shares to ordinary shares	–	–	–	–	–	–
Repurchase of shares	–	–	(4,055)	–	–	(4,055)
Vesting of equity-settled share options and restricted share units	–	(133,249)	132,850	–	–	(399)
Equity-settled share-based payment expense	–	110,121	–	–	–	110,121
At 31 December 2022	46	75,719	5,498,389	192,083	(2,379,646)	3,386,591

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

A summary of the Company's reserves is as follows (continued)

	Attributable to owners of the parent					
	Share capital RMB'000	Share option reserve RMB'000	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	6	8,914	895	53,485	(828,667)	(765,367)
Loss for the year	–	–	–	–	(1,527,482)	(1,527,482)
Other comprehensive loss for the year:						
Exchange differences on translation of foreign operations and the Company	–	–	–	(60,895)	–	(60,895)
Total comprehensive loss for the year	–	–	–	(60,895)	(1,527,482)	(1,588,377)
Issue of shares	5	–	–	–	–	5
Issue of shares from initial public offering ("IPO")	9	–	1,450,825	–	–	1,450,834
Issue of shares from exercise of an over-allotment option	–	–	1,146	–	–	1,146
Share issue expenses	–	–	(98,043)	–	–	(98,043)
Conversion of convertible redeemable preferred shares to ordinary shares	26	–	4,014,771	–	–	4,014,797
Equity-settled share option arrangements	–	89,933	–	–	–	89,933
At 31 December 2021	46	98,847	5,369,594	(7,410)	(2,356,149)	3,104,928

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 March 2023.