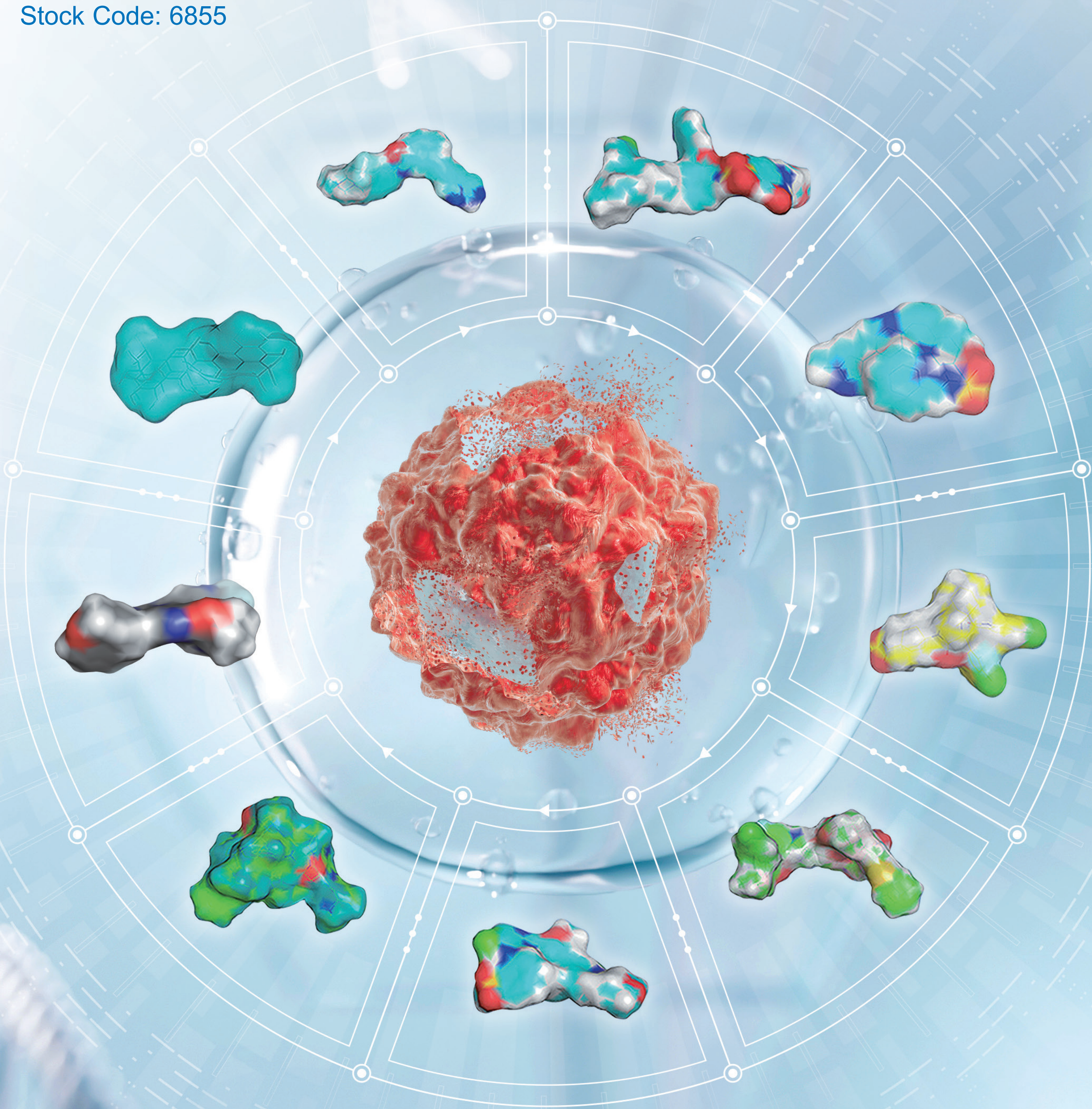
亞盛醫藥
Ascentage Pharma

Ascentage Pharma Group International
亞盛醫藥集團

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 6855



ANNUAL REPORT **2022**

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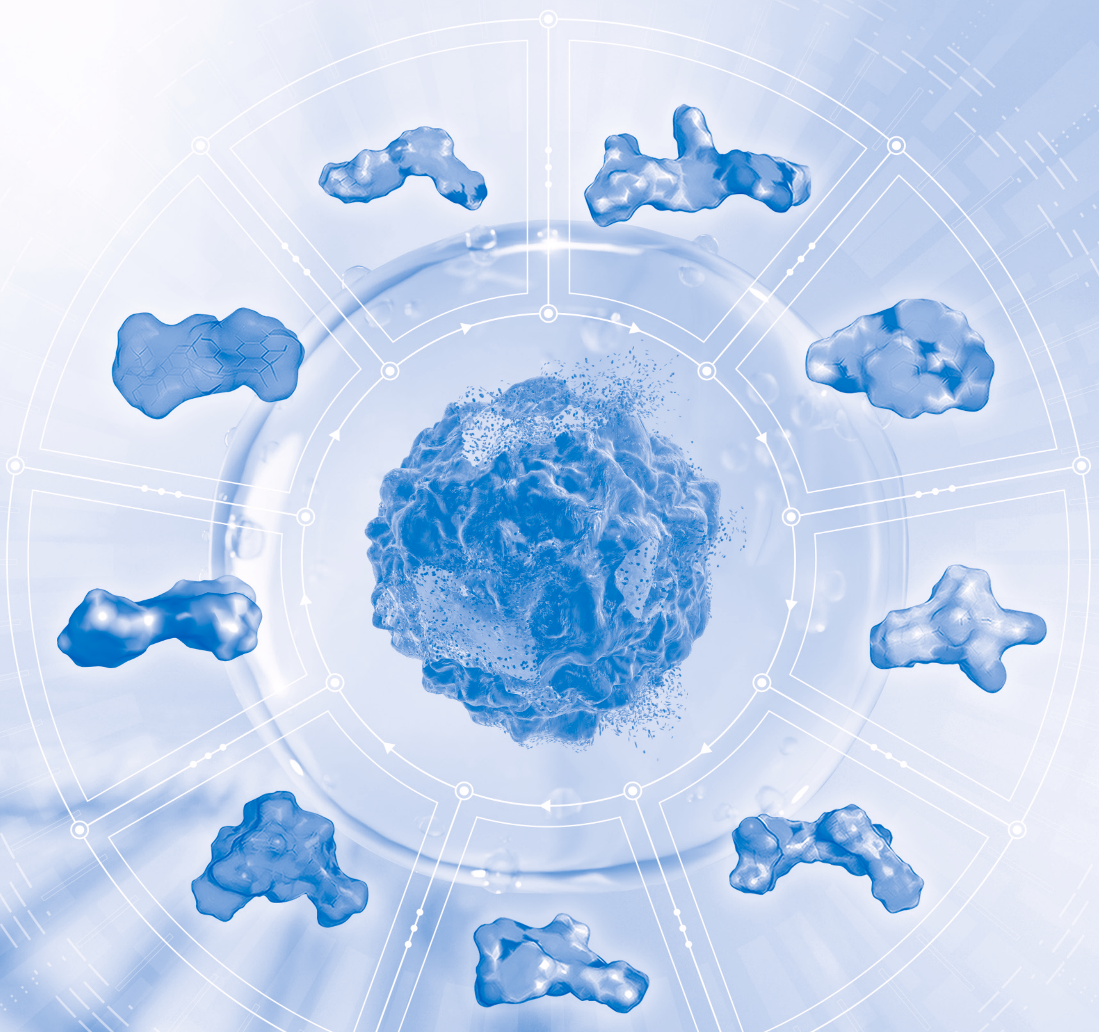


Definitions

In this annual report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.

"2018 RSU Scheme"	the restricted share unit scheme approved by the board of directors of the Company on July 6, 2018 as amended from time to time
"2020 Placing"	the placing of 15,000,000 Shares at a price of HK$46.80 each pursuant to the terms and conditions of the 2020 Placing Agreement
"2020 Placing Agreement"	the placing agreement entered into among the Company, Citigroup Global Markets Limited and J.P. Morgan Securities (Asia Pacific) Limited dated July 8, 2020 in relation to the 2020 Placing
"2021 Placing"	the placing and subscription of 26,500,000 Shares at a price of HK$44.20 each pursuant to the terms and conditions of the 2021 Placing Agreement
"2021 Placing Agreement"	the placing and subscription agreement entered into among the Company, the Founders SPV, J.P. Morgan Securities (Asia Pacific) Limited and China International Capital Corporation Hong Kong Securities Limited dated February 3, 2021 in relation to the 2021 Placing
"2021 RSU Scheme"	the restricted share unit scheme of the Company approved by the Board on February 2, 2021 for adoption, in its present form or as amended from time to time
"2022 RSU Scheme"	the restricted share unit scheme approved by the Board on June 23, 2022 (as amended from time to time)
"2021 Warrants"	the unlisted warrants issued by the Company to Innovent pursuant to the Warrant Subscription Deed
"2023 Placing"	the placing and subscription of 22,500,000 Shares at a price of HK$24.45 each pursuant to the terms and conditions of the 2023 Placing Agreement
"2023 Placing Agreement"	the placing and subscription agreement entered into among the Company, the Founders SPV, J.P. Morgan Securities (Asia Pacific) Limited, China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Limited dated January 18, 2023 in relation to the 2023 Placing
"AACR"	American Association for Cancer Research
"AGM"	annual general meeting of the Company
"ALK"	anaplastic lymphoma kinase
"ALL"	acute lymphoblastic leukemia

"ALL (Ph + ALL)"	acute lymphoblastic leukemia; a type of cancer of the lymphoid line of blood cells characterized by the development of large numbers of immature lymphocytes (Philadelphia positive acute lymphoblastic leukemia)
"AML"	acute myelogenous leukemia
"APG-115"	our novel, orally active small molecule MDM2-p53 inhibitor
"APG-1252"	our novel, highly potent, small molecule drug designed to restore apoptosis, or programmed cell death, through selective inhibition of the Bcl-2/Bcl-xL proteins
"APG-1387"	our novel, small molecule inhibitor of the IAP
"APG-2449"	our third-generation inhibitor of the FAK, ROS1 and ALK kinases
"lisaftoclax (APG-2575)"	our novel, orally administered Bcl-2 inhibitor
"APG-265"	a MDM2 protein degrader
"APG-2575"	our novel, orally administered Bcl-2 inhibitor
"APG-5918"	our potent, orally available, and selective EED inhibitor
"Articles" or "Articles of Association"	the articles of association of the Company as amended from time to time
"Ascentage Australia"	Ascentage Pharma Pty. Ltd., a company incorporated in New South Wales, Australia with limited liability on March 24, 2016, our indirectly wholly-owned subsidiary
"Ascentage Grains Valley"	Suzhou Ascentage Grains Valley Venture Capital Co., Ltd. (蘇州亞盛磐谷創業投資有限責任公司), a limited liability company incorporated in the PRC, our indirectly wholly-owned subsidiary
"Ascentage International"	Ascentage International Limited (亞盛國際有限公司), a limited liability company incorporated in Hong Kong on October 28, 2015, our wholly-owned subsidiary
"Ascentage Jiangsu"	Jiangsu Ascentage Pharma Co., Ltd* (江蘇亞盛醫藥開發有限公司), a limited liability company incorporated in the PRC on June 1, 2010, our indirectly wholly-owned subsidiary
"Ascentage Pharma HK"	Ascentage Pharma Group Corp Limited (亞盛醫藥集團(香港)有限公司), a company incorporated in Hong Kong with limited liability on May 22, 2009, our wholly-owned subsidiary
"Ascentage Shanghai"	Shanghai Yasheng Pharmaceutical Technology Co., Ltd. (上海亞盛醫藥科技有限公司) (formerly known as 上海亞晟醫藥科技有限公司), a limited liability company incorporated in the PRC on December 10, 2015, our indirectly wholly-owned subsidiary

Definitions

"Ascentage Suzhou"	Suzhou Ascentage Pharma Co., Ltd. (蘇州亞盛藥業有限公司), a limited liability company incorporated in the PRC, our indirectly wholly-owned subsidiary
"Ascentage US"	Ascentage Pharma Group Inc., a corporation incorporated in Delaware, United States on November 4, 2015, our indirectly wholly-owned subsidiary
"ASCO"	American Society of Clinical Oncology
"AstraZeneca"	AstraZeneca PLC, a UK-Swedish multinational pharmaceutical and biopharmaceutical company headquartered in the United Kingdom, an Independent Third Party
"Audit Committee"	the audit committee of the Board
"Ba/F3"	murine interleukin-3 dependent pro-B cell line
"Bcl-2"	B-cell lymphoma 2
"Bcl-2/Bcl-xL"	B-cell lymphoma 2/B-cell lymphoma extra-large; a member of the Bcl-2 family proteins, and acts as an anti-apoptotic protein by preventing the release of mitochondrial contents such as cytochrome c, which leads to caspase activation and ultimately, programmed cell death
"BCR-ABL"	a fusion gene formed by the ABL gene from chromosome 9 joining to the BCR gene on chromosome 22, which is found in most patients with chronic myelogenous leukemia (CML), and in some patients with acute lymphoblastic leukemia (ALL) or acute myelogenous leukemia (AML)
"Board Committees"	the Audit Committee, the Remuneration Committee and the Nomination Committee
"Board of Directors" or "Board"	our board of Directors
"BTK"	Bruton's tyrosine kinase inhibitor
"BVI"	the British Virgin Islands
"CDE"	the center of drug evaluation of China
"CDK4/6"	cyclin-dependent kinase 4/6
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"CHB"	chronic hepatitis B
"CIT"	corporate income tax

"CLL"	chronic lymphocytic leukemia; a slowly progressing, liquid form of tumor that causes an excess of white blood cells in the bone marrow, blood, liver, and spleen
"CML"	chronic myeloid/myelogenous leukemia; a type of cancer that affects the blood and bone marrow
"CMML"	chronic myelomonocytic leukemia
"Company", "our Company", "Ascentage Pharma"	Ascentage Pharma Group International (亞盛醫藥集團) (stock code: 6855), an exempted company incorporated in the Cayman Islands with limited liability on November 17, 2017
"Concert Party Confirmation Deed"	the concert party confirmation deed dated August 11, 2018 executed by Dr. Yang, Dr. Wang, Dr. Guo, Dr. Zhai, the Founders SPV and the Dr. Zhai SPV, to confirm, agree and acknowledge, among other things, that they are parties acting in concert in relation to our Group since December 5, 2016 and will continue to act in concert after the Listing
"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules. For the purposes of this annual report, our Core Product is HQP1351
"Deed of Non-Competition"	the deed of non-competition dated April 24, 2019 entered into by our Substantial Shareholders, in favour of our Company (for itself and as trustee for each of our subsidiaries), particulars of which are set out in the paragraph headed "Relationship with Controlling Shareholders – Non-competition undertakings" in the Prospectus
"Director(s)"	the director(s) of the Company or any one of them
"DMPK"	Drug Metabolism and Pharmacokinetics
"Dr. Guo"	Dr. Guo Edward Ming, our Substantial Shareholder
"Dr. Sidransky"	Dr. David Sidransky, an independent non-executive Director
"Dr. Wang"	Dr. Wang Shaomeng, our non-executive director and Substantial Shareholder
"Dr. Yang"	Dr. Yang Dajun, our executive director, chairman, chief executive officer, Substantial Shareholder, and spouse of Dr. Zhai
"Dr. Yin"	Dr. Yin Zheng, an independent non-executive Director
"Dr. Zhai"	Dr. Zhai Yifan, our chief medical officer, Substantial Shareholder, and spouse of Dr. Yang
"Dr. Zhai SPV"	HealthQuest Pharma Limited, a company incorporated in BVI with limited liability and wholly owned by Dr. Zhai (for herself and as settlor of the Zhai Family Trust), our Substantial Shareholder

Definitions

"EED"	Embryonic Ectoderm Development
"EGFR"	epidermal growth factor receptor
"ER+"	estrogen receptor positive
"FAK"	focal adhesion kinase; an enzyme involved in cellular adhesion (how cells stick to each other and their surroundings) and spreading processes (how cells move around)
"FDA"	U.S. Food and Drug Administration
"Founders"	Dr. Yang, Dr. Wang and Dr. Guo
"Founders Family Trusts"	Yang Family Trust, Wang Family Trust and Guo Family Trust
"Founders SPV"	Ascentage Limited, a company incorporated in BVI with limited liability which is owned by Dr. Yang (for himself and as settlor of the Yang Family Trust) as to 45.53%, Dr. Guo (for himself and as settlor of the Guo Family Trust) as to 27.69% and Dr. Wang (for himself and as settlor of the Wang Family Trust) as to 26.78% as at the date of this annual report, our Substantial Shareholder
"FVTPL"	fair value through profit or loss
"GC"	gastric cancer
"GIST"	gastrointestinal stromal tumor
"Global Offering"	the Hong Kong public offering and international offering as described in the Prospectus
"Group", "we", "our" or "us"	the Company and its subsidiaries from time to time
"Guo Family Trust"	Ming Edward Guo Dynasty Trust, a discretionary family trust established by Dr. Guo as settlor for the benefits of Dr. Guo's family members, of which South Dakota Trust is a trustee
"HBV"	hepatitis B virus
"Healthquest Pharma"	Guangzhou Healthquest Pharma Co., Ltd. (廣州順健生物醫藥科技有限公司), a limited liability company incorporated in the PRC on July 3, 2012, our indirectly wholly-owned subsidiary
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"HQP1351"	formerly known as D824, or GZD824; our third-generation BCR-ABL inhibitor, which was designed to overcome drug resistance caused by BCR-ABL kinase mutants such as T315I mutants
"IAP"	inhibitors of apoptosis protein
"IFRS"	International Financial Reporting Standards
"IND"	investigational new drug, an application and approval process required before drug candidates may commence clinical trials
"Independent Auditor"	Ernst & Young
"Innovent"	Innovent Biologics, Inc. (信達生物製藥), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1801)
"Innovent Suzhou"	Innovent Biologics (Suzhou) Co., Ltd. (信達生物製藥(蘇州)有限公司), a company with limited liability established under the laws of the PRC and controlled by Innovent
"IP"	intellectual property
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	October 28, 2019, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"MDM2"	Murine Double Minute 2
"MDS"	myelodysplastic syndrome; group of cancers in which immature blood cells in the bone marrow do not mature and therefore do not become healthy blood cells
"MM"	multiple myeloma
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Mr. Ren"	Mr. Ren Wei, an independent non-executive Director
"Mr. Ye"	Mr. Ye Changqing, an independent non-executive Director

Definitions

"Mr. Zhu"	Mr. Zhu Gang, the chief commercial officer of the Company
"NASDAQ"	National Association of Securities Dealers Automated Quotations
"NDA"	new drug application
"NHL"	non-Hodgkin's lymphoma
"NMPA"	National Medical Products Administration of the PRC, formerly known as the China National Drug Administration, or CNDA, and the China Food and Drug Administration, or CFDA
"Nomination Committee"	the nomination committee of the Board
"NPC"	nasopharyngeal carcinoma
"NSCLC"	non-small cell lung cancer
"ODD"	Orphan Drug Designations
"PD-1"	Programmed cell death protein 1, a cell surface receptor that belongs to the immunoglobulin superfamily and is expressed on T cells and pro-B cells
"PD/PK"	pharmacokinetic/pharmacodynamic
"PFS"	progression-free survival
"Post-IPO Share Option Scheme"	the post-IPO share option scheme approved by the board of directors of the Company on September 28, 2019 as amended from time to time
"PRC" or "China" or "Mainland China"	the People's Republic of China and for the purposes of this annual report only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved by the board of directors of the Company on July 13, 2018 as amended from time to time
"Prospectus"	the prospectus of the Company dated October 16, 2019
"R&D"	research and development
"relapse/refractory" or "r/r"	disease or condition which become progressive after treatment (relapsed) or does not respond to the initial treatment (refractory)
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the one-year period from January 1, 2022 to December 31, 2022

“RMB”	Renminbi, the lawful currency of the PRC
“ROS1”	receptor tyrosine kinase with structural similarity to the ALK protein
“RSU(s)”	restricted share unit(s)
“SCLC”	small cell lung cancer
“SDH-”	succinate dehydrogenase
“Selected Person(s)”	eligible person(s) selected by the Board to be granted RSUs under the 2018 and 2021 RSU Scheme at its discretion
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of US$0.0001 each
“Shareholder(s)”	holder(s) of Shares
“South Dakota Trust”	South Dakota Trust Company LLC, the trustee of each of Founders Family Trusts and Zhai Family Trust
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires refers to the Founders, the Founders SPV, Dr. Zhai and the Dr. Zhai SPV
“T315I”	a type of mutation that sometimes results in the failure of tyrosine kinase inhibitor (TKI) treatment
“TKIs”	tyrosine kinase inhibitor; a type of pharmaceutical drug that inhibits tyrosine kinases
“TOX”	Toxicology
“Trustee”	the trustee(s) to be appointed by the Board to hold Shares for the purpose of the 2021 RSU Scheme and the 2022 RSU Scheme
“Unity”	Unity Biotechnology, Inc.
“U.S.” or “the United States”	the United States of America, its territories, its possession and all areas subject to its jurisdiction
“U.S. dollars” or “US$”	United States dollars, the lawful currency of the United States

Definitions

"Warrants"	the 6,787,587 unlisted warrants, each conferring to Innovent the right to subscribe for one (1) new Share at the Warrant Exercise Price during the period commencing on the date of issuance of the Warrants and ending on the date that is 24 months after the date of issuance of the Warrants, in accordance with the terms and conditions of the warrant subscription deed entered into between the Company and Innovent on July 14, 2021
"Warrant Exercise Price"	the exercise price per Warrant (subject to adjustment) at which the holder of each Warrant may subscribe for a Warrant Share
"Warrant Share(s)"	up to initially 6,787,587 new Shares (subject to adjustment) to be allotted and issued upon exercise of the subscription rights attaching to the Warrants
"Warrant Subscription"	the subscription of the Warrants by Innovent pursuant to the Warrant Subscription Deed
"Warrant Subscription Deed"	the warrant subscription deed dated July 14, 2021 entered into between the Company and Innovent in relation to the Warrant Subscription
"Wang Family Trust"	Shaomeng Wang Dynasty Trust, a discretionary family trust established by Dr. Wang as settlor for the benefits of Dr. Wang's family members, of which South Dakota Trust is a trustee
"WM"	waldenstrom macroglobulinemia
"WT"	wild type
"Yang Family Trust"	Dajun Yang Dynasty Trust, a discretionary family trust established by Dr. Yang as settlor for the benefits of Dr. Yang's family members, of which South Dakota Trust is a trustee
"Zhai Family Trust"	Yifan Zhai Dynasty Trust, a discretionary family trust established by Dr. Zhai as settlor for the benefits of Dr. Zhai's family members, of which South Dakota Trust is a trustee
"%"	per cent.

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

Corporate Information

BOARD OF DIRECTORS

Executive Director

Dr. Yang Dajun *(Chairman and chief executive officer)*

Non-executive Directors

Dr. Wang Shaomeng
Dr. Tian Yuan (resigned with effect from May 20, 2022)
Dr. Lu Simon Dazhong
Mr. Liu Qian (resigned with effect from May 20, 2022)

Independent non-executive Directors

Mr. Ye Changqing
Dr. Yin Zheng
Mr. Ren Wei
Dr. David Sidransky

COMPANY SECRETARY

Mr. Wong Cheung Ki Johnny, *FCPA, FCG, HKFCG*

AUTHORISED REPRESENTATIVES

Dr. Yang Dajun
Mr. Wong Cheung Ki Johnny, *FCPA, FCG, HKFCG*

AUDIT COMMITTEE

Mr. Ye Changqing *(Chairman)*
Dr. Lu Simon Dazhong
Dr. Yin Zheng

REMUNERATION COMMITTEE

Dr. Yin Zheng *(Chairman)*
Dr. Yang Dajun (appointed as a member with effect from May 20, 2022)
Dr. Tian Yuan (ceased to be a member with effect from May 20, 2022)
Mr. Ren Wei

NOMINATION COMMITTEE

Dr. Yang Dajun *(Chairman)*
Mr. Ye Changqing
Mr. Ren Wei

AUDITOR

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

REGISTERED OFFICE

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

68 Xinqing Road
Suzhou Industrial Park
Suzhou, Jiangsu
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 17/F, United Centre
95 Queensway
Admiralty
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Corporate Information

HONG KONG LEGAL ADVISER

Wilson Sonsini Goodrich & Rosati
Suite 1509, 15/F, Jardine House
1 Connaught Place, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

Stock Code: 6855

WEBSITE

www.ascentagepharma.com

Financial Highlights

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

	For the year ended December 31,				
	2018	2019	2020	2021	**2022**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	6,807	14,513	12,450	27,910	**209,711**
Research and development expenses	(249,565)	(463,883)	(564,571)	(766,491)	**(743,104)**
Administrative expenses	(89,717)	(161,643)	(128,970)	(143,513)	**(170,595)**
Loss for the year	(345,307)	(1,480,714)	(677,606)	(782,424)	**(882,924)**
Total comprehensive loss for the year	(369,084)	(1,579,513)	(740,809)	(813,702)	**(821,427)**

	As at December 31,				
	2018	2019	2020	2021	**2022**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total current assets	990,219	909,105	1,079,044	1,885,280	**1,636,488**
Total non-current assets	239,157	295,945	651,995	1,054,780	**1,193,773**
Total current liabilities	105,269	202,062	276,148	361,109	**881,152**
Total non-current liabilities	2,135,693	112,513	608,270	1,344,214	**1,540,451**
Total equity/(deficit)	(1,011,586)	890,475	846,621	1,234,737	**408,658**

* The shares of the Company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rule on October 28, 2019.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, it is my great pleasure to present to you the Annual Report for the year ended December 31, 2022.

2022 was a truly remarkable year for Ascentage Pharma as the Company successfully reached many major milestones. The most encouraging achievement in the past year was the inclusion of olverembatinib, a drug that was designated as a National Major Pharmaceutical Innovation Project, into the 2022 National Reimbursement Drug List. This has drastically improved the drug's accessibility for patients. Since its launch, olverembatinib has realized an accumulated invoiced sales revenue of RMB182.4 million (inclusive of value added tax), which further strengthened our confidence in the product. Moreover, a New Drug Application for the full approval of olverembatinib was granted the Priority Review status by the Center for Drug Evaluation in China, a development that could potentially bring a new treatment option to an even broader patient population.

The success we achieved with olverembatinib thus far is a clear validation of our focus on patients and their unmet medical needs, as well as our determination to develop novel therapies with our proven global innovation strategy, and above all, our commitment to the Company's founding mission of addressing unmet clinical needs in China and around the world. Ascentage Pharma is currently conducting over 40 clinical studies around the world and the results from many of these studies have received widespread interest and recognition at various international congresses in 2022. During the Reporting Period, the clinical results of a number of our key assets including olverembatinib, the Bcl-2 selective inhibitor lisaftoclax (APG-2575), the MDM2-P53 inhibitor alrizomadlin (APG-115), and the FAK/ALK/ROS1 tyrosine kinase inhibitor APG-2449 were selected for oral presentations at the American Association for Cancer Research (AACR), American Society of Clinical Oncology (ASCO), and the American Society of Hematology (ASH) annual meetings in 2022, further validating the best-in-class and first-in-class potential of these compounds.

For the fifth consecutive year, results of olverembatinib were selected for oral presentations at the ASH Annual Meeting, taking up three out of the six oral presentations at the special session on CML. These results once again showcased the drug's global potential for the treatment of CML. The results of lisaftoclax, the second Bcl-2 inhibitor entering pivotal trials worldwide, were also selected for oral presentation at the ASH Annual Meeting. In addition, we announced the first batch of data of lisaftoclax in combination with a BTK inhibitor that signaled strong therapeutic potential.

During the Reporting Period, we continued to make progress in new areas, with our EED inhibitor APG-5918 cleared to enter a clinical study for the treatment of solid tumors and hematologic malignancies in China and the U.S., and a study in patients with anemia diseases in China.

Also in 2022, Ascentage Pharma was granted the Drug Manufacturing License (Class-A License) that allowed us to commence operations at the Company's Global Manufacturing Center, taking another big step in our transformation from a biotech company to a biopharma company. In the beginning of 2023, we successfully raised gross proceeds of approximately HKD550 million from the 2023 Placing for a stronger balance sheet to support our operations.

Looking into the new year, we will continue to drive the reimbursement coverage for olverembatinib and improve the drug's accessibility to patients, while further exploring the drug's clinical potentials in efforts to benefit more patients. Executing our global innovation strategy, we will accelerate the global clinical development of lisaftoclax and a few other lead assets, and advance more clinical studies towards the pivotal stage, so as to solidify our leadership position in the market.

As always, we will remain committed to our global innovation strategy and addressing unmet clinical needs in China and around the world, for the benefit of more patients and creating greater value for our Shareholders.

Dr. Yang Dajun
Chairman and Chief Executive Officer

Suzhou, PRC, March 22, 2023

Management Discussion and Analysis

OVERVIEW

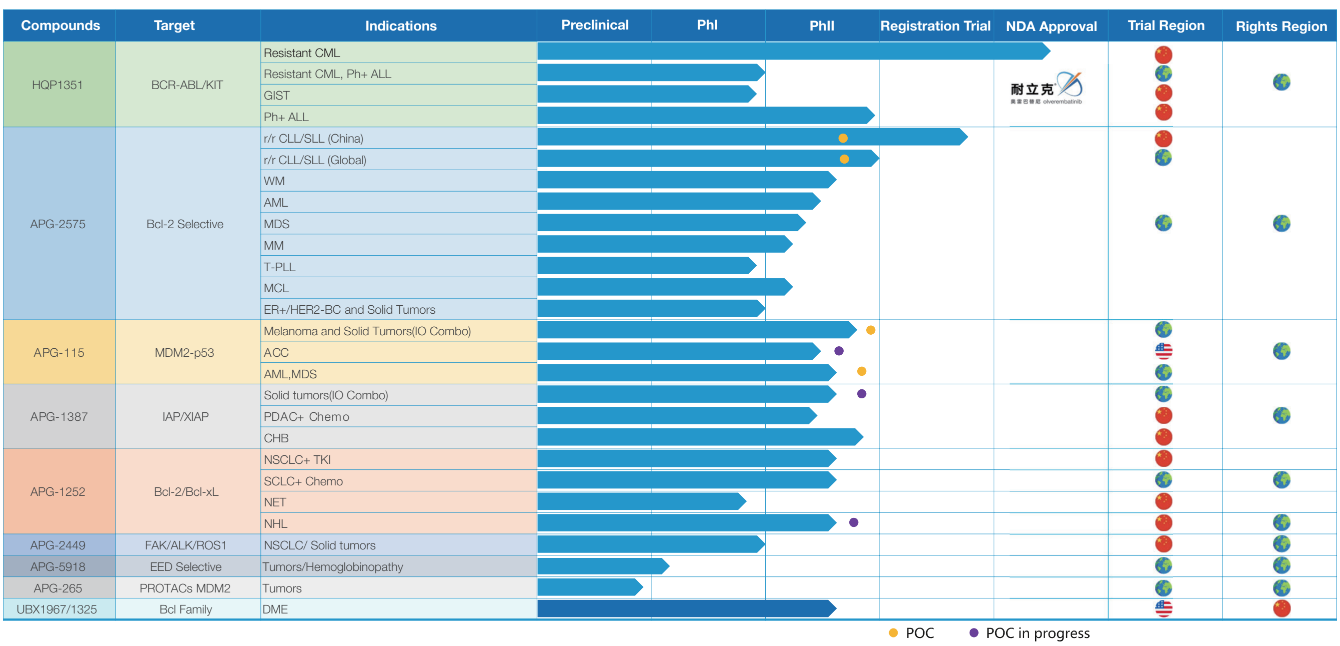
We are a global biopharmaceutical company developing novel therapies for cancers, CHB (chronic hepatitis B), and age-related diseases. Ascentage Pharma has its own proprietary platform for developing therapeutics that restore apoptosis in cancer cells and modulate immunomodulatory functions of the host stroma for a comprehensive therapeutic strategy.

Leveraging our technical expertise in structure-based drug design and our innovative drug discovery engine, we have developed a robust pipeline of nine clinical stage small molecule drug candidates, including novel, highly potent Bcl-2, and dual Bcl-2/Bcl-xL inhibitors, aimed at IAP and MDM2-p53 pathways, as well as a next-generation multi-kinase inhibitor targeting FAK/ALK/ROS1 mutations for the treatment of cancer. Ascentage Pharma is also, as at the date of this annual report, the only company in the world with active clinical programs targeting all three known classes of key apoptosis regulators. The Company is conducting more than 40 Phase I/II clinical trials in China, the United States, Australia and Europe. Our core product, olverembatinib, has been approved for marketing in China and has entered the commercialization stage.

Leveraging its robust research and development capabilities, Ascentage Pharma has built a portfolio of global intellectual property rights and entered into global partnerships with numerous leading biotechnology and pharmaceutical companies and research institutes such as MD Anderson Cancer Center, Mayo Clinic, Dana-Farber Cancer Institute, Merck & Co., AstraZeneca and Pfizer, and UNITY Biotechnology Inc.. The Company has built a global and talented team with experience in the research and development of innovative drugs and is creating high-quality commercial manufacturing and sales and marketing teams. Ascentage Pharma aims to continuously strengthen its research and development capabilities and accelerate the clinical development progress of its product pipeline to fulfil its mission of "addressing unmet clinical needs of patients in China and around the world" for the benefit of more patients.

Product Pipeline

We have a pipeline of nine clinical stage small molecule drug candidates. The following table summarizes our pipeline and the development status of each candidate as of December 31, 2022:



BUSINESS REVIEW

During the Reporting Period, we have made significant progress with respect to our product pipeline:

Core Product Candidate

HQP1351 (Olverembatinib)

Our Core Product, olverembatinib, is a third generation BCR-ABL inhibitor targeting BCR-ABL mutants, including those with the T315I mutation. Olverembatinib is the first marketed third generation BCR-ABL inhibitor and is the only drug approved for treating CML patients with T315I mutation in China. Olverembatinib received support from National Major New Drug Discovery and Manufacturing Program. Additionally, olverembatinib is a potentially best-in-class drug globally that addresses important unmet medical needs in patients with CML harbouring T315I-mutations as well as compound mutations. The approval marks a major milestone of Ascentage Pharma transforming into a commercial-stage company. In January 2023, olverembatinib has been included into the China 2022 National Reimbursement Drug List (the "**NRDL**"). The inclusion will bolster the accessibility of olverembatinib.

Previously, olverembatinib was accepted by CDE under the NMPA with Priority Review status and it was also granted a Breakthrough Therapy Designation by CDE. It was granted ODD by FDA for the treatment of CML, acute myelogenous leukemia (AML), acute lymphoblastic leukemia (ALL), (Gastrointestinal Stromal Tumor) GIST, and a Fast-Track Designation for the treatment of CML in patients with certain genetic markers who have failed to respond to treatments with existing TKIs. It was also granted Orphan Designation by the European Commission for the Treatment of Chronic Myeloid Leukemia.

The current progress of olverembatinib is as follows:

- In January 2023, olverembatinib has been included into the 2022 NRDL, for the indication of T315I-mutant chronic-phase chronic myeloid leukemia (CML-CP) and accelerated-phase CML (CML-AP). The breakthrough in relation to the inclusion in the NRDL will bolster the accessibility of olverembatinib, allowing more CML patients to easily and affordably access olverembatinib.

- In December 2022, three study reports, including the 5-year follow-up data of phase-I study in China, the updated results from two phase II pivotal studies in China and the study report of phase-1b study in US were presented at the 64th American Society of Hematology (ASH) Annual Meeting and Exposition. This is the fifth consecutive year where olverembatinib was selected for oral presentation at the 64th ASH Annual Meeting.

- In September 2022, we received an ODD by FDA for the treatment of (Gastrointestinal Stromal Tumor) GIST.

- In July 2022, the China CDE accepted and granted Priority Review Designation to an NDA for olverembatinib for the treatment of patients with CMP-CP who are resistant/intolerant to 1st and 2nd generation TKIs.

- In July 2022, olverembatinib gained clinical trial approval for a Phase Ib clinical study in Canada for patients with CML and Ph+ALL.

Management Discussion and Analysis

- In July 2022, an innovative Global Named Patient Program (NPP) with Tanner Pharma Group was launched. This program allows access to olverembatinib on a named patient basis in over 130 countries and regions where the drug is not yet commercially accessible.

- In June 2022, the positive clinical data of olverembatinib was presented at the 2022 ASCO annual meeting for the first time. Promising antitumor activity of olverembatinib was seen in patients with r/r GIST, especially in patients with succinate dehydrogenase- (SDH-) deficient GIST. In a Phase I study for the treatment of patients with GIST in China, olverembatinib demonstrated a favorable safety profile and promising efficacy data in certain subtypes.

- In April 2022, olverembatinib was included in the 2022 edition of Chinese Society of Clinical Oncology (CSCO) Guidelines for Hematological Malignancies for the diagnosis and treatment of patients with TKI-resistant CML harboring T315I mutation and Ph+ ALL. It has also been included in China Anti-Cancer Association's (CACA) Guidelines for Holistic Integrative Management of Cancer for the treatment of patients with TKI-resistant CML harboring the T315I mutation and patients with CML intolerant/resistant to at least two TKIs.

- In March 2022, we received an ODD by FDA for the treatment of acute lymphocytic leukemia (ALL).

- In addition, a Phase Ib bridging clinical trial with olverembatinib for treatment of patients with CML and Ph + ALL who are TKI resistant or not is being conducted in the United States.

- A new preclinical study conducted by researchers from Fred Hutchinson Cancer Center, Seattle, Washington, suggested best-in-class potential of olverembatinib in inhibiting severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) omicron-mediated cytokine release. Results from this study were published in the internationally renowned journal EMBO Molecular Medicine.

The expected progress of Olverembatinib in 2023 is as follows:

- In year 2023, we will continue to explore a wider range of new indications in addition to the approved indications, including Ph+ ALL.

- Also, we aim to actively communicate with FDA about the initiation of the global pivotal registration study.

- In addition, we are expected to receive the approval by CDE of an NDA for olverembatinib for the treatment of patients with CMP-CP who are resistant/intolerant to 1st and 2nd generation TKIs in 2023.

Key Product Candidates

Lisaftoclax (APG-2575)

Lisaftoclax (APG-2575) is a novel, oral Bcl-2 inhibitor developed to treat a variety of hematologic malignancies and solid tumors by selectively blocking Bcl-2 to restore the normal apoptosis process in cancer cells. Lisaftoclax (APG-2575) is the first domestic Bcl-2 selective inhibitor to enter clinical trials in China. Lisaftoclax (APG-2575) is also the second Bcl-2 selective inhibitor entering pivotal registration clinical trial globally. Currently, lisaftoclax (APG-2575) has received clearances and approvals for 19 Phase Ib/II clinical studies in China, the United States, Australia and Europe, with indications including chronic lymphocytic leukemia (CLL), non-Hodgkin's lymphoma (NHL), acute myeloid leukemia (AML), multiple myeloma (MM), Waldenstrom macroglobulinemia (WM) and solid tumors. More than 500 patients have been treated so far with lisaftoclax (APG-2575), including more than 250 patients with CLL/SLL. Furthermore, FDA has granted five ODDs to lisaftoclax (APG-2575) for treatment of patients with follicular lymphoma (FL), WM, CLL, MM), and acute myeloid leukemia (AML).

The current progress of APG-2575 is as follows:

- In December 2022, the initial results from a global Phase II study of APG-2575 in combination with BTKi in patients with R/R CLL/SLL was selected for an oral presentation at the 64th ASH Annual Meeting and Exposition. In particular, the combination therapy showed significant objective response rates (ORRs) of 98% with APG-2575 plus acalabrutinib in patients with R/R CLL/SLL.

- In December 2022, we received IND approval for a study of lisaftoclax (APG-2575) in combination with alrizomadlin (APG-115) in patients with AML, MPAL MDS or CMML.

- In June 2022, we released the updated results from a Phase Ib/II study of lisaftoclax (APG-2575) in patients with r/r CLL/SLL at the 2022 ASCO Meeting.

- In June 2022, at the 2022 ASCO Meeting we presented data from the Phase Ib/II study of lisaftoclax's (APG-2575) which showed the safety and tolerability when administered alone or combined with a cyclin-dependent kinase 4/6 (CDK4/6) inhibitor in patients with estrogen receptor-positive (ER+) breast cancer or advanced solid tumors.

- In June 2022, we released results from a Phase I study of lisaftoclax (APG-2575) in Chinese patients with relapsed/refractory non-Hodgkin lymphoma (r/r NHL) at the 2022 European Hematology Association Hybrid Congress (EHA 2022). Lisaftoclax (APG-2575) demonstrated preliminary efficacy in CLL/SLL and promising data was also observed in NHL patients.

- In March 2022, the first patient was dosed for the ongoing pivotal Phase II study of lisaftoclax (APG-2575) for the treatment of r/r CLL/SLL in China.

- The Phase Ib/II studies of lisaftoclax (APG-2575) as a single agent or in combinations for the treatment of patients with AML/MDS are ongoing in China.

- A Phase Ib/II study of lisaftoclax (APG-2575) in combination for the treatment of mantle cell lymphoma (MCL) has received IND clearance in June 2022.

- The Phase Ib/II study of lisaftoclax (APG-2575) in combination for the treatment of patients with MM is ongoing in China.

- The Phase Ib/II study of lisaftoclax (APG-2575) in combination for the treatment of patients with MM is ongoing in the United States.

- A Phase Ib/II study of lisaftoclax (APG-2575) both as a single agent and in combinations for the treatment of patients with WM is ongoing in the United States and Australia.

The expected progress of lisaftoclax (APG-2575) in year 2023 is as follows:

- We expect to complete the enrollment for the pivotal Phase II study in 2023 and submit the NDA in the first half of 2024.

- We will consult with FDA and CDE on the proposed global pivotal registration Phase II study and initiate more pivotal registration studies in China and the United States.

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET LISAFTOCLAX (APG-2575) SUCCESSFULLY.

Alrizomadlin (APG-115)

Alrizomadlin (APG-115) is an orally bioavailable, highly selective, small molecule inhibitor of the MDM2-p53 PPIs (protein-protein interactions). Alrizomadlin (APG-115) was designed to restore the activation of p53 tumor suppressor activity by blocking the MDM2-p53 interaction. It is undergoing multiple clinical studies in China, United States, and Australia as a single agent or in combination with immunotherapy or chemotherapy in treating solid tumors as well as hematological malignancies.

The FDA has granted six Orphan Drug Designations (ODD) for alrizomadlin (APG-115) for the treatment of soft tissue sarcoma, gastric cancer (GC), acute myeloid leukemia (AML), retinoblastoma, stage IIB-IV melanoma and neuroblastoma. In addition, alrizomadlin (APG-115) has been granted two rare pediatric designations by the FDA, for the treatment of neuroblastoma and retinoblastoma.

We are currently enrolling patients in several clinical studies of alrizomadlin (APG-115) in the United States and Australia:

- A Phase Ib/II study of alrizomadlin (APG-115) monotherapy in patients with unresectable or metastatic melanomas and MPNST (in collaboration with Merck & Co.).

- A Phase Ib/II study of alrizomadlin (APG-115) alone or in combination with Azacytidine in patients with Relapse/Refractory AML, CMML or Myelodysplastic syndromes (MDS).

- An investigator-initiated trial (IIT) of alrizomadlin (APG-115) monotherapy in a Phase II study for treatment of salivary gland cancer.

In addition, CDE has granted approval for the following clinical trials of APG-115 in China:

- A Phase Ib/II clinical study of alrizomadlin (APG-115) in combination with anti-PD-1 antibody (JS001), for the treatment of patients with advanced liposarcoma (LPS) or other advanced solid tumors.

- A Phase Ib study of alrizomadlin (APG-115) single agent or in combination with azacytidine or cytarabine in patients with r/r AML and relapse/progressed high/very high risk MDS.

The congress presentations for the APG-115 program in 2022 are listed below:

- In December 2022, the preclinical study demonstrated that combination of alrizomadlin with pomalidomide has synergistic antitumor effects in multiple myeloma cells and tissues harboring TP53WT. The results were published as a poster presentation at the 64th ASH Annual Meeting.

- In June 2022, the latest result of Phase II study of alrizomadlin (APG-115) plus pembrolizumab in adults and children with various solid tumors were presented at the American Society of Clinical Oncology (ASCO) annual meeting. The results showed that the therapy was well tolerated and demonstrated antitumor activity in multiple solid tumor types and may restore antitumor effects in cancer patients who are resistant or intolerant to prior immune-oncologic (I-O) therapies.

- In April 2022, we presented the results of preclinical studies showing that combination of alrizomadlin (APG-115) and lisaftoclax (APG-2575) could overcome drug resistance conferred by Bcl-2 mutations at the American Association of Cancer Research (AACR) annual meeting.

- The salivary cancer IIT interim results were presented at the 34th EORTC-NCI-AACR Symposium in Molecular Targets and Cancer Therapeutics in 2022.

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ALRIZOMADLIN (APG-115) SUCCESSFULLY.

Pelcitoclax (APG-1252)

Pelcitoclax (APG-1252) is a novel, highly potent, and small molecule drug designed to restore apoptosis through dual inhibition of the Bcl-2 and Bcl-xL proteins for the treatment of small cell lung cancer (SCLC), non-small-cell lung cancer (NSCLC), neuroendocrine tumor (NET), and non-hodgkin's lymphoma (NHL). It was granted an ODD by FDA for the treatment of SCLC.

As of December 31, 2022, a total of 202 patients have been treated with pelcitoclax (APG-1252) as a monotherapy or in combination with other anti-tumor agents. Three phase I dose-escalation/dose expansion trials in patients with SCLC and other advanced solid tumors were conducted in the United States, Australia and China, respectively. Pelcitoclax (APG-1252) was well tolerated with either weekly or biweekly intermittent dosing schedules. Preliminary anti-tumor activity was observed as a single agent in heavily pretreated patients.

Pelcitoclax (APG-1252) is currently under investigation in a variety of combination trials, including:

- A Phase Ib study of pelcitoclax (APG-1252) plus osimertinib in patients with EGFR mutant NSCLC in China;
- A Phase Ib study of pelcitoclax (APG-1252) as a monotherapy in neuroendocrine tumors from pancreas or other parts of the gastrointestinal tract in China; and
- A Phase Ib/II study of pelcitoclax (APG-1252) as a single agent or in combination with other therapeutic agents in patients with r/r NHL in China.

The current progress of pelcitoclax (APG-1252) is as follows:

- In June 2022, the updated study results of pelcitoclax (APG-1252) in combination with osimertinib in patients with EGFR-mutant NSCLC was presented at ASCO. Pelcitoclax (APG-1252) plus osimertinib was well tolerated and showed comparable response rate versus osimertinib alone in third generation TKI-naïve patients. The median PFS has not been reached. In particular, encouraging activity was observed in certain biomarker defined patient population.
- The data of pelcitoclax (APG-1252) in combination with paclitaxel in patients with r/r SCLC was released at ASCO. Among 20 efficacy evaluable patients, 5 patients experienced partial responses with median duration of response (DoR) of 83 days.

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET PELCITOCLAX (APG-1252) SUCCESSFULLY.

Other Clinical or IND-stage Candidates

APG-1387

APG-1387 is a novel, small molecule inhibitor of IAPs and it is the first IAP-targeting drug to enter clinical trials in China. It was developed for the treatment of advanced solid tumors and chronic HBV infection.

As of December 31, 2022, a total of 251 patients were enrolled and treated with APG-1387. The current progress of APG-1387 is as follows:

For the two HBV studies:

- We have released results from a Phase I study of the investigational inhibitor of apoptosis protein (IAP) antagonist APG-1387 in Chinese patients with chronic hepatitis B (CHB), in an oral presentation at the 73rd American Association for the Study of Liver Diseases Annual Meeting (AASLD 2022) in November 2022. This study reported favorable safety and preliminary efficacy of an IAP antagonist for the treatment of patients with CHB.
- We have already completed a phase I study of APG-1387 monotherapy in treatment – naïve CHB patients.
- Phase II clinical trial of APG-1387 combined with entecavir in the treatment of CHB patients is under progress. The Phase I safety assessment has been completed. Based on the well-tolerated safety data, and the study entered Phase II, which is the efficacy evaluation of APG-1387 in combination with entecavir compared to entecavir monotherapy.

The other APG-1387 studies are as follows:

- A phase I clinical trial for the combination of APG-1387 and pembrolizumab (an anti-PD-1 monoclonal antibody) in the treatment of solid tumors is currently being conducted in the United States. The patient enrollment was completed.

- In China, a phase Ib/II clinical trial of APG-1387 in combination with toripalimab (拓益) (another anti-PD-1 monoclonal antibody) in solid tumors are currently being conducted. The phase Ib patient enrollment has been completed and the trial has entered into phase II and nasopharyngeal carcinoma (NPC) cohort is open. Among 4 efficacy-evaluable patients in PD-1 naïve NPC, three achieved objective response, including 1 CR and 2 PRs, per Ricist 1.1.

- A Phase I/II study to investigate the combination of APG-1387 with chemotherapy, nab-paclitaxel and gemcitabine for the treatment of advanced pancreatic cancer is ongoing. Among 3 AG-naïve patients, 2 achieved confirmed partial response.

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APG-2449

APG-2449 is a novel, orally active, small molecule focal adhesion kinase (FAK)/anaplastic lymphoma kinase (ALK) and the receptor tyrosine kinase C-ros oncogene 1 (ROS1) triple ligase kinase inhibitor (TKI) designed and developed by Ascentage Pharma. It is the first third-generation ALK inhibitor being developed in China. Mechanistically, APG-2449 dose-dependently inhibited the expression of phosphorylated ALK protein (P-ALK) and its downstream proteins in Ba/F3 cells harboring ALK WT or EML4-ALK L1196M mutation and hence inhibited the proliferation of tumor cells by the ALK pathway. Emerging clinical data demonstrated there is an efficacy signal in patients who failed the second-generation ALK TKI treatment.

The current progress of APG-2449 is as follows:

- In June 2022, the Phase I study results were published as a poster presentation at ASCO 2022. The preliminary result showed that APG-2449 has a favorable safety profile and anti-cancer activity was observed in patients who failed second-generation TKIs treatment and in TKI-naïve patients. Biomarker data indicated FAK target engagement and demonstrated immunomodulatory effects of APG-2449. Based on these preliminary efficacy results, Ascentage Pharma continued enrolling patient in both cohorts to generate more efficacy data. We started discussions with regulatory authority in 2022 for the next development plan and communication with CDE will continue once more efficacy data from current ongoing phase I expansion cohorts are available in 2023.

- Based on a preclinical study result which demonstrated anti-cancer effects of APG-2449 in the combination with chemotherapy in ovarian cancer, we took steps to assess APG-2449 in a clinical trial which will start in 2023.

- In April 2022, the preclinical study presented at AACR 2022 demonstrated that FAK inhibitor APG-2449 and CDK4/6 inhibitor palbociclib synergistically suppress mesothelioma tumor growth via autophagy induction.

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APG-5918

APG-5918 is a potent, orally available, and highly selective EED inhibitor with a best-in-class potential. APG-5918 exerted potent antiproliferative activity in cancer cell lines and impressive antitumor activity in xenograft tumor models of both hematological malignancies and solid tumors carrying specific mutations. In addition, APG-5918 demonstrated potential for treating beta hemoglobinopathy, including sickle cell disease and ß-thalassemia. APG-5918 showed overall favorable drug metabolism and pharmacokinetics (DMPK) and toxicological profiles (TOX profiles).

The current progress of APG-5918 is as follows:

- In January 2023, APG-5918 obtained approval from CDE to enter the clinical study in patients with anemia related indications.

- In November 2022, APG-5918 obtained approval from CDE to enter a Phase I study in patients with advanced solid tumors or hematologic malignancies. APG-5918 is the first domestically developed novel EED inhibitor entering clinical development in China.

- In June 2022, APG-5918 obtained IND clearance by the FDA and we launched first-in-human study that will assess the safety, pharmacokinetics, and preliminary efficacy of APG-5918 in patients with advanced solid tumors or hematologic malignancies. In November 2022, we completed the first patient enrollment.

- In April 2022, we have released the preclinical data that demonstrates potential for APG-5918 in cancer therapy was reported at AACR Annual Meeting 2022. APG-5918 demonstrated strong PD/PK correlation in mice bearing KARPAS-422 xenograft and other PDX tumors. The results suggested potential utility of APG-5918 in cancer therapy and we intend to perform further clinical investigation.

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Lead Pre-clinical Assets

PROTACs MDM2 protein degrader

The Company is investigating an MDM2 protein degrader developed by the Proteolysis-Targeting Chimeras (PROTACs) technology. The clinical candidate APG-265 efficiently degraded MDM2 at a nanomolar concentration and has demonstrated potent antitumor activity in xenograft tumor models.

Discovery programs

Bcl-2 selective inhibitor

The Company has developed a new class of highly potent and selective Bcl-2 inhibitors. Several compounds have demonstrated potent in vitro activity against both wild-type and mutant Bcl-2 cancer cells. These compounds have also demonstrated excellent oral pharmacokinetics and robust antitumor activity in animal models.

RESEARCH AND DEVELOPMENT

We have a proven track record of researching, developing and commercializing biopharmaceuticals. We plan to continue to diversify and expand our product pipeline through both in-house research and development and through collaboration with biotechnology and pharmaceutical companies, as well as academic institutions. We have an experienced scientific advisory board (SAB), chaired by Dr. Wang, our co-founder and non-executive director. Members of our scientific advisory board are physician scientists with expertise in cancer research and drug development. They are not our employees but will from time to time provide us with assistance and guide our clinical development programs through regularly scheduled SAB meetings.

For the years ended December 31, 2021 and 2022, our research and development expenses were RMB766.5 million and RMB743.1 million, respectively.

INTELLECTUAL PROPERTIES

Intellectual property rights are fundamental to our business. Through our robust research and development, we have strategically developed a global intellectual property portfolio with exclusive licenses to issued patents or patent applications worldwide with respect to our product candidates. As of December 31, 2022, we had 235 issued patents and more than 600 patent applications globally, among which, about 171 patents were issued outside of China.

COMMERCIALIZATION

We attach great importance building Ascentage Pharma's commercialization capability, including developing commercialization strategies and feasible commercialization infrastructure.

As of December 31, 2022, our core product olverembatinib achieved RMB182.4 million invoiced sales revenue since its launch (inclusive of value added tax). We have established a fully functional commercialization team consisting of approximately 100 staff. Despite the global pandemic, our team together with Innovent Biologics, Inc. (1801.HK) had covered 117 distributors to deliver olverembatinib to 177 direct to pharmacy (DTP) pharmacies, over 800 hospitals. Ascentage Pharma's commercial team had made great progress in getting olverembatinib covered by Huimin Medical Insurance. As of December 31, 2022, olverembatinib has been listed in 230 cities and covered by Huimin Medical Insurance in 29 provinces. There are many olverembatinib treated patients which have already benefited from coverage by Huimin Medical Insurance.

Ascentage Pharma's commercial team worked hard during the global pandemic in 2022, organizing a variety of online and offline promotional activities. They also educated the health care professionals (HCP) of olverembatinib's outstanding clinical benefits, which dramatically increased the brand awareness of olverembatinib among HCPs and patients.

Furthermore, in January 2023, olverembatinib has been successfully included in the 2022 NRDL, for the indication of T315I-mutant chronic-phase chronic myeloid leukemia (CML-CP) and accelerated-phase CML (CML-AP). The new version of the NRDL took effect on March 1, 2023. The inclusion will bolster the accessibility of olverembatinib, allowing more CML patients to easily and affordably access. We will collaborate with Innovent to accelerate the target hospital listings and medical insurance pharmacies. It will increase the usage of olverembatinib in broader patient types, especially after subsequent indications are approved and increase coverage into lower-tier cities and hospitals.

Management Discussion and Analysis

BUSINESS DEVELOPMENT

In addition to our strong in-house research and development team, we have established global collaboration relationships with leading biotechnology and pharmaceutical companies and academic institutions.

In July 2022, Ascentage Pharma and Tanner Pharma Group have jointly launched an innovative Named Patient Program (NPP) for olverembatinib. This collaboration will allow access to Ascentage Pharma's novel drug candidate, olverembatinib on a named patient basis in over 130 countries and regions where the drug is not yet commercially accessible.

MANUFACTURING

We have established our own Suzhou facility as the headquarters of Ascentage Pharma, which is a China-based global R&D center and manufacturing facility. The R&D center was put into use in the second half of 2021.

The manufacturing section of the Suzhou facility is more than 20,000 square meters, and the manufacturing capacity for both oral solid tablets and capsules is up to 250 million dosage units per year. We also maintain the manufacturing capability for injectable drug products including lyophilized formulation at the Suzhou facility. In the fourth quarter of 2022, the Company was issued a Drug Manufacturing License (Certificate A). This license will allow us to produce innovative drugs with global patents and global market potential in Suzhou and supply the drugs to the global market. Ascentage Pharma's global manufacturing base is enabling further transformation from a biotech company to a biopharma company.

In addition, we leased a facility with a size of approximately 4,500 square meters for R&D and manufacturing in China Medical City, Taizhou, Jiangsu Province, China, where we produce and supply pre-clinical test articles and clinical trial materials for some of our drug candidates.

EXPECTED COVID-19 IMPACT

As global economies recover from the duration of the COVID-19 pandemic, Ascentage Pharma expects a lessening of the negative impact on its global operations, including clinical trial recruitment and participation, regulatory interactions, drug supply and manufacturing and R&D facility construction.

Our financial and liquidity positions maintained a normal status during 2022 despite the impact of COVID-19.

We continue to operate our clinical trials in compliance with applicable regulatory guidelines concerning the COVID-19 pandemic to minimize delays and disruptions which may have an impact on our ability to deliver our clinical and regulatory goals in 2023.

FINANCIAL REVIEW

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Revenue	**209,711**	27,910
Other income and gains	**66,972**	168,056
Selling and distribution expenses	**(157,421)**	(47,748)
Research and development expenses	**(743,104)**	(766,491)
Administrative expenses	**(170,595)**	(143,513)
Finance costs	**(52,785)**	(16,731)
Other expenses	**(17,674)**	(50,404)
Loss for the year	**(882,924)**	(782,424)
Total comprehensive loss for the year	**(821,427)**	(813,702)

Overview

For the year ended December 31, 2022, the Group recorded revenue of RMB209.7 million, as compared with RMB27.9 million for the year ended December 31, 2021, and a total comprehensive loss of RMB821.4 million, as compared with RMB813.7 million for the year ended December 31, 2021. The loss of the Group was RMB882.9 million for the year ended December 31, 2022, as compared with RMB782.4 million for the year ended December 31, 2021. The selling and distribution expenses of the Group was RMB157.4 million for the year ended December 31, 2022, as compared with RMB47.7 million for the year ended December 31, 2021, the significant increase is attributable to the increase in selling and distribution expenses incurred by the sales team in the commercialization of Olverembatinib. The research and development expenses of the Group was RMB743.1 million for the year ended December 31, 2022, as compared with RMB766.5 million for the year ended December 31, 2021. The administrative expenses of the Group was RMB170.6 million for the year ended December 31, 2022 as compared with RMB143.5 million for the year ended December 31, 2021.

Revenue

For the year ended December 31, 2022, the Group generated revenue of RMB209.7 million from the sales of pharmaceutical products, commercialization license fee income from Innovent Suzhou and service income, as compared to RMB27.9 million for the year ended December 31, 2021, representing an increase of RMB181.8 million, or 651.6%, since we have commercialized our core product Olverembatinib. Meanwhile, our cost of sales grew from RMB3.3 million to RMB22.0 million, in pace with the growth in revenue, representing an increase of 566.7%. We also entered into the strategic collaboration with Innovent and the license fee income from Innovent will be amortized over the co-commercialization period.

Management Discussion and Analysis

Other Income and Gains

The Group's other income and gains primarily consists of (i) government grants related to income; (ii) fair value gain on derivative financial instruments; (iii) interest income on term deposit at banks; and (iv) gain on disposal of items of property, plant and equipment. Government grants related to income mainly represent the subsidies received from local governments for the purpose of compensation for expenses arising from research activities and clinical trials, and awards for new drugs development. These government grants related to income were recognized in profit or loss when related costs were subsequently incurred and upon receipt of the acknowledgment of compliance from the government.

For the year ended December 31, 2022, other income and gains of the Group decreased by RMB101.1 million, or 60.1% to RMB67.0 million, from RMB168.1 million for the year ended December 31, 2021, primarily due to (i) the decrease in government grants related to income to RMB33.6 million for the year ended December 31, 2022, as compared with RMB63.3 million for the year ended December 31, 2021; and (ii) the decrease in fair value gain on derivative financial instruments to RMB19.4 million for the year ended December 31, 2022, which arose from the Warrants subscribed by Innovent on July 14, 2021, as compared with RMB81.6 million for the year ended December 31, 2021.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consists of staff costs and travel and meeting expenses.

For the year ended December 31, 2022, the selling and distribution expenses of the Group increased significantly by RMB109.7 million or 230.0% to RMB157.4 million, as compared to RMB47.7 million for the year ended December 31, 2021. The increase was attributable to the increase in selling and distribution expenses incurred by the sales team in the commercialization of Olverembatinib.

Research and Development Expenses

The Group's research and development expenses primarily consists of internal research and development expenses, external research and development expenses, staff costs, IP expenses, materials, depreciation and amortization and share option and RSU expenses of research and development staff.

For the year ended December 31, 2022, the research and development expenses of the Group decreased by RMB23.4 million, or 3.1% to RMB743.1 million from RMB766.5 million for the year ended December 31, 2021. The small decrease was attributable to the decline in IP expenses and share option and RSU expenses of R&D staff. The research and development expenses was kept in the same level overall as last year.

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Internal research and development expenses	**186,761**	174,134
External research and development expenses	**82,107**	107,635
Staff costs	**299,002**	290,347
IP expenses	**5,016**	15,265
Materials	**90,531**	91,523
Depreciation and amortization	**20,664**	14,633
Share option and RSU expenses of R&D staff	**15,762**	33,790
Others	**43,261**	39,164
Total	**743,104**	766,491

Administrative Expenses

For the year ended December 31, 2022, the administrative expenses of the Group increased by RMB27.1 million, or 18.9% to RMB170.6 million from RMB143.5 million for the year ended December 31, 2021. The increase was primarily attributable to the increased operation and depreciation expenses of the Suzhou facility. The following table sets forth the components of our administrative expenses for the periods indicated.

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Share option and RSU expenses	**4,895**	12,120
Staff costs	**68,583**	67,887
Depreciation and amortization	**35,321**	13,365
Others	**61,796**	50,141
Total	**170,595**	143,513

Finance Costs

Finance costs represented mainly interest expenses from bank borrowings and lease liabilities.

For the year ended December 31, 2022, the finance costs of the Group increased by RMB36.1 million, or 216.2% to RMB52.8 million from RMB16.7 million for the year ended December 31, 2021. The increase was primarily attributable to additional interest incurred in relation to bank borrowings.

Other Expenses

The Group's other expenses mainly consisted of (i) realized and unrealized losses from foreign exchange; (ii) fair value loss on financial assets at FVTPL; and (iii) donations.

For the year ended December 31, 2022, the Group reported other expenses of RMB17.7 million, as compared to other expenses of RMB50.4 million for the year ended December 31, 2021, which represented a decrease of RMB32.7 million, or 64.9%. The decrease was primarily attributable to: (i) the decrease of fair value loss on financial assets at FVTPL from RMB26.9 million for the year ended December 31, 2021 to RMB9.8 million for the year ended December 31, 2022; and (ii) the decrease of fair value loss on long-term payables from RMB17.9 million for the year ended December 31, 2021 to no fair value loss on long-term payables in other expenses for the year ended December 31, 2022.

The loss on fair value of the financial assets at FVTPL was a non-cash adjustment that represented the change in fair value arising from the common stock of Unity held by the Group.

The loss on fair value of the long-term payables was a non-cash adjustment that represented the change in fair value of contingent consideration payable in relation to the acquisition of Healthquest Pharma in December 2016. The measurement of long-term payables changed from fair value to amortized cost since Olverembatinib has been approved for commercialization by the China National Medical Products Administration.

Loss for the Reporting Period

As a result of the foregoing, the loss of the Company increased by RMB100.5 million, or 12.8%, to RMB882.9 million for the year ended December 31, 2022 from RMB782.4 million for the year ended December 31, 2021.

Cash Flows

For the year ended December 31, 2022, net cash outflows used in operating activities of the Group amounted to RMB653.9 million, as compared to that of RMB604.7 million for the year ended December 31, 2021, the increase was mainly due to the expansion of commercialization of Olverembatinib.

For the year ended December 31, 2022, net cash outflows used in investing activities of the Group amounted to RMB384.6 million, which mainly consisted of (i) the net increase in property, plant and equipment and other intangible assets of RMB234.6 million; and (ii) payment of contingent consideration in relation to our acquisition of Healthquest Pharma in December 2016 of RMB20.0 million and increase in time deposits with original maturity of more than three months of RMB130.0 million. For the year ended December 31, 2021, net cash outflow from investing activities amounted to RMB466.5 million, which mainly consisted of (i) the net increase in property, plant and equipment and other intangible assets of RMB436.3 million; and (ii) payment of contingent consideration in relation to our acquisition of Healthquest Pharma in December 2016 of RMB20.0 million and investment in joint venture of RMB16.2 million (which is not material with respect to the Group).

For the year ended December 31, 2022, net cash inflows from financing activities of the Group amounted to RMB619.3 million, which mainly consisted of net borrowings of RMB709.1 million from banks. For the year ended December 31, 2021, net cash inflows from financing activities amounted to RMB1,781.4 million, which mainly consisted of net proceeds of RMB961.1 million* from issuance of shares through the 2021 Placing, net proceeds of RMB323.5 million from the subscription of Shares by Innovent and net borrowings of RMB548.5 million from banks.

* representing proceeds from issue of shares minus cash payment of share issue expenses recorded as a deduction of share premium for the year ended December 31, 2021.

Key Financial Ratios

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

	As at December 31,	
	2022	2021
Current ratio[1]	**1.9**	5.2
Quick ratio[2]	**1.8**	5.2
Gearing ratio[3]	**73.5%**	N/A[4]

Notes:

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

(2) Quick ratio is calculated using current assets less inventories and divided by current liabilities as at the same date.

(3) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by total Equity and multiplied by 100%.

(4) As at December 31, 2021, the Group's cash and bank balances exceeded the interest-bearing borrowings. As such, no gearing ratio as at December 31, 2021 was presented.

Significant Investments

During the Reporting Period, there were no significant investments held by the Group.

Foreign Exchange Risk

Our financial statements are expressed in RMB, but certain of our cash and bank balances, other receivables and other assets, other investments classified as financial assets measured at FVTPL, derivative financial instrument and trade 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.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities, associated companies or joint ventures for the year ended December 31, 2022.

Bank Loans and Other Borrowings

As at December 31, 2022, we had bank loans of RMB1,775.5 million denominated in RMB and lease liabilities of RMB17.2 million.

As at December 31, 2022, RMB565.8 million of the Group's borrowings were at fixed interest rates.

	Effective interest rate per annum (%)	Maturity	RMB'000
Current			
Short-term borrowing	**3.90-4.30**	**2023**	**139,900**
Current portion of long term bank loans – unsecured	**4.25-4.75**	**2023**	**176,400**
Current portion of long term bank loans – unsecured	**1 year LPR+0 to 0.9**	**2023**	**184,005**
Current portion of long-term bank loans – secured*	**5 year – LPR+0.15**	**2023**	**10,000**
Lease liabilities	**4.00-4.35**	**2023**	**8,078**
			518,383
Non-current			
Bank loans – unsecured	**1 year LPR+0 to 0.9**	**2024-2027**	**464,190**
Bank loans – unsecured	**4.25-4.75**	**2024-2026**	**249,500**
Bank loans – secured*	**5 year – LPR+0.15**	**2024-2030**	**551,510**
Lease liabilities	**4.00-4.35**	**2024-2026**	**9,144**
			1,274,344
			1,792,727

Note: LPR represents the Loan Prime Rate.

* The bank loans amounting to RMB561,510,000 were secured by the pledge of the Group's right-of-use assets with a carrying amount of RMB28,728,000 (2021: RMB29,858,000), construction in progress with a carrying amount of approximately RMB17,833,000 (2021: RMB362,859,000), buildings with a net carrying amount of approximately RMB454,131,000 (2021: RMB406,945,000) and investment property with a carrying amount of RMB355,425,000 (2021: Nil) as at December 31, 2022. Such loans were also guaranteed by one of the Group's subsidiary.

The unsecured bank loans amounting to RMB257,120,000 (2021: RMB78,250,000) were guaranteed by two of the Group's subsidiaries as at December 31, 2022.

The following table sets forth the maturity analysis of the Group's interest-bearing bank and other borrowings:

	2022	2021
	RMB'000	RMB'000
Analysed into:		
Within one year	**518,383**	49,451
In the second year	**384,479**	328,674
In the third to fifth years, inclusive	**788,355**	568,373
Beyond five years	**101,510**	137,792
	1,792,727	1,084,290

Charges on Group Assets

As at December 31, 2022, the Group had pledged the Group's right-of-use assets with a carrying amount of approximately RMB28.7 million, the construction in progress with a carrying amount of approximately RMB17.8 million, the buildings with a carrying amount of approximately RMB454.1 million and investment property with a carrying amount of RMB355.4 million to bank facilities.

Contingent Liabilities

As at December 31, 2022, the Group did not have any material contingent liabilities.

Liquidity and Financial Resources

The Group adopts a conservative approach for cash management and investment on uncommitted funds. We place cash and cash equivalents (which are mostly held in U.S. dollars, Hong Kong dollars and RMB) in short term deposits with authorized institutions in Hong Kong and China.

As at December 31, 2022, the Group's cash and bank balances decreased to RMB1,492.2 million from RMB1,743.8 million as at December 31, 2021.

As at December 31, 2022, the Group's cash and bank balances were held mainly in U.S. dollars, Hong Kong dollars and RMB.

As at December 31, 2022, the Group had not used any financial instruments for hedging purposes.

As at December 31, 2022, the current assets of the Group were RMB1,636.5 million, including cash and bank balances of RMB1,492.2 million, inventory balances of RMB9.4 million, trade receivable balances of RMB54.4 million and prepayments, other receivables and other current assets of RMB80.4 million. As at December 31, 2022, the current liabilities of the Group were RMB881.2 million, including trade payables of RMB95.6 million, other payables and accruals of RMB240.0 million, derivative financial instruments of RMB2.8 million, borrowings of RMB518.4 million and contract liabilities of RMB24.4 million. As at December 31, 2022, the non-current liabilities of the Group were RMB1,540.5 million, including long term borrowings of RMB1,274.3 million, contract liabilities of RMB183.6 million, long term payables and deferred income of RMB70.3 million and deferred tax liability of RMB12.2 million.

Management Discussion and Analysis

Relationship with Employees, Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the Reporting Period, there was no material and significant dispute between the Group and its employees, customers and suppliers.

EMPLOYEES AND REMUNERATION POLICIES

The following table sets forth a breakdown of our employees as of December 31, 2022 by function:

Function	Number	%
Research and Development	392	67.6
Commercial	113	19.5
Administrative and others	75	12.9
Total	580	100.0

As at December 31, 2022, we had 580 full-time employees, including a total of 51 employees with M.D. or Ph.D. degrees. Of these, 392 are engaged in full-time research and development and laboratory operations and 188 are engaged in full-time general and administrative and commercial functions, and business development function. Our research and development personnel includes 39 employees with M.D. or Ph.D. degrees, and many of them have experience working in research institutions and hospitals and in the FDA drug approval process.

Our senior management team has extensive experience and expertise in the biotechnology industry and has been contributive in driving the success of our business. As at December 31, 2022, we had 157 senior employees who have an average of 15 to 20 years of experience in relevant fields.

We have also enjoyed more than 80% retention rate of employee over the last two years, which facilitates the growth of our institutional knowledge base. We are actively recruiting talents globally by offering a collaborative work environment, competitive compensation, effective incentive plans, and the opportunity to work on cutting-edge science projects.

Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our PRC-based employees. For the years ended December 31, 2021 and 2022, employee benefit expense amounted to RMB388.2 million and RMB427.6 million, respectively.

The Company has also adopted the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the 2018 RSU Scheme, the 2021 RSU Scheme and the 2022 RSU Scheme.

During the Reporting Period, the Company granted 1,634,426 RSUs under the 2022 RSU Scheme, representing 1,634,426 Shares to 80 Selected Persons, who are employees of the Group, among which 100,000 RSUs, representing 100,000 Shares, were granted to Dr. Zhai, who is the chief medical officer and a substantial shareholder of the Company. Dr. Zhai, being a substantial shareholder of the Company and the spouse of Dr. Yang (an executive Director and the chief executive officer of the Company), is a connected person of the Company under Chapter 14A of the Listing Rules. Based on the closing price of HK$20.15 as quoted on the Stock Exchange on June 23, 2022 (being the date of the abovementioned grant of RSUs to Dr. Zhai), the aggregate market value of the underlying Shares in relation to the RSUs granted to Dr. Zhai amounts to HK$2,015,000. Given that all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) calculated with reference to the abovementioned aggregate market value are less than 0.1%, the abovementioned grant of RSUs to Dr. Zhai constitutes a de minimis transaction pursuant to Rule 14A.76(1) of the Listing Rules and is fully exempt from the independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

For further details of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the 2018 RSU Scheme, please refer to the section headed "Statutory and General Information – D. Employee Incentive Schemes" in Appendix IV to the Prospectus. For further details of the 2021 RSU Scheme and the grant of RSUs thereunder, please refer to the relevant announcements of the Company dated February 2, 2021, May 21, 2021, June 18, 2021, June 25, 2021, July 14, 2021 and July 23, 2021, as well as the circular of the Company dated August 31, 2021. For further details of the 2022 RSU Scheme and the grant of RSUs thereunder, please refer to the relevant announcements of the Company dated June 23, 2022, July 14, 2022, October 21, 2022, October 25, 2022, October 26, 2022, October 27, 2022, October 28, 2022 and October 31, 2022.

FUTURE AND OUTLOOK

Leveraging our extensive experience in the global biotechnology industry, we will continue to accelerate our development of eight drug candidates in our highly differentiated novel clinical pipeline to next phases and apply for NDAs across the globe.

We will invest more resources to support our key product development through accelerating clinical trial sites development, boosting clinical trial recruitment and strengthening material communications with competent authorities. Meanwhile, we also expect to report significant near-term milestones for several key products in global academic conferences on our encouraging preclinical or clinical data, so as to increase our influence and seek global collaboration opportunities.

We intend to become a fully integrated globally biopharmaceutical company with a comprehensive set of capabilities focusing on business development and commercialization beyond our core competency in research and development. In anticipation of the potential commercialization of our drug candidates, we plan to capture additional commercialization opportunities in global pharmaceutical markets through actively pursuing strategic partnerships with global biotechnology and pharmaceutical companies for cooperation over our pipeline assets.

Additionally, we expect to expand our intellectual property portfolio by actively seeking patent rights for our product candidates. As of December 31, 2022, we had 235 issued patents and more than 600 patent applications globally, among which, about 171 patents were issued outside of China. We will further enhance our comprehensive and growing global intellectual property portfolio in the future.

Looking forward, we will constantly extend our capability to develop the innovative therapies with better efficacy and affordable costs for patients to address the unmet medical needs, improve patient health and bring benefits to the society globally. At the same time, we will constantly strive to consolidate our position as a leading biotechnology company and maintain good financial health to protect the interests of our Shareholders.

EVENTS AFTER THE REPORTING PERIOD

On January 18, 2023 (before trading hours), the Company, the Vendor, J.P. Morgan Securities (Asia Pacific) Limited, China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Limited (the "**2023 Placing Agents**") entered into the 2023 Placing Agreement, pursuant to which (i) the Vendor has agreed to appoint the 2023 Placing Agents, and the 2023 Placing Agents have severally (not jointly nor jointly and severally) agreed to act as agents of the Vendor, to procure on a best effort basis not less than six placees to purchase up to 22,500,000 shares of the Company (the "**2023 Placing Shares**") at the price of HK$24.45 per 2023 Placing Share; and (ii) the Vendor has irrevocably agreed to subscribe for, and the Company has agreed to issue to the Vendor up to 22,500,000 new shares of the Company (the "**2023 Subscription Shares**") under the general mandate granted to the Directors at the AGM held on May 19, 2022 at the price of HK$24.45 per 2023 Subscription Share (the "**2023 Subscription**"). Closing of the 2023 Placing and the 2023 Subscription took place on January 20, 2023 and February 1, 2023, respectively. For further details of the 2023 Placing and the 2023 Subscription, please refer to the announcements of the Company dated January 18, 2023 and February 1, 2023.

In March 2023, the Company was also included by the Shanghai Stock Exchange in the "List of the First Batch of Newly Added Hong Kong Stock Connect Stocks Under the Shanghai-Hong Kong Stock Connect". This adjustment came into effect on March 13, 2023

Save as disclosed above, subsequent to year ended December 31, 2022 and up to the date of this annual report, no important events affecting the Company has taken place that is required to be disclosed.

DIRECTORS

Executive Director

Yang Dajun (楊大俊), M.D., Ph.D., aged 60, is the co-founder of our Group, Chairman of the Board and chief executive officer of our Company. Dr. Yang was appointed as the executive Director on November 17, 2017. For positions with other members of our Group, Dr. Yang is also a director of each of Ascentage Pharma HK, Ascentage Jiangsu, Ascentage International, Ascentage Suzhou, Ascentage Shanghai, Ascentage Australia and Ascentage US. Dr. Yang is the spouse of Dr. Zhai, our chief medical officer and a member of our senior management.

Prior to founding the Group in 2009, Dr. Yang has worked in the following companies and/or institutions:

- Dr. Yang co-founded Ascenta Therapeutics, Inc., where he was a senior vice president of research and preclinical development between 2004 and 2008. Ascenta Therapeutics, Inc. was dissolved in January 2017.

- Dr. Yang was the principal responsible person for establishing Ascenta R&D Center in Shanghai as a wholly-owned subsidiary of Ascenta Therapeutics, Inc., and served as the first general manager and a member of its board of directors between 2005 and 2008.

- Dr. Yang served as a part-time professor and supervisor of doctoral students at Cancer Center at Sun Yat-sen University from September 2003 to September 2006.

- Dr. Yang was appointed as the vice president of Biology of S*BIO Ltd Pte, a Singapore-Chiron joint venture from 2002 to 2003.

Dr. Yang is the author or co-author of 92 publications and the inventor of 14 patents. He was a co-founder, chief staff writer and editor for two national magazines in China, namely "Chinese Medical Students" and "Family Doctors". Nowadays "Family Doctors" has a monthly publication volume of over one million and it has the mission to promote both healthcare and a healthy lifestyle in China.

Dr. Yang obtained his Bachelor's degree in medicine and Master's degree in Oncology from Sun Yat-sen University of Medical Sciences (中山醫科大學) (now renamed as the Sun Yat-sen University (中山大學)) in July 1983 and June 1986 respectively, and he received a Ph.D. degree in Genetics from Michigan State University in the United States in June 1992.

Non-executive Directors

Wang Shaomeng (王少萌), Ph.D., aged 59, was appointed as our Director on November 17, 2017 and was re-designated as non-executive Director on August 15, 2018. For positions with other members of the Group, Dr. Wang is the director of Ascentage International. Dr. Wang is the co-founder of Ascentage Pharma HK and has been appointed as its chairman of scientific advisory board since 2010.

Dr. Wang joined the University of Michigan in July 2001 as a tenured faculty and is currently a Warner-Lambert/Parke Davis Professor in Medicine at the University of Michigan, Ann Arbor, where he also serves as director of the Michigan Center for Therapeutic Innovation. Dr. Wang was also appointed as the editor-in-chief of the Journal of Medicinal Chemistry in 2011, and was re-appointed to the same role in 2015. Dr. Wang's term as the editor-in-chief for the Journal of Medicinal Chemistry has ended on December 31, 2020

Dr. Wang obtained his Bachelor's degree in Chemistry from Peking University (北京大學) in July 1986. He received his Ph.D. degree in Chemistry from Case Western Reserve University in the United States in January 1993.

Directors and Senior Management

Tian Yuan (田源), Ph.D., aged 68, was appointed as our Director on July 6, 2018 and was re-designated as non-executive Director on August 15, 2018. Prior to joining the Group, Dr. Tian established China International Futures Corporation (a PRC-based company mainly engaged in futures investment business) in 1992 and served as the chairman from 1992 to 2007. Dr. Tian is the founding partner of Yuanming Capital, a healthcare specialty fund focusing on China-US cross-border investments with offices in Beijing and New York City. He also served as the chairman of China Chengtong Holdings Group Limited (a company primarily engaged in integrated logistics service, assets operation and management in the PRC) from July 1997 to September 2002.

Dr. Tian is the founder of, and has been serving as the chairman of China Entrepreneurs Forum (中國企業家論壇) since 2001 and China-US Business Leaders Roundtable (中美商業領袖圓桌會議) since 2010. He has also served as the chairman of Investment Committee of China Pharmaceutical Industry Research and Development Association (中國醫藥創新促進會投資專業委員會) since May 2018. He is the recipient of the China Economics Theory Innovation Award (中國經濟理論創新獎) in 2011. Since June 2018, he has served as a member on the Biotech Advisory Panel of the Stock Exchange, and he is responsible for providing advice to assist the Stock Exchange in its review of listing applications from biotech companies when being consulted by the Stock Exchange.

Dr. Tian obtained his Master's degree and Doctoral degree in Economics from Wuhan University (武漢大學) in September 1983 and August 1992, respectively.

Dr. Tian ceased to be the non-executive Director of the Company with effective from May 20, 2022 due to his other business commitments which require more of his time and dedication. Following the resignation of Dr. Tian as a non-executive Director, he would cease to be a member of the remuneration committee of the Company. For further details, please refer to the relevant announcement of the Company dated May 19, 2022.

Lu Simon Dazhong (呂大忠), Ph.D., aged 54, was appointed as our Director on July 6, 2018 and was re-designated as non-executive Director on August 15, 2018.

Dr. Lu has more than 22 years of experience in the investment and consulting business. Between 1999 and 2002, Dr. Lu worked in a number of financial institutions, including China International Capital Corporation Limited (中國國際金融股份有限公司), an investment bank based in the PRC. From September 2002 to December 2007, Dr. Lu served as the investment manager and partner of Shanghai Newmargin Ventures (上海聯創投資管理公司), a venture capital management company based in the PRC. Between 2008 and 2009, Dr. Lu worked at CEL Partners, a private equity firm that focuses on buy-outs, acquisitions and mergers. Since August 2009, Dr. Lu served as the managing director and partner of SDIC Fund Management Company Ltd., a PRC-based private equity fund manager.

Dr. Lu graduated with a Bachelor's degree in Economics from Nankai University (南開大學) in June 1991. He received his Master's degree in Business Administration from McGill University in Canada in June 1999, and Ph.D. in Economics from Nankai University in June 2010.

Dr. Lu was a director of Innovent between 2016 and 2018 prior to its listing on the Stock Exchange. As at the date of this annual report, Dr. Lu has been a director of a number of companies engaged in the pharmaceutical sector. The major appointments as at the date of this Annual Report include: (1) BrightGene Bio-Medical (Suzhou) Co., Ltd. (博瑞生物醫藥(蘇州)股份有限公司) which was principally engaged in developing complex generic drugs; and (2) Dizal (Jiangsu) Pharma Co., Ltd. (迪哲(江蘇)醫藥有限公司) whose pipeline targets include NSCLC (non-small-cell lung carcinoma), autoimmune disease, solid and liquid tumours, solid tumour, CKD (chronic kidney disease) and infectious diseases of the respiratory tract (呼吸道感染).

Liu Qian (劉騫), aged 51, was appointed as our Director on August 1, 2018 and was re-designated as non-executive Director on August 15, 2018.

From July 1993 to July 1997, he worked as a financial analyst at Shenzhen Development Bank Inc., a bank based in Shenzhen, Guangdong, China. From June 1999 to June 2005, he worked for Morgan Stanley Investment Management, including as an executive Director and portfolio manager. From July 2005 to September 2006, he worked as a managing director at Chatham Asset Management. From October 2006 to December 2008, he worked as a director and trader in Global Markets, Deutsche Bank. Since December 2008, he has been serving as the chief investment officer of Prudence Investment Management (Hong Kong) Limited, a Hong Kong-based investment management company. Since July 2021, he was appointed as chairman of Prudence Financial Holdings Group Limited.

Mr. Liu graduated with a Bachelor's degree in Economics from Wuhan University in July 1993. He received his Master's degree in Business Administration from the Wharton School of the University of Pennsylvania in the United States in May 1999.

Mr. Liu ceased to be the non-executive Director of the Company with effective from May 20, 2022 due to his other business commitments which require more of his time and dedication. For further details, please refer to the relevant announcement of the Company dated May 19, 2022.

Independent non-executive Directors

Ye Changqing (葉長青), aged 52, was appointed as an independent non-executive Director on June 13, 2019. He is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Ye has over 29 years of experience in professional accounting, financial advisory and investment. From April 1993 to January 2011, Mr. Ye worked at the China office of PricewaterhouseCoopers, with his last position as the partner and service line leader of the firm's advisory services and transaction services. From February 2011 to December 2015, Mr. Ye served as the managing director, chief financial officer and a member of the investment committee at CITIC Private Equity Funds (中信產業基金) (a PRC-based private equity fund). Since May 2016, Mr. Ye has been an independent non-executive director of Baozun Inc., a company listed on NASDAQ (stock code: BZUN) (the holding company of a PRC-based provider of e-commerce business solutions) and subsequently the company also listed on the Stock Exchange (stock code: 9991) on September 29, 2020. Since October 2018, Mr. Ye has been an independent non-executive director of Niu Technologies, a company listed on NASDAQ (stock code: NIU) (the holding company of a PRC-based manufacturer of e-scooter). From December 2018 to September 2022, Mr. Ye was an independent non-executive director of Luzhou Bank Co., Ltd. (formerly known as Luzhou City Commercial Bank Co., Ltd.), a company listed on the Stock Exchange (stock code: 1983). Since June 2019, Mr. Ye has been an independent non-executive director of Jinxin Fertility Group Limited, a company listed on the Stock Exchange (stock code: 1951). Since September 2019, Mr. Ye has also been an independent non-executive director of Hygeia Healthcare Holdings Co., Limited, a company listed on the Stock Exchange (stock code: 6078). Since August 2022, Mr. Ye has been an independent director of VNET Group, Inc., a company listed on NASDAQ (stock code: VNET). Since November 2022 Mr. Ye has also served as independent director of NWTN Inc., a company listed on NASDAQ (Stock code: NWTN).

Mr. Ye obtained a Bachelor's degree in Journalism from Huazhong University of Science and Technology (華中理工大學) (now renamed as 華中科技大學) in July 1992, and a Master's degree in Business Administration from the University of Warwick in the United Kingdom in November 1999. Mr. Ye has been a Certified Public Accountant of the PRC since December 1994. Mr. Ye is our Director with appropriate professional accounting or related financial management expertise for the purpose of Rule 3.10(2) of the Listing Rules through his experiences listed above.

Directors and Senior Management

Yin Zheng (尹正), Ph.D., aged 51, was appointed as an independent non-executive Director on June 13, 2019. He is primarily responsible for supervising and providing independent judgement to our Board.

Dr. Yin worked as research scientist at S*Bio Pte Ltd from September 2000 to April 2004. He then worked as principal scientist at Novartis Institute for Tropical Diseases Pte Ltd until December 2008. Dr. Yin served as a vice dean of school of pharmacy from July 2009 to November 2011, and dean of school of pharmacy from November 2011 to April 2015 at Nankai University. He also served as a professor at Tsinghua University. Dr. Yin joined SDIC Fund Management Co., Ltd. as executive director and then managing director responsible for pharma/biotech sector between August 2016 and July 2018. Since August 2018, he has been serving as the executive director and manager of Sany Innova (Beijing) Investment Management Co., Ltd (三一創新(北京)投資管理有限公司).

Dr. Yin obtained a Bachelor's degree and Master's degree in Science from Nankai University (南開大學) in July 1994 and July 1997 respectively. He obtained his Doctoral degree in Chemistry from National University of Singapore in August 2001.

Ren Wei (任為), aged 42, was appointed as an independent non-executive Director on June 13, 2019. He is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Ren has over 18 years of legal experience covering onshore and offshore securities issues, PRC-related mergers & acquisitions and foreign investment. He has been a lawyer in Jingtian & Gongcheng since March 2003 and has become a partner since January 2009.

Mr. Ren obtained a Bachelor's degree in Law and a Bachelor's degree in Economics both from the Peking University (北京大學) in July 2003. He has been qualified to practice law in the PRC since 2008.

Dr. David Sidransky, M.D., aged 62, was appointed as an independent non-executive Director on March 31, 2021.

Dr. Sidransky currently serves as the director of the Head and Neck Cancer Research Division, professor in otolaryngology – head and neck surgery, professor in cellular and molecular medicine, and professor in urology and genetics of The Johns Hopkins University. Dr. Sidransky also currently serves as professor in oncology at the Johns Hopkins Oncology Center.

From 1984 to 1988, Dr. Sidransky attended the Baylor College of Medicine in the U.S. and earned his MD degree and then continued as an intern and resident in internal medicine, and chief resident in internal medicine until June 1988. Dr. Sidransky completed a fellowship in Oncology at The Johns Hopkins University and Hospital from July 1988 to June 1992 and was then appointed as faculty in July 1992.

Dr. Sidransky graduated with a Bachelor of Science degree in Chemistry from the Brandeis University in the U.S. in June 1981. Dr. Sidransky is a current member of the American Association of Cancer Research and the American Society of Clinical Oncology. He was a member of certain working groups under the National Cancer Institute, including the Development Diagnostics Working Group and the Cancer Prevention and Control Working Group. Dr. Sidransky has also received certifications from the American Board of Internal Medicine and the American Board of Medical Oncology.

In addition, Dr. Sidransky currently sits on the National Board of Scientific Advisors of the National Cancer Institute. He was a founder of Champions Oncology, Inc. (NASDAQ: CSBR) and currently Lead Board Director. He is on the Board of Directors of Galmed Pharmaceuticals Ltd. (NASDAQ: GLMD), Orgenesis Inc. (NASDAQ: ORGS), and the Chairman of Advaxis, Inc. (NASDAQ: ADXS) and the Chairman of Ayala Pharmaceuticals, Inc. (NASDAQ: AYLA). He is also Chairman of the MAB of the Flight Attendants Medical Research Foundation and the Adenocystic Carcinoma Research.

Dr. Sidransky has received numerous honors, such as the Israel Cancer Research Fund Osserman Award, the AACR-Richard and Hinda Rosenthal Foundation Award, the Toby Comet Award Bar Ilan University and the AACR Team Award Theme Circulating DNA. As of the date of this annual report, he is the author of over 600 articles published in professional journals, the author of 45 book chapters, reviews and commentaries, and the inventor of 28 patents.

SENIOR MANAGEMENT

Yang Dajun (楊大俊), M.D., Ph.D., aged 60, is the Chairman, chief executive officer and an executive Director. Please refer to "Directors – Executive Director" in this section for his biography.

Guo Edward Ming (郭明), Ph.D., aged 66, is our co-founder and was our chief operating officer. Dr. Guo joined our Group in May 2009. For positions with members of the Group, Dr. Guo is a director of Ascentage Suzhou and Ascentage International. Dr. Guo has more than 20 years of industrial experience in research and development of new drug, regulatory, project management, corporate management, strategic planning, and entrepreneurship. From 1995 to 2005, he served in various technical and managerial roles at Pfizer Inc. From March 2005 to 2010, he worked at Ascenta Therapeutics, Inc. as the vice president of pharmaceutical sciences and manufacturing. Dr. Guo served as an adjunct professor from 2007 to 2009 and served as a teaching staff as well a supervisor for master thesis since 2009 at Peking University (北京大學). Dr. Guo served as the independent non-executive director at Porton Fine Chemicals Ltd. (重慶博騰製藥科技股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code of 300363) from October 2012 to March 2016.

Dr. Guo was the recipient of "Special Contribution Award" from the China Food and Drug Administration (國家食品藥品監督管理總局) in 2009.

Dr. Guo obtained a Bachelor's degree in Chemistry from Peking Normal University (北京師範大學) in January 1982. He received his Master's degree in Medicine from Peking Union Medical College (中國協和醫科大學) in June 1985, and his Ph.D. degree in Chemistry from the University of California at San Diego in the United States in March 1991.

Dr. Guo ceased to be the chief operating officer of the Company with effective from October 31, 2021. For further details, please refer to the relevant announcement of the Company dated August 30, 2021.

Directors and Senior Management

Zhai Yifan (翟一帆), M.D., Ph.D., aged 60, is our chief medical officer. Dr. Zhai joined our Group in July 2013. For position with other members of the Group, Dr. Zhai is the founder and a director of Healthquest Pharma. Being the author of more than 27 academic papers, Dr. Zhai has over 26 years of experience in cancer research and new drug development since 1984. Dr. Zhai was a postdoctoral fellow at the surgery branch, National Cancer Institute between 1993 and 1996. She also served as a scientist at Human Genome Sciences Inc., now GSK, between 1996 and 1999; senior research scientist at Bayer Pharmaceuticals Corp. between 1999 and 2001; director of the department of pharmacology at Exelixis Inc. between 2001 and 2003; President of HealthQuest Inc. between 2003 and 2005; and chief scientific officer at Oncomax Acquisition Corp. between 2005 and 2007. Dr. Zhai served as executive director of Anaborex (Shanghai) R & D Co., Ltd. between 2007 and 2008. She joined Celladon Corporation as chief scientific officer in 2007 until 2010. She founded Healthquest Pharma in July 2012 and served as president and chief executive officer (首席執行官). Dr. Zhai was the president of Chinese Biopharmaceutical Association-USA (美國華人生物醫藥科技協會) from 2009 to 2010.

Dr. Zhai obtained her Medicine degree (M.D.) from Sun Yat-sen University of Medical Sciences (中山醫科大學) (now renamed as the Sun Yat-sen University (中山大學)) in July 1984, and received her Ph.D. degree in Pharmacology and Toxicology from Michigan State University in the United States in August 1993.

Dr. Zhai is the spouse of Dr. Yang who is our chairman of the Board and chief executive officer.

Raymond Jeffrey Kmetz, aged 65, has been the chief business officer since February 1, 2019. Mr. Kmetz has more than 19 years of experience in management of the formulation and execution of drug commercialization strategies. From February 2001 to August 2007, he was associate director of oncology marketing at Berlex Laboratories Inc., which provides medicine to patients and healthcare providers. Mr. Kmetz joined Bayer Corporation (a multinational pharmaceutical and life science company) in August 2007, initially as director of global strategic marketing and later as hematology franchise head until December 2010. From 2010 to 2012, he was the director of marketing at Alexion Pharmaceuticals, Inc., which is an ultra-orphan/rare disease biotech company listed on NASDAQ (stock code: ALXN). Mr. Kmetz joined Pharmacyclics LLC., a biopharmaceutical company focusing on development of cancer therapies, as senior director in marketing from July 2012 and later as head of commercial development (vice president) until March 2018. From April 2018 to October 2018, he was a chief business officer in Pulse Biosciences Inc., a clinical stage medical device company listed on NASDAQ (stock code: PLSE), responsible for developing business strategies for clinical and commercial development for immune oncology technology.

Mr. Kmetz obtained a Bachelor's degree in Science, Biology from Virginia Tech in the United States in June 1980. He also received a Marketing Certificate from Anderson School of Business at the University of California, Los Angeles in the United States in September 2003.

Thomas Joseph Knapp, aged 70, is the senior vice president, general counsel. Mr. Knapp joined our Group in September 2018 serving as senior vice president in legal affairs and was promoted to senior vice president, general counsel of our Group in March 2019.

Mr. Knapp has more than 40 years of experience in the legal, regulatory and compliance fields, with particular focus in pharmaceutical and biotech companies. He was appointed as the assistant attorney general of State of Illinois, Chicago in September 1978 and later served in various legal positions, including as labor counsel of The Burlington Northern & Santa Fe Railway Co. From May 1996 to June 1998 and November 1999 to March 2002, he was of counsel at Paul Hastings LLP while acting as the assistant general counsel of The Boeing Company between June 1998 and October 1999. From March 2003 to May 2008, he was vice president, general counsel and corporate secretary at Northwestern Corporation, a publicly-owned utility company in the United States which is listed on the New York Stock Exchange (stock code: NWE). From August 2009 to February 2010, he was of counsel at Exemplar Law Partners, LLC, advising clients on renewable energy, financing funding and various issues. From February 2010 to May 2015, he was executive vice president, chief legal officer and corporate secretary of Sucampo Pharmaceuticals, Inc., a global biopharmaceutical company. From June 2015 to January 2018, he was the interim general counsel and corporate secretary at Galena Biopharma, Inc., a biopharmaceutical company previously listed on NASDAQ with development stage targeted oncology therapeutics. From January 2018 to February 2019, after the merger of Galena Biopharma, Inc. and SELLAS Life Sciences Group, he became consultant at SELLAS Life Sciences Group, Inc. which is a listed company on NASDAQ (stock code: SLS). He also has been a legal consultant providing outside general counsel services to various pharmaceutical, biotech and IT companies from January 2018 to September 2018, and was a member of the board of directors and the audit, compensation and nominating committees of Osiris Therapeutics, Inc., a company listed on NASDAQ (stock code: OSIR) from February 2017 to April 2019.

Mr. Knapp obtained a Bachelor's degree in Political Science/Business from the University of Illinois-Urbana in the United States in May 1974. He also received a Juris Doctor degree from the Loyola University of Law in the United States in June 1977. He is licensed to practice law in the District of Columbia of the United States and U.S. Supreme Court since 1980 and 1987, respectively. He was also a mediation panelist of the American Bar Association from 2015 to 2018.

Chen Yiqing (陳軼青), aged 39, served as our chief financial officer during the Reporting Period since his appointment on November 29, 2021. Prior to joining the Company, Mr. Chen served as the vice-Chief Financial Officer and General Manager of the investor relations and capital development department of Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司). From June 2021 to September 2021, he served as the deputy general manager of BGI Genomics Co., Ltd (深圳華大基因股份有限公司). From June 2015 to June 2021, he served as the chief financial officer of BGI Genomics Co., Ltd. (深圳華大基因股份有限公司). From September 2014 to May 2015, he served as the chief financial officer of BGI Tech Solutions Co., Ltd. (深圳華大基因科技服務有限公司). From July 2012 to September 2014, he served as the business director of the Investment Banking Department of Citi Orient Securities Company Limited (東方花旗證券有限公司). From June 2010 to June 2012, he served as the deputy business director of the Investment Banking Department of Orient Securities Co., Ltd. (東方證券股份有限公司). From September 2006 to June 2010, he served as the senior auditor of the Shanghai branch of Ernst & Young (安永華明會計師事務所上海分所).

Mr. Chen attended Shanghai Jiao Tong University (上海交通大學) from 2002 to 2006 and obtained a bachelor's degree in Food Science and Engineering. Mr. Chen also attended China Europe International Business School (中歐國際工商學院) and obtained a master's degree in business administration in August 2016.

Mr. Chen is a Chinese Certified Public Accountant, a fellow of the Chartered Institute of Management Accountants, a Chartered Global Management Accountant, a member of the Association of Chartered Certified Accountants (ACCA), and a member of the ACCA South China Expert Tutorial Group.

Directors and Senior Management

Gang Zhu (祝剛), aged 63, has been our chief commercial officer since October 1, 2020.

Mr. Zhu graduated from Capital Medical University and worked as a clinician in the early years of his career. With over 25 years of experience at large multinational pharmaceutical companies in China, he played various integral roles in the launch and growth of around 10 oncology brands in the country. Prior to joining Ascentage Pharma, Mr. Zhu was the General Manager of Celgene China, where he assembled Celgene's commercial team from the ground up. Prior to that, Mr. Zhu had worked in a range of leadership positions at Sanofi-Aventis and Novartis, including Sales Director, Head of Business Unit, and Vice President. During his tenure at Novartis and Celgene, Mr. Zhu was in charge of the commercial rollouts of numerous hematologic cancer drugs indicated for chronic myeloid leukemia, acute myeloid leukemia, myelodysplastic syndromes, lymphocytic leukemia, multiple myeloma, etc.

COMPANY SECRETARY

Wong Cheung Ki Johnny (王章旗), aged 39, was appointed as the company secretary of our Company on July 30, 2018 and is responsible for our company secretarial affairs. Mr. Wong has more than 14 years of experience in the area of accounting and financial management. Currently, Mr. Wong is the sole proprietor of Jovial Wings CPA Company.

Mr. Wong is a company secretary of China MeiDong Auto Holdings Limited, which is listed on the Main Board of the Stock Exchange. From January 2020 to May 2021, he was a joint company secretary of China Hongguang Holdings Limited (stock code: 8646), a company listed on the GEM of the Stock Exchange. From April 2016 to June 2022, he was a company secretary of Zheng Li Holdings Limited (now known as Zhongshi Minan Holdings Limited) (stock code: 8283), a company listed on GEM of the Stock Exchange.

Mr. Wong received a Bachelor's degree in Business Administration in Accounting from the Hong Kong University of Science and Technology in November 2005. He also obtained a Master's degree in Corporate Governance from the Hong Kong Polytechnic University in September 2016. Mr. Wong is currently a certified public accountant, a fellow of the Hong Kong Institute of Certified Public Accountants, and a fellow of The Hong Kong Chartered Governance Institute (formerly known as "**The Hong Kong Institute of Chartered Secretaries**") and The Chartered Governance Institute (formerly known as "**The Institute of Chartered Secretaries and Administrators**").

The Directors present their report and the audited consolidated financial statements for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company is an exempted company incorporated in the Cayman Islands with limited liability on November 17, 2017. The Group is a globally-focused, clinical-stage biotechnology company engaged in developing novel therapies for cancers, hepatitis B virus, or HBV, and age-related diseases.

Particulars of the Company's principal subsidiaries as at December 31, 2022 are set out in Note 1 to the consolidated financial statements.

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 (Chapter 622 of The Laws of Hong Kong) can be found in the section headed "Management Discussion and Analysis" of this annual report. The financial risk management objectives and policies of the Group are set out in Note 44 to the consolidated financial statements.

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the Reporting Period, there was no material and significant dispute between the Group and its employees, customers and suppliers.

RESULTS AND DIVIDEND

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.

No dividend was paid or declared by the Company or other members of the Group during the years ended December 31, 2021 and 2022.

The Board does not recommend payment of a dividend for the year ended December 31, 2022.

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. The Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, waste reduction and energy saving.

In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 of the Listing Rules applicable to the financial year ended December 31, 2022, the Company's environmental, social and governance report will be available on our website and the website of the Stock Exchange at the same time as the publication of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks Related to our Financial Position and Need for Additional Capital

- We have incurred net losses in the Reporting Period, and may not be able to achieve profitability despite the commercialization of one of our drug candidates.

- We will need to obtain additional financing to fund our operations, and if we are unable to obtain such financing, we may be unable to complete the development and commercialization of our drug candidates.

- Raising additional capital may cause dilution to our Shareholders, restrict our operations or require us to relinquish rights to our technologies or drug candidates.

Risks Related to Clinical Development of our Drug Candidates

- We depend substantially on the success of our drug candidates, which are in clinical development. Clinical trials of our drug candidates may not be successful.

- If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

- If clinical trials of our drug candidates fail to demonstrate safety and efficacy to the satisfaction of the FDA, NMPA, EMA or other comparable regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates.

Risks Related to Obtaining Regulatory Approval for our Drug Candidates

- The regulatory approval processes of the FDA, NMPA, EMA and other comparable regulatory authorities are lengthy, time consuming and inherently unpredictable, and if we are ultimately unable to obtain regulatory approval for our drug candidates, our business will be substantially harmed.

- Our drug candidates may cause undesirable adverse events or have other properties that could interrupt, delay or halt clinical trials, delay or prevent regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following any regulatory approval.

- Even if we receive regulatory approval for our drug candidates, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our drug candidates.

Risks Related to Commercialization of our Drug Candidates

– If we are not able to obtain, or experience delays in obtaining, required regulatory approvals, we will not be able to commercialize our drug candidates, and our ability to generate revenue will be materially impaired.

– Even if any of our drug candidates receives regulatory approval, they may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success.

– We manufacture and intend to continue to manufacture at least a portion of our drug candidates ourselves. Delays in completing and receiving regulatory approvals for our manufacturing facility could delay our development plans and thereby limit our revenues and growth.

– Except for HQP1351 which has already commenced commercialization, we may lack the necessary expertise, personnel and resources to successfully commercialize any of our other products that receive regulatory approval on our own or together with collaborators.

– We face substantial competition, which may result in others discovering, developing or commercializing competing drugs before or more successfully than we do.

– Even if we are able to commercialize any drug candidates, the drugs may become subject to unfavorable pricing regulations, third party reimbursement practices or healthcare reform initiatives, which could harm our business.

Risks Related to our Intellectual Property

– If we are unable to protect our proprietary technology, or obtain and maintain patent protection for our product candidates, our competitors could develop and commercialize technology and drugs similar or identical to ours, and our ability to successfully commercialize our technology and drugs may be adversely affected.

– We are dependent on licensed intellectual property. If we were to lose our rights to licensed intellectual property, we may not be able to continue developing or commercializing our product candidates, if approved.

Risks Related to our Reliance on Third Parties

– We rely on third parties to conduct our preclinical studies and clinical trials and we must work effectively with collaborators to develop our drug candidates. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed.

– We expect to rely on third parties to manufacture at least a portion of our drug candidate supplies, and we intend to rely on third parties for at least a portion of the manufacturing process of our drug candidates, if approved, and drugs. Our business could be harmed if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices.

– We have entered into collaborations and may form or seek collaborations or strategic alliances or enter into additional licensing arrangements in the future, and we may not realize the benefits of such alliances or licensing arrangements.

Risks Related to our Industry, Business and Operations

- Our future success depends on our ability to retain our key executives and scientists, and to attract, retain and motivate qualified personnel.

- Our employees, independent contractors, consultants, commercial partners and vendors may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements.

- Any failure to comply with applicable regulations and industry standards or obtain various licenses and permits could harm our reputation and our business, results of operations and prospects.

Risks Related to our Doing Business in the PRC

- The pharmaceutical industry in the PRC is highly regulated and such regulations are subject to change which may affect approval and commercialization of our drugs.

- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

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

- In the future, we may rely to some extent on dividends and other distributions on equity from our principal operating subsidiaries to fund offshore cash and financing requirements.

- We and our Shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a PRC establishment of a non-PRC company, or other assets attributable to a PRC establishment of a non-PRC company.

- Restrictions on currency exchange may limit our ability to utilize our revenue effectively.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

MAJOR CUSTOMERS AND SUPPLIERS

Revenue attributable to the Group's five largest customers and the largest customer accounted for 85.1% and 74.2%, respectively, of the Group's total revenue for the Reporting Period.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 18.5% and 4.9%, respectively, of the Group's total purchases for the Reporting Period.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had a material interest in the Group's five largest customers or suppliers during the Reporting Period.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUBSIDIARIES

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2022 and details of the Shares issued during the year ended December 31, 2022 are set out in Note 34 to the consolidated financial statements.

DONATION

During the year ended December 31, 2022, the Group made RMB2.1 million of charitable donations to Beijing Health Alliance Charitable Foundation and RMB1.0 million of charitable donations to Peking New Sunshine Charity Foundation.

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December 31, 2022.

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the 2018 RSU Scheme, the 2021 RSU Scheme and the 2022 RSU Scheme as set out in this annual report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2022.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2022.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulation, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force for the year ended December 31, 2022. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

As at December 31, 2022, the Company did not have any distributable reserves.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2022 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 30 to the consolidated financial statements in this annual report.

DIRECTORS' SERVICE CONTRACTS

Our executive Director has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date and subject to termination in accordance with his respective terms.

Each of the non-executive Directors in office during the Reporting Period has signed a letter of appointment with the Company for an initial term of three years with effect from the Listing Date and subject to termination in accordance with their respective terms.

Each of the independent non-executive Directors in office during the Reporting Period has signed a letter of appointment with the Company for an initial term of three years with effect from the Listing Date (except for Dr. Sidransky whose term of appointment is three years commencing on May 10, 2021) and subject to termination in accordance with their respective terms.

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

Save as disclosed above, none of the Directors has entered into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation).

REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

The Directors' fees and other emoluments are supervised by the Remuneration Committee and determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 9, Note 10 and Note 41(b) to the consolidated financial statements.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the Note 41 to the consolidated financial statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2022.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

At no time during the Reporting Period had the Company or any of its subsidiaries, and any of the controlling shareholders (as defined in the Listing Rules) 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 controlling shareholders or their subsidiaries (as the case may be) to the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2022.

DIRECTORS OF SUBSIDIARIES

Other than the Directors and senior management named in the section headed "Directors and Senior Management" of this annual report, the persons who serve on the boards of the subsidiaries of the Company as at the date of this annual report include each of Zhang Yubin and Ho Chong who serves as a director of Ascentage Suzhou and Ascentage Australia, respectively.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period and up to the date of this annual report, none of the Directors is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules. In relation to Dr. Wang's interest in OncoFusion Therapeutics, Inc., Medsyn Biopharma LLC, and Oncopia Therapeutics, Inc. (the "**Retained Business**"), the Directors are of the view that the Retained Business does not compete or is not likely to compete with the business of the Group since (i) there is clear business delineation between the Retained Business and the Group's core business in terms of their drug targets, technological platform and stage of product development; and (ii) the drug candidates of the Retained Business are still in preclinical stage. For further details, please refer to the section headed "Relationship with Controlling Shareholders" in the Prospectus.

NON-COMPETITION ARRANGEMENTS

Each of the Substantial Shareholders provided certain non-competition undertakings in favor of the Company, pursuant to which the said parties have given certain non-competition undertakings to the Company. Details of the non-competition agreements are set out in the section headed "Relationship with Controlling Shareholders – Non-Competition Undertaking" in the Prospectus.

The Substantial Shareholders confirmed that they have complied with the non-competition undertakings for the Reporting Period. The independent non-executive Directors have conducted such review for the Reporting Period and also reviewed the relevant undertakings and are satisfied that the non-competition undertakings have been fully complied with.

UPDATE ON DIRECTORS' INFORMATION

The change in Directors' or chief executives' information as required to be disclosed pursuant to Rule 13.51B of the Listing Rules is set out below:

Mr. Ye Changqing, independent non-executive Director of the Company, ceased to be an independent non-executive Director of Luzhou Bank Co., Ltd. (stock code: 1983) on 20 September 2022, the shares of which is listed on the Stock Exchange. Since August 2022, Mr. Ye has been an independent director of VNET Group, Inc., a company listed on NASDAQ (stock code: VNET). Since November 2022, Mr. Ye has also served as independent director of NWTN Inc., a company listed on NASDAQ (Stock code: NWTN).

Dr. Tian Yuan resigned as non-executive Director of the Company on May 20, 2022 due to his other business commitments which require more of his time and dedication. Following the resignation of Dr. Tian as a non-executive Director, he would cease to be a member of the remuneration committee of the Company.

Mr. Liu Qian resigned as the non-executive Director on May 20, 2022 due to his other business commitments which require more of his time and dedication.

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

As at December 31, 2022, the interests and short positions of the Directors or chief executives of our Company in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules were as follows:

Name of Director or chief executive	Nature of Interest(1)	Number of Ordinary Shares	Approximate percentage of shareholding interest
Dr. Yang	Interest of controlled corporation(4) Interests held jointly with other persons(2) Interest of spouse(3) Settlor of discretionary trust(4)	64,465,559	24.30%
Dr. Wang	Interest of controlled corporation(4) Interests held jointly with other persons(2) Settlor of discretionary trust(4)	64,465,559	24.30%
Dr. Zhai	Interest of controlled corporation(5) Interest held jointly with other persons(2) Interest of spouse(3) Settlor of a discretionary trust(5) Beneficial owner(15)	64,465,559	24.30%
Dr. Tian Yuan (resigned on May 20, 2022)	Interest of controlled corporation(6,7,8) Beneficial owner	16,717,162 292,714	6.30% 0.11%
Mr. Liu Qian (resigned on May 20, 2022)	Interest of controlled corporation(9) Beneficial owner	10,743,772 37,688	4.05% 0.01%
Dr. Lu Dazhong Simon	Beneficial owner(10)	41,457	0.01%
Mr. Ye Changqing	Beneficial owner(11)	8,964	0.003%
Dr. Yin Zheng	Beneficial owner(12)	8,964	0.003%
Mr. Ren Wei	Beneficial owner(13)	8,964	0.003%
Dr. David Sidransky	Beneficial owner(14)	10,641	0.004%

Notes:

1. All interests stated are long position.

2. Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV are parties to the Concert Party Confirmation Deed, according to which they have been actively cooperating, communicating and acting in concert with each other with respect to their interests in or the business of the relevant members of our Group since December 5, 2016 and will continue to act in concert after Listing. Accordingly, each of Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV is deemed to be interested in an aggregate of 24.30% shareholding interest in our Company.

3. Dr. Yang and Dr. Zhai are spouse and are therefore deemed to be interested in the Shares held by each other under the SFO.

4. The Founders SPV is beneficially owned by (i) Dr. Yang (0.84%), (ii) Dr. Wang (13.39%), (iii) Dr. Guo (4.20%), (iv) the Yang Family Trust (44.69%), (v) the Wang Family Trust (13.39%) and (vi) the Guo Family Trust (23.49%). The Yang Family Trust, the Wang Family Trust and the Guo Family Trust were respectively established by Dr. Yang, Dr. Wang and Dr. Guo as settlor for the benefits of their respective family members. South Dakota Trust is the trustee of each of the Founders Family Trusts. Dr. Yang is also a director of the Founders SPV.

5. Dr. Zhai SPV is beneficially owned by (i) Dr. Zhai (3%) and (ii) the Zhai Family Trust (97%). The Zhai Family Trust was established by Dr. Zhai as settlor for the benefits of her family members. South Dakota Trust is the trustee of the Zhai Family Trust. Dr. Zhai is also a director of Dr. Zhai SPV.

6. Yuanming Prudence SPC is a segregated portfolio company managed by Yuanming Capital Management Limited. Yuanming Capital Management Limited is owned by Yuanming Capital Group Limited as to 50%. Dr. Tian Yuan, our non-executive Director (resigned on May 20, 2022), owned 100% shareholding interest in Yuanming Capital Group Limited. Dr. Tian is therefore deemed to be interested in 10,743,772 Shares held by Yuanming Prudence SPC.

7. YM Investment Ltd ("**YM Investment**") is indirectly wholly owned by Zhuhai Hengqin Yuanming Private Equity (Limited Partnership) (珠海橫琴元明股權投資基金(有限合夥)) whose general partner is Zhuhai Hengqin Yuanming Asset Management Co., Ltd. (珠海橫琴元明資產管理有限公司), of which Dr. Tian Yuan, our non-executive Director (resigned on May 20, 2022), is the general manager and also a shareholder holding 50% shareholding interest. Dr. Tian is therefore deemed to be interested in 4,701,600 Shares held by YM Investment.

8. QHYM Investment Ltd ("**QHYM**") is indirectly wholly owned by Shenzhen Qianhai Yuanming Healthcare Fund (Limited Partnership) (深圳前海元明醫療產業投資基金(有限合夥)) whose general partner is Shenzhen Qianhai Yuanming Asset Management Co., Ltd. (深圳前海元明資產管理有限公司), of which Dr. Tian Yuan, our non-executive Director (resigned on May 20, 2022), is the executive director and also a shareholder holding 90% shareholding interest. Dr. Tian is therefore deemed to be interested in 1,271,790 shares of the Company held by QHYM.

9. Yuanming Prudence SPC is a segregated portfolio company managed by Yuanming Capital Management Limited. Yuanming Capital Management Limited is owned by Fangyuan Financial Holdings Group as to 50%. Fangyuan Financial Holdings Group was owned as to 80% by Prudence Financial Holdings Group Limited which is in turn owned as to 75% by Mr. Liu Qian, our non-executive Director (resigned on May 20, 2022). Mr. Liu is therefore deemed to be interested in 10,743,772 Shares held by Yuanming Prudence SPC.

10. Interests in share options granted pursuant to the Pre-IPO Share Option Scheme.

11. Mr. Ye Changqing is interested in RSUs granted to him under the 2021 RSU Scheme entitling him to receive 8,964 shares.

12. Dr. Yin Zheng is interested in RSUs granted to him under the 2021 RSU Scheme entitling him to receive 8,964 shares.

13. Mr. Ren Wei is interested in RSUs granted to him under the 2021 RSU Scheme entitling him to receive 8,964 shares.

14. Dr. David Sidransky is interested in RSUs granted to him under the 2021 RSU Scheme entitling him to receive 10,641 shares.

15. Dr. Zhai is interested in RSUs granted to her under the 2022 RSU Scheme entitling her to receive 100,000 shares.

16. All interests are calculated based on the total Shares in issue as at December 31, 2022, being 265,185,950 Shares.

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 interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

As at December 31, 2022, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Substantial Shareholder	Nature of Interest	Number of Ordinary Shares	Approximate percentage of shareholding interest
Li Ju-Yun	Interest of spouse[2]	64,465,559 (L)	24.30%
Dr. Guo	Interest of controlled corporation Interest held jointly with other persons[3,5] Settlor of discretionary trust	64,465,559 (L)	24.30%
Gao Sharon Xia	Interest of spouse[4]	64,465,559 (L)	24.30%
Founders SPV	Beneficial owner Interest held jointly with other persons[3]	64,465,559 (L)	24.30%
Dr. Zhai SPV	Beneficial owner Interest held jointly with other persons[3]	64,465,559 (L)	24.30%
South Dakota Trust	Trustee[5,6]	54,652,465 (L)	20.60%

Notes:

1. (L) – Long position; (S) – Short position.

2. Ms. Li Ju-Yun is Dr. Wang's spouse, and is therefore deemed to be interested in the Shares held by Dr. Wang.

3. Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV are parties to the Concert Party Confirmation Deed, according to which they have been and will be actively cooperating, communicating and acting in concert with each other with respect to their interests in or the business of the relevant members of our Group since December 5, 2016 and will continue to act in concert after Listing. Accordingly, each of Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV is deemed to be interested in an aggregate of 24.30% shareholding interest in our Company.

4. Ms. Gao Sharon Xia is Dr. Guo's spouse, and is therefore deemed to be interested in the Shares held by Dr. Guo.

5. The Founders SPV is beneficially owned by (i) Dr. Yang (0.84%), (ii) Dr. Wang (13.39%), (iii) Dr. Guo (4.20%), (iv) the Yang Family Trust (44.69%), (v) the Wang Family Trust (13.39%) and (vi) the Guo Family Trust (23.49%). The Yang Family Trust, the Wang Family Trust and the Guo Family Trust were respectively established by Dr. Yang, Dr. Wang and Dr. Guo as settlor for the benefits of their respective family members. South Dakota Trust is the trustee of each of the Founders Family Trusts. Dr. Yang is also a director of the Founders SPV.

6. Dr. Zhai SPV is beneficially owned by (i) Dr. Zhai (3%) and (ii) the Zhai Family Trust (97%). The Zhai Family Trust was established by Dr. Zhai as settlor for the benefits of her family members. South Dakota Trust is the trustee of the Zhai Family Trust. Dr. Zhai is also a director of Dr. Zhai SPV.

7. All interests are calculated based on the total Shares in issue as at December 31, 2022, being 265,185,950 Shares.

EQUITY PLANS

1. Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to reward the eligible participants who have contributed or will contribute to the Group and to encourage them to continue to work for the Group towards enhancing the value of the Shares which will benefit the Group and the Shareholders as a whole.

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

Eligible Participants

Those eligible to participate in the Pre-IPO Share Option Scheme include any substantial shareholder, existing or incoming employees of the Group which include the directors (including executive directors, non-executive directors and independent non-executive directors) and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, where required under the Listing Rules, the independent non-executive directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group.

Maximum Number of Shares Available for Issue under the Pre-IPO Share Option Scheme

The overall limit on the number of underlying shares which may be delivered pursuant to share options granted under the Pre-IPO Share Option Scheme is 12,307,533 Shares, representing 4.64% of the issued capital of the Company, with a par value of US$0.0001 each as at December 31, 2022 and 4.27% of the issued capital of the Company as at the date of this annual report. As the overall limit of the Pre-IPO Share Option Scheme has been fully utilized, no further options are available for grant during the Reporting Period.

Consideration

Consideration of HK$1.00 is required to be paid by the grantees for the grant of awards under the Pre-IPO Share Option Scheme.

Determination of Exercise Price

The exercise price of all the share options granted under the Pre-IPO Share Option Scheme is HK$0.01 as determined by the Board at the time of the grant.

Life of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was approved and adopted pursuant to the resolutions of the shareholders passed on July 13, 2018 and may be terminated by the Board or the Company by ordinary resolution in general meeting. No further option will be granted or offered after the Listing Date. In the event of termination, the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted during the life of the Pre-IPO Share Option Scheme and which remain unexpired immediately prior to the termination of the Pre-IPO Share Option Scheme.

Outstanding Share Options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as at December 31, 2022. All the options under the Pre-IPO Share Option Scheme were granted on or before the Listing Date and no further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date. For further details on the movement of the options during the Reporting Period, please see Note 36 to the consolidated financial statements and the below summary:

Relevant Grantee	Number of underlying Shares to be issued upon exercise of the option in full	Date of Grant	Outstanding as at January 1, 2022	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at December 31, 2022
Directors of the Company						
Tian Yuan (resigned on May 20, 2022)	292,714	August 15, 2018	292,714	–	–	292,714
Zhao Qun (resigned on March 31, 2021)	292,714	August 15, 2018	292,714	–	–	292,714
Lu Dazhong Simon	41,457	August 15, 2018	41,457	–	–	41,457
Liu Qian (resigned on May 20, 2022)	37,688	August 15, 2018	37,688	–	–	37,688
45 administrative and other staff	1,376,454	Between August 15, 2018	598,037	247,382	2,109	348,546
316 research and development staff	10,263,455	to September 16, 2019	5,436,270	1,966,022	308,657	3,161,591
Total			**6,698,880**	**2,213,404**	**310,766**	**4,174,710**

Notes:

1. The vesting dates of the options and the period during which the options can be exercised are set forth in the relevant grant letters in accordance with the Pre-IPO Share Option Scheme and disclosed in the Prospectus.

2. All the options are exercisable upon vesting at an exercise price of HK$0.01 per Share. The weighted average closing price of the Shares immediately before the dates on which the options were exercised by the employees of the Group is HK$16.25.

2. Post-IPO Share Option Scheme

The purpose of the Post-IPO Share Option Scheme is to enable the Company to grant options to eligible participants incentives or rewards for their contribution or potential contribution to the Group and to provide the eligible participants an opportunity to have a personal stake in the Company with the view to motivate the eligible participants to optimize their performance efficiency for the benefit of the Group; attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group; and/or for such purposes as the Board may approve from time to time.

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

Eligible Participants

The Board may, at its absolute discretion, offer to grant options to the following persons:

(i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group;

(ii) a director or proposed director (including an independent non-executive director) of any member of the Group;

(iii) any substantial shareholder of any member of the Group;

(iv) a supplier of goods or services to any member of the Group;

(v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;

(vi) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and

(vii) an associate of any of the persons referred to in paragraphs (i) to (iii) above.

Maximum Number of Shares Available for Issue under the Post-IPO Share Option Scheme

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes of our Group is 20,707,462, being no more than 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**").

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

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Shares in issue from time to time. No options may be granted under the Post-IPO Share Option Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

As at December 31, 2022, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 20,707,462 Shares, representing 7.80% of the issued share capital of the Company as at December 31, 2022 and 7.19% of the issued capital of the Company as at the date of this annual report.

Maximum entitlement of Each Participant

Unless approved by the Shareholders in a general meeting, the maximum number of Shares underlying the options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue for the time being.

Life of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered 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 subsisting options granted prior to the expiry of the 10-years period 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 six years.

Exercise Price

Pursuant to the Post-IPO Share Option Scheme, the participants may subscribe for the Shares on the exercise of an option at the price determined by the Board provided that it shall be at least the highest of (a) the nominal value of a Share; (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the date of grant.

Consideration

Consideration of HK$1.00 is required to be paid by the grantees for the grant of awards under the Post-IPO Share Option Scheme and such payment must be made within 28 days from the date the share option grant offer is made to the grantee.

Minimum holding period, versing and performance target

Subject to the provisions of the Listing Rules, our Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Post-IPO Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of all or any of our Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Post-IPO Share Option Scheme.

Subscription price

The subscription price of a Share in respect of any particular Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of (i) the nominal value of a Share; (ii) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (iii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the date of grant.

3. 2018 RSU Scheme

The purpose of the 2018 RSU Scheme is to incentivize the existing and incoming Directors, senior management and employees for their contribution to the Group, 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.

Eligible Participants

Persons eligible to receive RSUs under the 2018 RSU Scheme are existing or incoming employees, directors (whether executive or non-executive) or officers of our Company or any member of our Group. Our Board selects the eligible persons to receive RSUs under the 2018 RSU Scheme at its discretion.

Maximum Number of Shares pursuant to RSUs

The maximum number of RSUs that may be granted under the 2018 RSU Scheme in aggregate shall be 5,274,657 ordinary shares representing 1.99% of the issued shares of the Company as at December 31, 2022 and 1.83% of the issued capital of the Company as at the date of this annual report. The number of RSUs available for grant under the overall limit of the 2018 RSU Scheme is 2,998,901 Shares as at the beginning of the Reporting Period and 3,280,945 Shares as at the end of the Reporting Period.

The vesting period of RSUs granted under the 2018 RSU Scheme

The Board may determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the grant letter. The vesting period of the RSUs granted under the 2018 RSU Scheme ranges from 3 months to 39 months.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Board shall send the vesting notice to each of the relevant Eligible Participants.

Life of the 2018 RSU Scheme

The 2018 RSU Scheme will be valid and effective for a period of ten years, commencing on July 6, 2018. The remaining life of the 2018 RSU Scheme is approximately 5 years.

Voting Rights

The trustee of the 2018 RSU Scheme shall follow the instruction of the Board in respect of the exercise of voting rights in relation to the Shares underlying the RSUs of the 2018 RSU Scheme until the Shares underlying the RSUs of the 2018 RSU Scheme have been transferred outside of the trust to the personal accounts of the relevant participant(s). As at the date of this annual report, the Company has not instructed the trustee of the 2018 RSU Scheme to exercise the voting rights of the Shares underlying the RSUs of the 2018 RSU Scheme since the adoption of the 2018 RSU Scheme, nor will it instruct the trustee of the 2018 RSU Scheme to do so over the course of the remainder of the life of the 2018 RSU Scheme.

Grant of RSUs under the 2018 RSU Scheme

As at December 31, 2022, the Company has granted an aggregate of 2,590,592 RSUs under the 2018 RSU Scheme, representing 2,590,592 Shares to 50 selected persons, who are employees of the Group, with the relevant grant date being September 14, 2020. Please refer to the relevant announcements of the Company dated September 16, 2020 and March 19, 2021 for further details.

Further details of the 2018 RSU Scheme are set out in the Prospectus and Note 36 to the consolidated financial statements.

Set out below are details of the movements of the outstanding RSUs granted under the 2018 RSU Scheme as at December 31, 2022:

	Outstanding as at January 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at December 31, 2022
8 administrative and other staff	332,408	–	53,232	225,947	53,229
42 research and development staff	752,974	–	348,443	56,097	348,434

The weighted average closing price of the Shares immediately before the dates on which the RSUs granted under the 2018 RSU Scheme were exercised is HK$23.6. The RSUs granted under the 2018 RSU Scheme which were cancelled during the Reporting Period have no exercise price.

The vesting period of RSUs granted under the 2018 RSU Scheme

The Board can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the grant letter. The vesting period of the RSUs granted under the 2018 RSU Scheme ranges from 3 months to 39 months.

4. 2021 RSU Scheme

The purpose of the 2021 RSU Scheme is to incentivize the existing and incoming Directors, senior management and employees 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.

Eligible Participants

Persons eligible to receive RSUs under the 2021 RSU Scheme are existing or incoming employees, directors (whether executive or non-executive) or officers of our Company or any member of our Group. Our Board selects any eligible persons to receive RSUs under the 2021 RSU Scheme at its discretion.

Maximum Number of Shares pursuant to RSUs

The maximum number of RSUs that may be granted under the 2021 RSU Scheme in aggregate shall be 3,133,526 ordinary shares, representing 1.18% of the issued shares of the Company as at December 31, 2022 and 1.08% of the issued capital of the Company as at the date of this annual report. The number of RSUs available for grant under the overall limit of the 2021 RSU Scheme is 2,696,930 Shares as at the beginning of the Reporting Period and 2,753,641 Shares as at the end of the Reporting Period. The maximum number of shares of the Company which may be issued upon exercise of all outstanding RSUs granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company shall not exceed 30% of the total number of shares of the Company in issue from time to time.

Maximum entitlement of each Eligible Participant

The maximum number of shares issued and to be issued upon the exercise of RSUs granted to each Eligible Participants (including both exercised and outstanding RSUs) in any 12-month period shall not exceed 1% of the issued share capital of the Company. Any further grant of RSUs in excess of this limit is subject to shareholders' approval in general meeting of the Company.

The vesting period of RSUs granted under the 2021 RSU Scheme

The Board may determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the grant letter. The vesting period of the RSUs granted under the 2021 RSU Scheme ranges from 22 days to approximately 49 months.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Board shall send the vesting notice to each of the relevant Eligible Participants.

Life of the 2021 RSU Scheme

The 2021 RSU Scheme will be valid and effective for a period of ten years, commencing on February 2, 2021. As at December 31, 2022, the remaining life of the RSU Scheme was approximately eight years.

Voting Rights

Pursuant to trust deed for the 2021 RSU Scheme entered into between the Company and the Trustee, the Trustee shall not exercise the voting rights attached to the Shares held on trust by it.

Grant of RSUs under the 2021 RSU Scheme

On May 17, 2021, the Company granted 374,692 RSUs under the 2021 RSU Scheme, representing 374,692 Shares to 32 selected persons, who are the employees of the Group. On September 20, 2021, the independent shareholders of the Company at the extraordinary general meeting considered and approved the grant of an aggregate of 10,641 RSUs, 8,964 RSUs, 8,964 RSUs, 8,964 RSUs and 55,157 RSUs under the 2021 RSU Scheme, to certain selected persons who are connected persons of the Company under Chapter 14A of the Listing Rules, being Dr. David Sidransky (an independent non-executive Director), Mr. Ye Changqing (an independent non-executive Director), Dr. Yin Zheng (an independent non-executive Director), Mr. Ren Wei (an independent non-executive Director) and Mr. Zhu Gang (the chief commercial officer of the Company) respectively.

The grant of RSUs to Dr. Sidransky is part of the remuneration package under his letter of appointment with the Company which has been determined with reference to, among other things, (a) his duties and responsibilities within the Company; (b) the prevailing market conditions; and (c) the continuous expansion of the business scale and continuously heightening requirements on corporate governance of the Company over recent years.

In light of the continuous expansion of the business scale and continuously rising requirements on regulated corporate governance of the Company over recent years and in order to attract and retain independent non-executive Directors to serve the Company, the grant of RSUs to each of Mr. Ye, Dr. Yin and Mr. Ren is part of the adjustment to their remuneration package under their letters of appointment with the Company which has been determined with reference to, among other things, (a) their duties and responsibilities within the Company; (b) the prevailing market condition; (c) their individual performance and contributions; and (d) the overall performance of the Company.

The grant of RSUs to Mr. Zhu aims to provide sufficient incentives to attract, retain and motivate Mr. Zhu to participate in the continuing operation and long-term development of the Company and to recognise Mr. Zhu's contributions to the growth of the Company.

The grant of RSUs to each of them was approved at the extraordinary general meeting of the Company which was held on September 20, 2021. Please refer to the announcements of the Company dated May 21, 2021, May 26, 2021, June 18, 2021, June 25, 2021, July 14, 2021, July 23, 2021 and September 20, 2021, as well as the circular of the Company dated August 31, 2021, for further details.

There is no exercise price payable on the RSUs. Set out below are details of the movements of the outstanding RSUs granted under the 2021 RSU Scheme as at December 31, 2022:

	Outstanding as at January 1, 2022	**Granted during the Reporting Period**	**Exercised during the Reporting Period**	**Cancelled/ Lapsed during the Reporting Period**	**Outstanding as at December 31, 2022**
Dr. Sidransky	10,641	–	–	–	10,641
Mr. Ye	8,964	–	2,241	–	6,723
Dr. Yin	8,964	–	2,241	–	6,723
Mr. Ren	8,964	–	2,241	–	6,723
9 administrative and other staff	110,590	–	37,027	16,886	56,677
24 research and development staff	219,024	–	46,942	39,825	132,257

The weighted average closing price of the Shares immediately before the dates on which the RSUs granted under the 2021 RSU Scheme were exercised is HK$17.60. The RSUs granted under the 2021 RSU Scheme which were cancelled during the Reporting Period have no exercise price.

5. 2022 RSU Scheme

The purpose of the 2022 RSU Scheme is to incentivize the existing and incoming Directors, senior management and employees 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.

Eligible Participants

Persons eligible to receive RSUs under the 2022 RSU Scheme are existing or incoming employees, directors (whether executive or non-executive) or officers of our Company or any member of our Group. Our Board selects any eligible persons to receive RSUs under the 2022 RSU Scheme at its discretion.

Maximum Number of Shares pursuant to RSUs

The maximum number of RSUs that may be granted under the 2022 RSU Scheme in aggregate (excluding RSUs that have lapsed or been canceled in accordance with the rules of the 2022 RSU Scheme) shall be 5,272,695 ordinary shares, representing 1.99% of the issued shares of the Company as at December 31, 2022 and 1.83% of the issued capital of the Company as at the date of this annual report. The number of RSUs available for grant under the overall limit of the 2022 RSU Scheme is 5,272,695 Shares as at the end of the Reporting Period. The maximum number of shares of the Company which may be issued upon exercise of all outstanding RSUs granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company shall not exceed 30% of the total number of shares of the Company in issue from time to time.

Maximum entitlement of each Eligible Participant

The maximum number of shares issued and to be issued upon the exercise of RSUs granted to each Eligible Participants (including both exercised and outstanding RSUs) in any 12-month period shall not exceed 1% of the issued share capital of the Company. Any further grant of RSUs in excess of this limit is subject to shareholders' approval in general meeting of the Company.

The vesting period of RSUs granted under the 2022 RSU Scheme

The Board may determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the grant letter. The vesting period of the RSUs granted under the 2022 RSU Scheme during the Reporting Period ranges from approximately 10 months to approximately 48 months.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Board shall send the vesting notice to each of the relevant Eligible Participants.

Life of the 2022 RSU Scheme

The 2022 RSU Scheme will be valid and effective for a period of ten years, commencing on June 23, 2022. As at December 31, 2022, the remaining life of the RSU Scheme was approximately nine years.

Voting Rights

Pursuant to trust deed for the 2022 RSU Scheme entered into between the Company and the Trustee, the Trustee shall not exercise the voting rights attached to the Shares held on trust by it.

Grant of RSUs under the 2022 RSU Scheme

On June 23, 2022, the Company granted 1,634,426 RSUs under the 2022 RSU Scheme (the "**2022 Awards**"), representing 1,634,426 Shares to 80 Selected Persons, who are employees of the Group, among which 100,000 RSUs, representing 100,000 Shares, were granted to Dr. Zhai, who is the chief medical officer and a substantial shareholder of the Company. Dr. Zhai, being a substantial shareholder of the Company and the spouse of Dr. Yang (an executive Director and the chief executive officer of the Company), is a connected person of the Company under Chapter 14A of the Listing Rules. Based on the closing price of HK$20.15 as quoted of the Stock Exchange on June 23, 2022 (being the date of the abovementioned grant of RSUs to Dr. Zhai), the aggregate market value of the underlying Shares in relation to the RSUs granted to Dr. Zhai amounts to HK$2,015,000. Given that all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) calculated with reference to the abovementioned aggregate market value are less than 0.1%, the abovementioned grant of RSUs to Dr. Zhai constitutes a de minimis transaction pursuant to Rule 14A.76(1) of the Listing Rules and is fully exempt from the independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. Further, the Company will not instruct the Trustee to purchase existing Shares off-market to satisfy the 2022 Awards (as defined below) granted to the Selected Persons. The closing price of the Shares on June 22, 2022, being the date immediately before the grant date, is HK$19.48.

Further details of the 2022 RSU Scheme are set out in the announcements of the Company dated June 23, 2022 and July 14, 2022, October 21, 2022, October 25, 2022, October 26, 2022, October 27, 2022, October 28, 2022 and October 31, 2022.

There is no exercise price payable on the RSUs. Set out below are details of the movements of the outstanding RSUs granted under the 2022 RSU Scheme as at December 31, 2022:

	Granted during the Reporting Period	**Exercised during the Reporting Period**	**Cancelled/ Lapsed during the Reporting Period**	**Outstanding as at December 31, 2022**
Dr. Zhai	100,000	–	–	100,000
6 administrative and other staff	588,797	–	424,191	164,606
73 research and development staff	945,629	14,530	74,832	856,267

The weighted average closing price of the Shares immediately before the dates on which the RSUs granted under the 2022 RSU Scheme were exercised is HK$17.60. The RSUs granted under the 2022 RSU Scheme which were cancelled during the Reporting Period have no exercise price.

The number of Shares that may be issued in respect of options and RSUs granted under all of the abovementioned share incentive schemes of the Company during the Reporting Period divided by the weighted average total issued share capital of the Company for the Reporting Period is approximately 0.06.

CONNECTED TRANSACTIONS

The grant of RSUs to Dr. Zhai under the 2022 RSU Scheme constitutes a de minimis connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. For further details, please refer to the section headed "Equity Plans – 5. 2022 RSU Scheme – Grant of RSUs under the 2022 RSU Scheme" in this annual report.

Save as disclosed above, the Group has not conducted any connected transaction or non-exempt continuing connected transaction for the year ended December 31, 2022. Details of related party transactions of the Group for the year ended December 31, 2022 are set out in Note 41 to the consolidated financial statements. The related party transactions disclosed in Note 41 were not regarded as connected transactions and were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2022.

The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2022.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

With the Shares of the Company listed on the Stock Exchange on October 28, 2019, the net proceeds from the Global Offering (including shares issued as a result of the full exercise of the over-allotment option) were approximately HK$369.8 million. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus and as at December 31, 2022, the Company has fully utilized the net proceeds in accordance with such intended purpose. The planned applications of the net proceeds are set out as follows:

- approximately 42% of the net proceeds (approximately HK$155.2 million) allocated to the research and development to bring our Core Product, HQP1351, to commercialization as follows:

    - **clinical trials:** approximately 18% of the net proceeds (approximately HK$66.5 million) will be allocated to the ongoing phase II clinical trial for CML in China, approximately 5% of the net proceeds (approximately HK$18.5 million) allocated to a planned phase Ib/II clinical trial in the United States, and approximately 1% of the net proceed (approximately HK$3.7 million) allocated to the ongoing phase I clinical trial for GIST in China;

    - **manufacturing:** approximately 13% of the net proceeds (approximately HK$48.0 million) will be allocated to construction of our GMP-compliant production line in Suzhou in preparation for the commercialization of our Core Product, HQP1351;

    - **commercialization:** approximately 5% of the net proceeds (approximately HK$18.5 million) allocated to the preparation for commercialization of our Core Product, HQP1351. We plan to hire senior personnel with experience of commercialization, including sales and marketing and regulatory compliance;

- approximately 13% of the net proceeds (approximately HK$48.1 million) for ongoing and planned clinical trials of APG-1252, with approximately 2% of the net proceeds (approximately HK$7.4 million) allocated to the ongoing phase I clinical trial in China, approximately 2% of the net proceeds (approximately HK$7.4 million) allocated to the ongoing phase I clinical trial in the United States, approximately 1% of the net proceeds (approximately HK$3.7 million) allocated to the ongoing phase I clinical trial in Australia, and approximately 8% of the net proceeds (approximately HK$29.6 million) allocated to planned phase II clinical trials in the United States, China and Australia;

- approximately 19% of the net proceeds (approximately HK$70.3 million) for ongoing and planned clinical trials of APG-2575, with approximately 13% of the net proceeds (approximately HK$48.1 million) allocated to the ongoing phase I clinical in the United States, approximately 5% of the net proceeds (approximately HK$18.5 million) allocated to the planned phase I clinical trial in China, and approximately 1% of the net proceeds (approximately HK$3.7 million) allocated to the ongoing phase I clinical trial in Australia; and

- approximately 19% of the net proceeds (approximately HK$70.3 million) for ongoing and planned clinical trials of APG-115, with approximately 1% of the net proceeds (approximately HK$3.7 million) allocated to the ongoing phase I clinical trial in China, and approximately 18% of the net proceed (approximately HK$66.6 million) allocated to the ongoing phase Ib/II clinical trial in the United States;

- approximately 6% of the net proceeds (approximately HK$22.2 million) allocated to ongoing and planned clinical trials for the rest of our clinical programs, APG-1387 and APG-2449, including approximately 3% of the net proceeds (approximately HK$11.1 million) allocated to the ongoing phase I clinical trials for APG-1387 in the United States and China, and approximately 3% of the net proceeds (approximately HK$11.1 million) allocated to the ongoing phase I clinical trial for APG-2449 in China; and

- approximately 1% of the net proceeds (approximately HK$3.7 million) allocated to our working capital and general corporate purposes.

The net proceeds from the Global Offering have been fully utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to the date of this annual report:

Use of proceeds		**Planned allocation of Net Proceeds** (HKD million)	**Planned allocation of Net Proceeds** (RMB million)	**Utilized amount (as at the date of this annual report)** (RMB million)
Research and development to bring our Core Product, HQP1351, to commercialization	42%	155.2	138.2	138.2
Ongoing and planned clinical trials of APG-1252	13%	48.1	42.8	42.8
Ongoing and planned clinical trials of APG-2575	19%	70.3	62.5	62.5
Ongoing and planned clinical trials of APG-115	19%	70.3	62.5	62.5
Ongoing and planned clinical trials for the rest of our clinical programs, APG-1387 and APG-2449	6%	22.2	19.7	19.7
Working capital and general corporate purposes	1%	3.7	3.3	3.3
Total	100.0%	369.8	329.1	329.1

Notes:

(1) The sum of the data may not add up to the total due to rounding.

(2) Net proceeds from the Global Offering were received in Hong Kong dollars and translated to RMB for application planning. The plan was adjusted slightly due to the fluctuation of the exchange rate since the Global Offering.

USE OF NET PROCEEDS FROM THE 2020 PLACING

On July 15, 2020, a total of 15,000,000 placing shares (with an aggregate nominal value of US$1,500) have been successfully placed to not less than six placees (being professional, institutional, or other investors) who and whose ultimate beneficial owners are third parties independent of the Company and its connected person at the placing price of HK$46.80 per placing share (with the net price being approximately HK$45.96 per placing share) under the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on June 19, 2020. The aggregate nominal value of the placing shares is US$1,500. The closing price of the Shares on July 8, 2020, being the date on which the terms of the 2020 Placing was fixed, was HK$46.80.

The Directors consider that the 2020 Placing represents an opportunity to raise capital for the Company while broadening its Shareholder base. The Directors are of the view that the 2020 Placing would strengthen the financial position of the Group and provide working capital to the Group.

There was no change in the intended use of the net proceeds as previously disclosed in the relevant announcement of the Company dated July 8, 2020 and as at December 31, 2022 the Company has fully utilized the net proceeds in accordance with such intended purpose.

The table below sets out the planned applications of the net proceeds from the 2020 Placing and the actual usage up to December 31, 2022:

Use of proceeds		**Planned allocation of net proceeds** (HK$ million)	**Planned allocation of net proceeds** (RMB million)	**Utilized amount (as at December 31, 2022)** (RMB million)
Clinical development for other pipeline products, such as APG-2575, APG-115, APG-1387 and APG-1252	60%	413.5	345.0	345.0
Registration, trial production and marketing of the Core Product, HQP1351	20%	138.0	115.0	115.0
Ongoing and planned clinical trials of APG-2575	20%	138.0	115.0	115.0
Total	100.0%	689.5	575.0	575.0

Notes:

(1) The sum of the data may not add up to the total due to rounding.

(2) Net proceeds from the 2020 Placing were received in Hong Kong dollars and translated to RMB for application planning. The plan was adjusted slightly due to the fluctuation of the exchange rate since the 2020 Placing.

Use of Net Proceeds From the 2021 Placing

On February 3, 2021, the Company entered into the placing and subscription agreement with Ascentage Limited (the "**Vendor**") and J.P. Morgan Securities (Asia Pacific) Limited and China International Capital Corporation Hong Kong Securities Limited (the "**2021 Placing Agents**"), pursuant to which (i) the Vendor agreed to appoint the 2021 Placing Agents, and the 2021 Placing Agents agreed to act as agents of the Vendor to procure not less than six places (being professional, institutional, and/or other investors) (the "**2021 Placees**"), on a best effort basis, to purchase up to 26,500,000 shares of the Company (the "**Placing Shares**") at the price of HK$44.2 per 2021 Placing Share (the "**2021 Placing**"); and (ii) the Vendor agreed to subscribe for, and the Company agreed to issue to the Vendor up to 26,500,000 new shares of the Company (the "**Subscription Shares**") at the price of HK$44.2 per Subscription Share (the "**2021 Subscription**"). The closing of the 2021 Placing took place on February 8, 2021 and the closing of the 2021 Subscription took place on February 11, 2021. A total of 26,500,000 Placing Shares have been successfully placed by the 2021 Placing Agents to the 2021 Placees. A total of 26,500,000 Subscription Shares had been allotted and issued to the Vendor pursuant to the general mandate granted to the Directors at the Company's annual general meeting held on June 19, 2020. The aggregate nominal value of the Subscription Shares is US$2,650. The closing price of the Shares on February 3, 2021, being the date on which the terms of the 2021 Placing was fixed, was HK$48.80. The net proceeds (after the deduction of all applicable costs and expenses) raised from the 2021 Placing were approximately HK$1,153.64 million. On this basis, the net price per Placing Share will be approximately HK$43.53.There was no change in the intended use of the net proceeds as previously disclosed in the relevant announcement of the Company dated February 3, 2021 and the Company will gradually utilize the remaining amount of the net proceeds in accordance with such intended purposes depending on actual business needs.

The Directors considered that the 2021 Placing represents an opportunity to raise capital for the Company in order to enable the Company to continue the development of its products in its pipeline, while broadening its Shareholder base. The Directors are of the view that the 2021 Placing would further strengthen the financial position of the Group and provide additional working capital to the Group.

The table below sets out the planned applications of the net proceeds from the 2021 Placing and the actual usage up to December 31, 2022.

Use of proceeds		Planned allocation of net proceeds (HK$ million)	Planned allocation of net proceeds (RMB million)	Utilized amount (as at December 31, 2022) (RMB million)	Expected timeline for utilizing the remaining balance of net proceeds from the 2021 Placing
Clinical development of the key product candidate, APG-2575	50%	576.8	480.6	430.6	June 30, 2023
Registrational trials for full approval and the commercialization of the Core Product, HQP1351	20%	230.7	192.2	172.2	June 30, 2023
Clinical development for other pipeline products such as APG-115 (MDM2-p53 inhibitors currently in phase Ib/II clinical trial), APG-1387 (pan-IAP inhibitor currently in phase Ib/II clinical trial) and APG-1252 (Bcl-2/Bcl-xL dual inhibitor currently in phase I clinical trial)	20%	230.7	192.2	172.2	June 30, 2023
General corporate purposes	10%	115.4	96.1	91.1	June 30, 2023
Total	100%	1,153.6	961.1	866.1	

Notes:

(1) The sum of the data may not add up to the total due to rounding.

(2) The expected timeline for utilizing the remaining balance of net proceeds is based on the best estimation of the market conditions made by the Group and it is subject to the research and development progress of the Group which may be affected by COVID-19.

(3) Net proceeds from the 2021 Placing were received in Hong Kong dollars and translated to RMB for application planning. The plan was adjusted slightly due to the fluctuation of the exchange rate since the 2021 Placing.

Use of Net Proceeds from the Subscription of Shares by Innovent

Innovent has subscribed for 8,823,863 Shares at a total consideration of HK$388.25 million (being approximately US$50 million) and at the subscription price of HK$44.0 per Share. The completion of the subscription of Shares by Innovent took place on July 23, 2021. The net proceeds (after the deduction of all applicable costs and expenses) raised from the subscription of Shares by Innovent were approximately HK$388.06 million (being approximately US$49.98 million). On this basis, the net price per Share subscribed by Innovent is approximately HK$43.98. The closing price of the Shares on July 14, 2021, being the date on which the terms of the subscription of Shares by Innovent was fixed, was HK$52.95. The aggregate nominal value of the Shares subscribed by Innovent is US$882.3863. There was no change in the intended use of the net proceeds as previously disclosed in the relevant announcement of the Company dated July 14, 2021 and the Company will gradually utilize the net proceeds in accordance with such intended purposes depending on actual business needs.

The strategic equity investment in the Company by Innovent by way of subscription of Shares signifies Innovent's recognition of the Company's research and development capabilities, as well as the Company's growth potential. The equity investment is also expected to provide further financial support to the Company's global clinical development programs. In addition, in view of the strategic collaboration relationship between the Company and Innovent, the subscription of Shares allows Innovent to further share the Company's prospects, whereby strengthening the business cooperation between the two groups.

The table below sets out the planned applications of the net proceeds from the subscription of Shares by Innovent.

Use of proceeds		**Planned allocation of net proceeds** (HK$ million)	**Planned allocation of net proceeds** (RMB million)	**Utilized amount (as at December 31, 2022)** (RMB million)	**Expected timeline for utilizing the remaining balance of net proceeds from the subscription of Shares by Innovent**
Development and commercialization of the Company's Core Product, HQP1351	30%	116.42	97.10	10.00	June 30, 2023
Development of the Company's key product candidate, APG-2575	70%	271.64	226.40	23.50	June 30, 2023
Total	100%	388.06	323.50	33.50	

Notes:

(1) The sum of the data may not add up to the total due to rounding.

(2) The expected timeline for utilizing the net proceeds is based on the best estimation of the market conditions made by the Group and it is subject to the research and development progress of the Group which may be affected by COVID-19.

(3) Net proceeds from the subscription of Shares by Innovent were received in Hong Kong dollars and translated to RMB for application planning.

USE OF NET PROCEEDS FROM THE ISSUANCE OF THE 2021 WARRANTS

On July 14, 2021, the Company entered into a warrant subscription deed, pursuant to which the Company issued to Innovent 6,787,587 unlisted warrants (the "**2021 Warrants**"), conferring the rights to subscribe for an aggregate of 6,787,587 Warrant Shares at the warrant exercise price of HK$57.20 per Warrant Share (subject to adjustment). The completion of the issuance of the 2021 Warrants took place on October 11, 2021. The Warrants and the Warrant Shares upon the exercise thereof will be issued under the specific mandate which was approved by the Shareholders at the extraordinary general meeting of the Company held on September 20, 2021.

Assuming all the 6,787,587 warrants are exercised, the net proceeds (after deducting all applicable costs and expenses, including commission and levies) arising from the issuance of the 2021 Warrants are estimated to be approximately HK$388.06 million (being approximately US$49.98 million). Innovent is exempt from paying a nominal consideration for the Warrants. On this basis, the net price per Warrant Share is approximately HK$57.17. The aggregate nominal value of the Warrant Shares is US$678.7587. The closing price of the Shares on July 14, 2021, being the date on which the terms of the subscription of 2021 Warrants by Innovent was fixed, was HK$52.95.The net proceeds from the Warrant Subscription will be used for the development and commercialization of the product candidates in the Company's pipeline.

The strategic equity investment in the Company by Innovent by way of subscription of the 2021 Warrants signifies Innovent's recognition of the Company's research and development capabilities, as well as the Company's growth potential. In view of the strategic collaboration relationship between the Company and Innovent, the subscription of the 2021 Warrants allows Innovent to further share the Company's prospects, whereby strengthening the business cooperation between the two groups.

As at the date of this annual report, no 2021 Warrants have been exercised. For further details on the 2021 Warrants, please refer to the relevant announcements of the Company dated July 14, 2021 and October 12, 2021, as well as the circular of the Company dated August 31, 2021.

Effect on shareholding structure of the Company

The shareholding structure of the Company (i) as at the date of this annual report; and (ii) immediately following the full exercise of the subscription rights attaching to the 2021 Warrants (assuming there is no change in the issued share capital of the Company between the date of this annual report and the date on which such subscription rights are exercised in full) are set out below).

Shareholder	As at the date of this annual report		Immediately following the full exercise of the 2021 Warrants	
	Number of Shares held	Approximate percentage of total Shares in issue	Number of Shares held	Approximate percentage of total Shares in issue
Each of the Founders, Dr. Zhai, the Founders SPV and the Dr. Zhai SPV(1)(2)(3)	64,465,559	22.40%	64,465,559	21.89%
Innovent	8,823,863	3.07%	15,611,450	5.30%
Other Shareholders	214,477,214	74.53%	214,477,214	72.81%
Total	287,766,636	100.00%	294,554,223	100.00%

Notes:

Percentages may not add up to 100% due to rounding.

(1) Founders SPV is beneficially owned by (i) Dr. Yang as to 0.84%; (ii) Dr. Wang as to 13.39%; (iii) Dr. Guo as to 4.20%; (iv) Yang Family Trust as to 44.69%; (v) Wang Family Trust as to 13.39%; and (vi) Guo Family Trust as to 23.49%. Yang Family Trust, Wang Family Trust and Guo Family Trust are discretionary family trusts respectively established by Dr. Yang, Dr. Wang and Dr. Guo as settlor for the benefits of their respective family members.

(2) Dr. Zhai SPV is beneficially owned by (i) Dr. Zhai as to 3%; and (ii) Zhai Family Trust as to 97%. The Zhai Family Trust is a discretionary family trust established by Dr. Zhai as settlor for the benefits of her family members.

(3) Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, Founders SPV and Dr. Zhai SPV are parties to the Concert Party Confirmation Deed, according to which they have been and will be actively cooperating, communicating and acting in concert with each other with respect to their interests in or the business of the relevant members of the Group since December 5, 2016 and will continue to act in concert after Listing. Accordingly, each of them is deemed to be interested in an aggregate of approximately 22.40% shareholding interest in the Company as at the date of this annual report and an aggregate of approximately 21.89% shareholding interest in the Company immediately following the full exercise of the 2021 Warrants.

Report of the Directors

FUND RAISING

During the Reporting Period, there was no fund raising activity carried out by the Company.

PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Group have been audited by Ernst & Young, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, as at the date hereof, there were no future plans regarding material investment or capital assets. For the year ended December 31, 2022, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

On Behalf of the Board
Dr. Yang Dajun
Chairman and Chief Executive Officer

Suzhou, PRC, March 22, 2023

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximizing shareholders' interests.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and code provisions as set out in the CG Code. Save for the deviation disclosed below, in the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code during the Reporting Period.

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer, and Dr. Yang currently performs these two roles. The Board believes that such arrangement will not impair the balance of power and authority between the Board and the management of the Company, because (a) decision to be made by our Board requires approval by at least a majority of our Directors and that our Board comprises four independent non-executive Directors, which represents at least one-third of the Board composition and satisfies the Listing Rules requirement, and we believe that there is sufficient check and balance in the Board; (b) Dr. Yang and other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; (c) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company; and (d) strategic decisions and other key business, financial, and operational policies of our Group are formalized collectively after thorough discussion at both Board and senior management levels.

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

THE BOARD

RESPONSIBILITIES

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established the Board Committees, namely the **Nomination Committee**, the **Remuneration Committee** and the **Audit Committee**. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

BOARD COMPOSITION

As at the date of this annual report, the Board comprises seven Directors, including one executive Director, two non-executive Directors and four independent non-executive Directors as set out below:

EXECUTIVE DIRECTOR:

Dr. Yang Dajun *(Chairman and chief executive officer)*

NON-EXECUTIVE DIRECTORS:

Dr. Wang Shaomeng
Dr. Tian Yuan*(Note 1)*
Dr. Lu Simon Dazhong
Mr. Liu Qian*(Note 2)*

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Ye Changqing
Dr. Yin Zheng
Mr. Ren Wei
Dr. David Sidransky

Note 1: Dr. Tian ceased to be the non-executive Director of the Company with effective from May 20, 2022 due to his other business commitments which require more of his time and dedication. Following the resignation of Dr. Tian as a non-executive Director, he would cease to be a member of the remuneration committee of the Company. For further details, please refer to the relevant announcement of the Company dated May 19, 2022.

Note 2: Mr. Liu ceased to be the non-executive Director of the Company with effective from May 20, 2022 due to his other business commitments which require more of his time and dedication. For further details, please refer to the relevant announcement of the Company dated May 19, 2022.

All Directors have distinguished themselves in their field of expertise, and have exhibit high standards of personal and professional ethics and integrity. The biographies of the Directors are set out under the section headed “Directors and Senior Management” of this annual report.

During the year ended December 31, 2022, the Board at all times met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive director representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

None of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Director.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under relevant status, laws, rules and regulations.

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.

The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

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

Below is the record of participation in continuous professional development programme by the Directors in year 2022 relevant to the directors' duties and responsibilities, regulatory updates and business, financial and operational matters of the Group.

	Attending seminars/ conferences/ Forums	Giving talks at seminars/ conferences/ forums	Reading materials
Executive Director			
Dr. Yang Dajun	✓	✓	✓
Non-executive Directors			
Dr. Wang Shaomeng	✓	✓	✓
Dr. Tian Yuan (resigned with effect from May 20, 2022)	✓	✓	✓
Dr. Lu Simon Dazhong	✓	✓	✓
Mr. Liu Qian (resigned with effect from May 20, 2022)	✓	✓	✓
Independent Non-executive Directors			
Mr. Ye Changqing	✓		✓
Dr. Yin Zheng			✓
Mr. Ren Wei			✓
Dr. David Sidransky	✓	✓	✓

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The executive Directors entered into a service contract with the Company for a term of three years commencing from the Listing Date which may be terminated by either party and is subject to termination provisions therein and retirement and re-election at the AGMs in accordance with the Articles of Association or any other applicable laws from time to time whereby he shall vacate his office.

Each of the non-executive Directors and independent non-executive Directors in office during the Reporting Period has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date (except Dr. Sidransky whose term of appointment is three years commencing on May 10, 2021, being the date on which his re-election subsequent to his appointment by the Board to fill a casual vacancy is approved by the Shareholders), unless terminated by either party before expiry of the existing term and is subject to retirement by rotation in accordance with the Articles of Association.

None of the Directors has a service agreement which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the provisions of the Articles of Association, 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 be eligible for re-election; any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of Company after his appointment and be subject to re-election at such meeting; and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

The procedures and process of appointment, re-appointment and continuation (or not) in service of any Director are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-appointment and continuation (or not) in service of any Director.

BOARD MEETINGS

The Company has adopted the practice of holding board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than 14 days will be given for all regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice will generally be given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. The chairman held meetings with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

Minutes of the board meetings and committee meetings will be recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each board meeting and committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

MODEL CODE

We have also adopted our own code of conduct regarding securities transactions, namely the policy on management of securities transactions by directors (the "**Securities Transactions Code**"), which applies to all Directors on terms not less exacting than the required standard indicated by the Model Code.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code and the Securities Transactions Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code and the Securities Transactions Code by the senior management of the Group during the year under review.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Director could have resource to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTION

The Board delegated the Company's corporate governance functions to the Audit Committee to perform the following corporate governance duties:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report of the Company.

During the year ended December 31, 2022, the Board adopted and revised the terms of reference of the Remuneration Committee.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended December 31, 2022 are set out in Note 9 and Note 41(b) to the consolidated financial statements in this annual report.

The biographies of the senior management are disclosed in the section headed "Directors and Senior Management" in this annual report. Remuneration paid to the top senior management (excluding the Directors) for the year ended December 31, 2022 fell within the following bands as follows:

Remuneration Band	No. of employees
USD800,001 to USD1,000,000	1
USD600,001 to USD800,000	1
USD400,001 to USD600,000	3
USD200,000 to USD400,000	–
	5

DIRECTORS' LIABILITY INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against its Directors.

BOARD COMMITTEES

NOMINATION COMMITTEE

The Nomination Committee was established on September 28, 2019 and written terms of reference of the Nomination Committee have been adopted by the Board and are posted on the websites of the Company and the Stock Exchange.

The Nomination Committee is comprised of three members, namely Dr. Yang Dajun, Mr. Ye Changqing and Mr. Ren Wei. Dr. Yang Dajun is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include:

– reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

– making recommendation to the Board on the appointment or re-appointment of Directors and succession plans for Directors, in particular the chairman and the chief executive officer;

– identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

- assessing the independence of independent non-executive Directors;
- evaluating the balance of Directors;
- reviewing annually the time required from the non-executive Directors; and
- making recommendation to the Board concerning (a) formulating succession plans for executive Directors and non-executive Directors; (b) assessing the independence of the independent non-executive Directors; (c) memberships of the Company's audit and remuneration committees, in consultation with the chairman of those committees; (d) the re-appointment of any non-executive Director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required; and (e) the continuation (or not) in service of any Director who has reached the age of 70.

During the year ended December 31, 2022, the Nomination Committee held one meeting during which the Nomination Committee has performed the following major works:

- assessed the independence of the independent non-executive Directors of the Company;
- reviewed the time required from non-executive Directors and applied performance assessment to assess whether non-executive Directors were spending enough time in fulfilling their duties;
- made recommendations to the Board on re-election of retiring Directors at the annual general meeting held on May 19, 2022;
- reviewed the structure, size and diversity of the Board; and
- reviewed the board diversity policy of the Company.

POLICY FOR THE NOMINATION OF DIRECTORS

The Company follows a formal, considered and transparent procedure for the appointment of new Directors for the Board to achieve a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's strategic focus and specific business needs. Recognising the vitality of diversity for the Board, the Company has adopted a board diversity policy.

The Nomination Committee reviews the structure, size and composition of the Board regularly and makes recommendation to the Board to complement the corporate strategy of the Company. The appointment of a new Director is a collective decision of the Board, taking into consideration the procedures for Shareholders to propose a person for election as a Director of the Company and the Board Diversity Policy. The Board believes that changes to the Board composition shall be managed without undue disruption, and shall continue to provide a balanced composition of the executive Directors, the non-executive Directors (including independent non-executive Directors) so that there is a strong independent element in the Board, which can effectively exercise independent judgement.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company has adopted a board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board. Pursuant to the board diversity policy, the Company seeks to achieve board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural education background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Nomination Committee is delegated by the Board to be responsible for compliance with relevant codes governing board diversity under the CG Code and has reviewed the board diversity policy from time to time to ensure its continued effectiveness.

REMUNERATION COMMITTEE

The Remuneration Committee was established on September 28, 2019 and the revised written terms of reference of the Remuneration Committee have been adopted by the Board and are posted on the websites of the Company and the Stock Exchange.

The Remuneration Committee is comprised of three members, namely Dr. Yin Zheng, Dr. Yang Dajun and Mr. Ren Wei. Dr. Yin Zheng is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include:

– making recommendations to the Board on all the Company's remuneration policy and structure for the Directors and Senior Management and on the establishment of formal and transparent procedures for developing remuneration policy;

– being responsible for either (i) determining, with delegated responsibility by the Board, the remuneration packages of the individual executive Directors and Senior Management; or (ii) making recommendations to the Board on the remuneration packages of individual executive Directors and Senior Management (this should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of 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 Company;

– reviewing and approving the remuneration packages of all Directors and senior management with reference to corporate goals and objectives resolved by the Board from time to time;

– reviewing and approving compensation payable to the executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and reasonable and not excessive;

- reviewing and approving compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration;
- advising the Shareholders on how to vote with respect to any service contracts of the Directors that require the Shareholders' approval under the Listing Rules;
- reviewing the Company's policy on expense reimbursements for the Directors and senior management; and
- to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year ended December 31, 2022, the Remuneration Committee held one meeting during which the Remuneration Committee has performed the following major works:

- evaluated and reviewed the performance of executive Director and senior management for the year ended December 31, 2021 and made recommendations to the Board on (i) the discretionary bonuses for the year ended December 31, 2021, and (ii) respective remuneration packages for the year ended December 31, 2022;
- made recommendations to the Board on the remuneration packages of non-executive Directors (including independent non-executive Directors) for the year ended December 31, 2022; and
- reviewed the terms of reference for Remuneration Committee under the Board of the Company.

AUDIT COMMITTEE

The Audit Committee was established on September 28, 2019 and the revised terms of reference of the Audit Committee have been adopted by the Board and are posted on the websites of the Company and the Stock Exchange.

The Audit Committee is comprised of three members, namely Mr. Ye Changqing, Dr. Lu Simon Dazhong and Dr. Yin Zheng with Mr. Ye Changqing possessing the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. Mr. Ye Changqing is the chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's external auditor.

The primary duties of the Audit Committee include:

- making recommendations to the Board on the appointment, re-appointment and removal of the external 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 policies on engaging an external auditor to supply non-audit services;

– discussing with the external auditor the nature and scope of the audit and relevant reporting obligation;

– monitoring integrity of the Company's financial statements, annual reports and accounts, half-year reports and reviewing significant financial reporting judgements contained therein;

– reviewing the Company's financial controls, risk management and internal control systems;

– ensuring co-ordination between the internal and external auditors;

– reviewing the Company's financial and accounting policies and practices;

– reporting to the Board on the matters in the CG Code as set out in Appendix 14 to the Listing Rules;

– preforming the corporate governance functions delegated by the Board; and

– monitoring the Company's environmental, social and governance issues.

During the year ended December 31, 2022, the Audit Committee held two meetings during which the Audit Committee has performed the following major works:

– acknowledged the letter from Ernst & Young regarding its independence;

– reviewed and approved the consolidated results of the Group for the year ended December 31, 2021;

– noted Ernst & Young's report to the Audit Committee, including the draft management letter of the Directors;

– reviewed and approved the draft audited consolidated financial statements of the Group and the reports of the Directors and Independent Auditors of the Company for the year ended December 31, 2021, and recommended to the Board for approval;

– reviewed the draft audited annual results announcement of the Group for the year ended December 31, 2021, and recommended to the Board for approval;

– reviewed and approved the fees charged by Ernst & Young for the non-audit services provided to the Group during the year ended December 31, 2021;

– considered the re-appointment of Ernst & Young as Independent Auditor of the Company for the financial statements of the Group for the year ended December 31, 2022, and recommended to the Board for shareholders' approval;

– reviewed the Company's financial and accounting policies and practices;

– reviewed the Company's policies and practices related to corporate governance and make recommendations to the Board;

– reviewed the training and continuous professional development of Directors and senior management;

– reviewed the Company's policies and practices regarding compliance with legal and regulatory requirements;

– reviewed the effectiveness of the risk management and internal control systems and internal audit function;

– reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

– reviewed the unaudited interim results of the Group for the six months ended June 30, 2022 and its interim report, and recommended to the Board for approval.

Each of the Substantial Shareholders of the Company has provided with the Company a confirmation on compliance pursuant to their undertakings under the Deed of Non-Competition. The Audit Committee has reviewed the confirmations and noted that during the year ended December 31, 2022, each of the Substantial Shareholders of the Company has complied with the Deed of Non-Competition. The Audit Committee was not aware of any significant issues that would have an adverse impact on the effectiveness of the corporate governance measures.

ATTENDANCE RECORDS OF BOARD MEETINGS, BOARD COMMITTEE MEETING AND GENERAL MEETINGS

The attendance records of each Director and each member of the Board Committees of the Company at the relevant meetings held for the year ended December 31, 2022 are as follows:

	Actual Attendance/Number of Meetings a Director is entitled to attend				
	Board	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**General Meeting**
No. of meetings held during the year	4	1	1	2	1
Executive Directors					
Dr. Yang Dajun	4/4	1/1	–	–	1/1
Non-executive Directors					
Dr. Wang Shaomeng	4/4	–	–	–	1/1
Dr. Tian Yuan (resigned with effect from May 20, 2022)	1/1*	–	1/1	–	1/1
Dr. Lu Simon Dazhong	4/4	–	–	2/2	1/1
Mr. Liu Qian (resigned with effect from May 20, 2022)	1/1**	–	–	–	1/1
Independent Non-executive Directors					
Mr. Ye Changqing	4/4	1/1	–	2/2	1/1
Dr. Yin Zheng	4/4	–	1/1	2/2	1/1
Mr. Ren Wei	4/4	1/1	1/1	–	1/1
Dr. David Sidransky	4/4	–	–	–	1/1

Note: * Dr. Tian Yuan resigned on May 20, 2022. Up to the date of his resignation, one board meeting was held.

** Mr. Liu Qian resigned on May 20, 2022. Up to the date of his resignation, one board meeting was held.

Corporate Governance Report

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements for the year ended December 31, 2022 and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

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

The statement by the Independent Auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 90 and 91 of this annual report.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Company's risk management and internal control systems, for reviewing its effectiveness and to resolve material internal control defects (if any) on an ongoing basis. During the year ended December 31, 2022, the Group's internal audit team and senior management conducted reviews of the effectiveness of the risk management and internal control systems of the Group, successively on Expense Reimbursements, Procurement and Contract Management processes. The Audit Committee reviewed the findings and recommendations of the internal audit team and the senior management in their meetings and reported to the Board on such review.

There is an ongoing process to identify, evaluate and manage significant risks faced by the Group. The Group's internal audit team and senior management make a yearly plan to cover multiple functions and processes, and at each quarter end, after the Audit Committee reviews the report and gives their opinion, the Group's internal audit team and senior management will follow the progress of improvements made by the responsible party.

The risk management and internal control systems are designed to manage, rather than eliminate business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss. In addition, it should provide a basis for the maintenance of proper and fair accounting records and assist in the compliance with relevant rules and regulations.

During the year ended December 31, 2022, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programs and budget.

The Board believes that there are no material internal control deficiencies that may affect the shareholders of the Company and an effective and adequate risk management and internal control system is in place to safeguard the assets of the Group. The Audit Committee and senior management together monitor the implementation of risk management policies on an ongoing basis to ensure the policies and implementation are effective and sufficient.

DISSEMINATION OF INSIDE INFORMATION

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has internal policy and procedures which strictly prohibit unauthorized use of inside information and has communicated to all staff; the Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. In addition, only Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs.

AUDITOR'S REMUNERATION

For the year ended December 31, 2022, the total remuneration paid or payable to the Company's auditors, Ernst & Young, for annual audit and non-audit services totally RMB2.9 million.

An analysis of the remuneration paid or payable to Ernst & Young is set out below:

Description of services performed	Amount (RMB'000)
Audit and audit related services	2,510
Non-Audit services	407
Total	2,917

The Board and the Audit Committee have agreed on the re-appointment of Ernst & Young as the Independent Auditor of the Group for the year 2023 and the proposal will be submitted for approval at the 2023 AGM which is expected to be held on May 18, 2023.

COMPANY SECRETARY

The Company engages an external service provider to provide company secretarial services and Mr. Wong Cheung Ki Johnny has been appointed as the Company Secretary of the Company since July 2018. Mr. Wong has assisted on the company secretarial matters of the Company since the Listing. The primary contact person in the Company for Mr. Wong in relation to corporate secretarial matters is Ms. Stella Yang, the investor relations manager of the Company. For the year ended 31 December 2022, Mr. Wong had complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training. Since Mr. Wong is an external service provider, Dr. Yang Dajun, the Chairman and Chief Executive Officer, would be the person at the Company whom Mr. Wong can contact according to code provision C.6.1 of the code.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Directors are aware of the importance of maintaining good relations and communications with the shareholders of the Company and in appropriate circumstances, the investment community at large. The Board established a Shareholders Communication Policy setting out the principles of the Company in relation to the communication between the shareholders, the investment community and the Company, with the objective of ensuring that its communication with the shareholders and the investment community are timely provided with information about the Company.

The Company uses a range of communication tools, such as AGMs, annual reports, various notices, announcements and circulars, to ensure the shareholders of the Company are kept well informed of the Group's key business imperatives.

The Company has maintained a website at www.ascentagepharma.com which serves as a forum for corporate communications with the shareholders and the general public. All corporate communications required under the Listing Rules are displayed and archived since the Listing Date on the Company's website and there are established procedures to ensure timely update in compliance with the Listing Rules.

At the AGM, separate resolutions will be proposed by the Chairman in respect of each item on the agenda, including the re-election of the Directors. The chairman, the chairman of each of the Nomination Committee, the Remuneration Committee and the Audit Committee and members of senior management, together with representative(s) from the Independent Auditor, will attend the AGM to answer questions from the Shareholders.

The notice of the AGM will be distributed to all shareholders at least 21 days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules.

SHAREHOLDERS' RIGHTS

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS AND PUTTING FORWARD PROPOSALS

Under the Articles of Association, an extraordinary general meeting ("**EGM**") may be convened by the Board upon requisition by any one or more shareholders holding not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. The shareholder(s) shall make a written requisition to the Board or the Company Secretary at the Company's principal place of business in Hong Kong, specifying the shareholding information of the shareholder(s), his/her/its contact details and the proposal regarding any specifying transaction/ business and its supporting documents.

If within 21 days of deposit of such written requisition, the Board fails to proceed to convene such EGM, 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.

MAKING ENQUIRIES TO THE BOARD

The shareholders of the Company shall direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

In addition, the shareholders and the investors may at any time contact either the Company's Investor Relations Department or the Company Secretary to enquire about the information published by the Company.

POLICY ON PAYMENT OF DIVIDENDS

We are a holding company incorporated in the Cayman Islands. We have never declared or paid any dividends on our ordinary shares or preferred shares. We may need dividends and other distributions on equity from our PRC subsidiaries to satisfy our liquidity requirements. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of their respective registered capital. Our PRC subsidiaries may also allocate a portion of its after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends. Furthermore, if our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements we currently have in place in a manner that would materially and adversely affect our PRC subsidiaries' ability to pay dividends and other distributions to us.

We currently intend to retain all available funds and any future earnings, if any, to fund the research and development of our product candidates and we do not anticipate paying any cash dividends in the foreseeable future.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022, a few amendments were made principally to bring the Memorandum and Articles of Association in line with the latest legal and regulatory requirements, including amendments made in accordance with the core shareholder protection standards under Appendix 3 to the Listing Rules which took effect on 1 January 2022. The Articles of Association are available on the websites of the Company (www.ascentagepharma.com) and the Stock Exchange (www.hkexnews.hk).

Publication of Environmental, Social and Governance Report

Disclosures relating to the material environmental, social and governance issues identified for the Reporting Period are included in the Company's environmental, social and governance report pursuant to the requirements of Appendix 27 to the Listing Rules. The Company's environmental, social and governance report is available on the Company's website under the "Investor Relations" section or the Stock Exchange's website.

Independent Auditor's Report

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Independent auditor's report
To the shareholders of Ascentage Pharma Group International
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Ascentage Pharma Group International (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 92 to 182, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 December 31, 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 (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Risk of misstatement of research and development expenses For the year ended December 31, 2022, the Group incurred research and development ("**R&D**") expenses amounting to RMB743,104,000. The R&D expenses mainly include clinical trial expenses and service fees paid to contract research organizations ("**CROs**"). The R&D activities with these CROs are documented in the detailed agreements and are billed usually based on the milestones. Allocation of these R&D expenses to the appropriate financial reporting periods based on the progress of the R&D activities involves significant management judgements. In addition, determining the amounts to be capitalized or expensed requires management to make assumptions regarding the technical feasibility, the intention and ability to complete the intangible asset, the ability to use or sell the asset, the generation of future economic benefits and the ability to measure the costs reliably. The disclosures about accounting policies of R&D expense recognition are included in note 2.4 "Summary of significant accounting policies" and note 3 "Significant accounting judgements and estimates" to the consolidated financial statements.	We obtained an understanding of the internal control over the R&D expenses process, performed walkthroughs and test of controls, and assessed the effectiveness of the design and implementation of the relevant internal controls. We inquired management about the reasons for periodical fluctuations in R&D expenses and assessed the adequacy of those fluctuations. We, on a sampling basis, reviewed the terms in R&D related agreements and evaluated the measurement basis of the R&D expenses and relevant accruals with the reference to the progress reported by the relevant CROs and/or the audit confirmation. We, on a sampling basis, reviewed R&D expenses payments and other supporting documents in both current and subsequent periods to determine whether those expenses were recorded in the appropriate financial reporting periods. Regarding the capitalization or expense of development expenditures, we conducted interview with the key management members in charge of the R&D department, to obtain an understanding of the current R&D projects in process, and to obtain certifications related to different stages of development activities and commercial and technical feasibility reports, if any. We also focused on the adequacy of the disclosures of the R&D expenses in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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.

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

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

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

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

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

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

We communicate with 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 Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong
March 22, 2023

Consolidated Statement of Profit or Loss

Year ended December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**209,711**	27,910
Cost of sales		**(21,998)**	(3,328)
Gross profit		**187,713**	24,582
Other income and gains	5	**66,972**	168,056
Selling and distribution expenses		**(157,421)**	(47,748)
Administrative expenses		**(170,595)**	(143,513)
Research and development expenses		**(743,104)**	(766,491)
Other expenses	7	**(17,674)**	(50,404)
Finance costs	8	**(52,785)**	(16,731)
Share of losses of a joint venture	19	**(278)**	–
LOSS BEFORE TAX	6	**(887,172)**	(832,249)
Income tax credit	11	**4,248**	49,825
LOSS FOR THE YEAR		**(882,924)**	(782,424)
Attributable to:			
Owners of the parent		**(882,924)**	(782,424)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For loss for the year (RMB)	13	**(3.35)**	(3.07)

Consolidated Statement of Comprehensive Income

Year ended December 31, 2022

	2022 RMB'000	2021 RMB'000
LOSS FOR THE YEAR	**(882,924)**	(782,424)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**25,832**	(15,890)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of non-foreign operations	**35,665**	(15,388)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**61,497**	(31,278)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(821,427)**	(813,702)
Attributable to:		
Owners of the parent	**(821,427)**	(813,702)

Consolidated Statement of Financial Position

December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**602,086**	797,029
Investment properties	15	**355,425**	–
Right-of-use assets	16(a)	**46,636**	47,339
Goodwill	17	**24,694**	24,694
Other intangible assets	18	**84,304**	60,411
Investment in a joint venture	19	**15,922**	16,200
Financial assets at fair value through profit or loss ("**FVTPL**")	20	**2,609**	11,645
Deferred tax assets	21	**54,294**	51,648
Other non-current assets	22	**7,803**	45,814
Total non-current assets		**1,193,773**	1,054,780
CURRENT ASSETS			
Inventories	23	**9,448**	3,930
Trade receivables	24	**54,356**	53,968
Prepayments, other receivables and other assets	25	**80,444**	83,561
Cash and bank balances	26	**1,492,240**	1,743,821
Total current assets		**1,636,488**	1,885,280
CURRENT LIABILITIES			
Trade payables	27	**95,559**	70,861
Other payables and accruals	28	**240,034**	194,183
Contract liabilities	29	**24,354**	24,358
Interest-bearing bank and other borrowings	30	**518,383**	49,451
Derivative financial instruments	31	**2,822**	22,256
Total current liabilities		**881,152**	361,109
NET CURRENT ASSETS		**755,336**	1,524,171
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,949,109**	2,578,951

Consolidated Statement of Financial Position *(Continued)*

December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Contract liabilities	29	**183,625**	207,979
Interest-bearing bank and other borrowings	30	**1,274,344**	1,034,839
Deferred tax liabilities	21	**12,151**	13,753
Long-term payables	32	**35,331**	52,343
Deferred income	33	**35,000**	35,300
Total non-current liabilities		**1,540,451**	1,344,214
Net assets		**408,658**	1,234,737
EQUITY			
Equity attributable to owners of the parent			
Share capital	34	**180**	178
Treasury shares		**(26,552)**	(3)
Capital and reserves	35	**435,030**	1,234,562
Total equity		**408,658**	1,234,737

Dr. Yang Dajun
Director

Dr. Wang Shaomeng
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 premium RMB'000	Capital and reserves RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At January 1, 2022	178	(3)	5,342,072	(330,173)	(220,776)	(3,556,561)	1,234,737
Loss for the year	–	–	–	–	–	(882,924)	(882,924)
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	–	–	–	–	61,497	–	61,497
Total comprehensive loss for the year	–	–	–	–	61,497	(882,924)	(821,427)
Repurchase of ordinary shares	–	(26,776)	–	–	–	–	(26,776)
Equity-settled share-based payments (note 36)							
– Pre-IPO share option expenses	–	–	–	10,645	–	–	10,645
– Restricted share units ("**RSUs**") expenses	–	–	–	11,460	–	–	11,460
– Exercise of pre-IPO share options	2	–	37,484	(37,467)	–	–	19
– Exercise of restricted share units	–	227	13,473	(13,700)	–	–	–
At December 31, 2022	180	(26,552)	5,393,029*	(359,235)*	(159,279)*	(4,439,485)*	408,658

	Attributable to owners of the parent						
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital and reserves RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At January 1, 2021	154	(4)	4,130,420	(320,314)	(189,498)	(2,774,137)	846,621
Loss for the year	–	–	–	–	–	(782,424)	(782,424)
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	–	–	–	–	(31,278)	–	(31,278)
Total comprehensive loss for the year	–	–	–	–	(31,278)	(782,424)	(813,702)
Issue of ordinary shares	23	–	1,196,748	–	–	–	1,196,771
Share issue expenses	–	–	(16,071)	–	–	–	(16,071)
Repurchase of ordinary shares	(1)	–	(25,873)	–	–	–	(25,874)
Equity-settled share-based payments (note 36)							
– Pre-IPO share option expenses	–	–	–	22,207	–	–	22,207
– RSUs	–	–	–	24,764	–	–	24,764
– Exercise of pre-IPO share options	2	–	41,523	(41,504)	–	–	21
– Exercise of restricted share units	–	1	15,325	(15,326)	–	–	–
At December 31, 2021	178	(3)	5,342,072*	(330,173)*	(220,776)*	(3,556,561)*	1,234,737

* These reserve accounts comprise the consolidated capital and reserves of RMB435,030,000 (2021: RMB1,234,562,000) in the consolidated statement of financial position.

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		**(887,172)**	(832,249)
Adjustments for:			
Depreciation of property, plant and equipment	6	**38,194**	10,775
Depreciation of items of investment property	6	**1,444**	–
Depreciation of right-of-use assets	6	**13,495**	10,343
Amortization of other intangible assets	6	**9,782**	7,208
Equity-settled share-based payments	6	**22,105**	46,971
Gain on disposal of financial assets at FVTPL	6	**–**	(5,972)
(Gain)/Loss on disposal of items of property, plant and equipment	6	**(2,068)**	34
Gain on disposal of items of lease	6	**(205)**	–
Fair value loss on financial assets measured at FVTPL	6	**9,765**	26,859
Loss on long-term payables	6	**–**	17,916
Fair value gain on derivative financial instruments	6	**(19,434)**	(81,597)
Finance costs	8	**52,785**	16,731
Share of loss of joint venture	19	**278**	–
Foreign exchange loss/(gain)		**2,703**	(7,505)
		(758,328)	(790,486)
Decrease/(increase) of restricted bank balances		**20,334**	(32,514)
Increase in investments at FVTPL		**–**	(10,323)
Increase in inventories		**(5,518)**	(3,930)
Increase in trade receivables		**(388)**	(53,968)
Decrease/(increase) in prepayments, other receivables and other assets		**3,117**	(17,677)
Decrease in other non-current assets		**29,380**	25,367
Increase in trade payables		**24,698**	47,500
Increase in other payables and accruals		**57,448**	17,872
(Decrease)/increase in contract liabilities		**(24,358)**	232,290
Decrease in other current liabilities		**–**	(10,061)
Decrease in deferred income		**(300)**	(4,903)
Cash used in operations		**(653,915)**	(600,833)
Tax paid		**–**	(3,846)
Net cash flows used in operating activities		**(653,915)**	(604,679)

Consolidated Statement of Cash Flows *(Continued)*

Year ended December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of financial assets at FVTPL		**–**	(1,783,816)
Proceeds from disposal of financial assets at FVTPL		**–**	1,789,788
Purchases of items of property, plant and equipment		**(203,288)**	(435,415)
Proceeds from disposal of items of property, plant and equipment		**2,351**	335
Purchase of items of other intangible assets		**(33,675)**	(1,214)
Payment of contingent consideration from acquisition of a subsidiary		**(20,000)**	(20,000)
Investment in a joint venture		**–**	(16,200)
Investment in time deposits with original maturity of more than three months		**(130,000)**	–
Net cash flows used in investing activities		**(384,612)**	(466,522)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	1,196,771
Proceeds from issue of warrants		**–**	103,853
Payments of repurchase of shares		**(26,776)**	(25,874)
Proceeds from exercise of share options		**19**	21
Share issue expense		**–**	(16,071)
Interest paid		**(49,849)**	(16,808)
New bank loans		**763,617**	599,737
Repayment of bank loans		**(54,504)**	(51,150)
Principal portion of lease payments		**(13,239)**	(9,092)
Net cash flows from financing activities		**619,268**	1,781,387
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(419,259)**	710,186
Cash and cash equivalents at beginning of year		**1,706,886**	1,019,979
Effect of foreign exchange rate changes, net		**58,012**	(23,279)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,345,639**	1,706,886
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at end of year	26	**1,345,639**	1,706,886
Restricted bank balances	26	**16,601**	36,935
Time deposits with original maturity of more than three months		**130,000**	–
Cash and bank balances at end of year		**1,492,240**	1,743,821

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on November 17, 2017. The registered office of the Company is located at the office of Walkers Corporate Limited, with the registered address of 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. The Company became the holding company of the subsidiaries now comprising the Group upon completion of the reorganization in July 2018. The Group is principally engaged in developing novel small-scale therapies for cancers, hepatitis B virus, or HBV, and certain age-related diseases.

In the opinion of the directors, the ultimate controlling shareholders of the Company are Dr. Yang Dajun ("**Dr. Yang**"), Dr. Guo Edward Ming ("**Dr. Guo**"), Dr. Wang Shaomeng ("**Dr. Wang**"), Dr. Zhai Yifan ("**Dr. Zhai**"), Ascentage Limited, a company incorporated in the BVI with limited liability which is owned by Dr. Yang, Dr. Guo and Dr. Wang and HealthQuest Pharma Limited, a company incorporated in the BVI with limited liability and wholly owned by Dr. Zhai.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since October 28, 2019.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of business	Nominal value of issued/registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal business
Ascentage Pharma Group Corp Limited	Hong Kong May 22, 2009	Hong Kong dollar ("**HK$**") 16,666	100%	–	Investment holding and business development
Jiangsu Ascentage Pharma Co., Limited.*@ (江蘇亞盛醫藥開發有限公司) ("**Ascentage Jiangsu**")	People's Republic of China ("**PRC**")/ Mainland China June 1, 2010	United States dollars ("**US$**")12,505,770	–	100%	Medical research and development
Guangzhou Healthquest Pharma Co., Ltd.*@ (廣州順健生物醫藥科技有限公司) ("**Healthquest Pharma**")	PRC/Mainland China July 3, 2012	Renminbi ("**RMB**")150,000,000	–	100%	Clinical development
Ascentage International Limited	Hong Kong October 28, 2015	HK$100,000	100%	–	Investment holding
Ascentage Pharma Group Inc.	United States of America ("**United States**") November 4, 2015	US$1	–	100%	Clinical trial operation
Shanghai Yasheng Pharmaceutical Technology Co., Ltd.*@ (上海亞盛醫藥科技有限公司)	PRC/Mainland China December 10, 2015	RMB40,000,000	–	100%	Medical research and development

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Company name	Place and date of incorporation/ registration and place of business	Nominal value of issued/registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal business
Ascentage Pharma Pty. Ltd.	Australia March 24, 2016	Australian dollar ("**AU$**")1,000	–	100%	Clinical trial operation
Suzhou Ascentage Pharma Co., Ltd.*@ (蘇州亞盛藥業有限公司) ("**Suzhou Yasheng**")	PRC/Mainland China June 1, 2016	RMB1,500,000,000	–	100%	Medical research and development
Ascentage Investment International	Cayman Islands March 22, 2018	US$50,000	100%	–	Investment holding
Ascentage Investment Limited	Hong Kong April 20, 2018	HK$1	–	100%	Investment Holding
Suzhou Ascentage Grains Valley Venture Capital Co., Ltd.*@ (蘇州亞盛磐谷創業投資有限責任公司) ("**Ascentage Grains Valley**")	PRC/Mainland China October 27, 2020	RMB12,000,000	–	100%	Venture capital investment
Shanghai UUBiopharma Co., Ltd.*@ (上海優佑健藥業有限公司)	PRC/Mainland China December 24, 2020	RMB100,000,000	–	100%	Medical research and development
Ascentage Pharma Europe Limited	Ireland June 4, 2021	Euro100	–	100%	Clinical trial operation
Shanghai Centagen Pharma Co., Ltd.*@ (上海盛達健醫藥有限公司)	PRC/Mainland China January 27, 2022	RMB30,000,000	–	100%	Sale of pharmaceutical products
Suzhou Shenghe Innovation Works Biotech Co., Ltd.*@ (蘇州盛合創新工場生物技術有限公司)	PRC/Mainland China September 21, 2022	RMB500,000	–	100%	Rental service
Suzhou Gsun No. 8 Equity Investment Partnership (Limited Partnership)*@ (蘇州元聯捌號股權投資合夥企業(有限合夥))	PRC/Mainland China November 17, 2022	RMB401,000,000	–	99.75%	Venture capital investment

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

@ These entities are limited liability company.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting standards, International Accounting Standards ("**IASs**") and interpretations) approved by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance.

These have been prepared under the historical cost convention, except for financial assets at FVTPL and derivative financial instruments which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand 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 December 31, 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).

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 derecognizes (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 recognizes (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 recognized 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. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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 the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after January 1, 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling 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 any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after January 1, 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). 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 January 1, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies and disclosures *(Continued)*

(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 Group has applied the amendment prospectively from January 1, 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

- 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 international financial reporting standards

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the 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]
Amendments 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 January 1, 2023
2 Effective for annual periods beginning on or after January 1, 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after January 1, 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 January 1, 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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.3 Issued but not yet effective international financial reporting standards *(Continued)*

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.

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 January 1, 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., January 1, 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 January 1, 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.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.3 Issued but not yet effective international financial reporting standards *(Continued)*

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 January 1, 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.

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 January 1, 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 recognize 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 January 1, 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 recognized 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. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies

Investments in joint ventures

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 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. The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes 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 joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Business combinations and goodwill *(Continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial asset at FVTPL and derivative 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.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Fair value measurement *(Continued)*

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 recognized 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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment property 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 recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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/amortization) had no impairment loss been recognized 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. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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 in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized 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 recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Building	4.75%
Leasehold improvements	20% to 25%
Furniture and equipment	19% to 31.67%
Motor vehicles	23.6%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis over the expected useful life of 20 years.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of profit or loss during the financial period in which they are incurred.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

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 amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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

Software	3 to 10 years
Patent and license	14 to 20 years

The useful lives of software are assessed by the Group considering different purpose and usage of the software, and the authorized period for use. The useful life of patents is assessed by the Group based on the remaining and foreseeable patent protection period after acquisition. The useful life of purchased license is assessed by considering the expected usage of the license by the Group.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

Research and development costs

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

Expenditure incurred on projects to develop new products is capitalized 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. During the reporting period, all expenses incurred for research and development activities were regarded as research expenses and therefore were 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.

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 recognizes 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 recognized 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 recognized, 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:

Leasehold land	30 years
Buildings	2 to 7 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.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Leases *(Continued)*

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognized 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 recognized 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.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(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 that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognized 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 amortized cost and fair value through profit and loss.

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement (Continued)

In order for a financial asset to be classified and measured at amortized cost or FVOCI, 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 amortized 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.

All regular way purchases and sales of financial assets are recognized 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 amortized cost (debt instruments)

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

Financial assets at FVTPL

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on equity investments classified as financial assets at FVTPL are also recognized as other income in the statement of profit or loss 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.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

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 derecognized (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.

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 recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes 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 recognizes 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 recognized 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. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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 45 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.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognized 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 payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings, long-term payables and derivative financial instruments.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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 amortized cost (loans and borrowings)

After initial recognition, loans and borrowings are subsequently measured at amortized 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 recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized 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 amortization is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized 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 recognized in the statement of profit or loss.

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive, and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognized directly in equity at cost. No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements 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 statements 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 recognized 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 recognized for a provision is the present value at the end of the reporting date 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.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognized in accordance with the general policy for provisions above; and (ii) the amount initially recognized less, when appropriate, the amount of income recognized in accordance with the policy for revenue recognition.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Income tax

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

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

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

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

(i) 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

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, 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 recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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:

(i) 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

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

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Income tax *(Continued)*

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

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 recognized 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 recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

The government grants whose primary condition is to compensate for research and development projects or other than purchase, construct or otherwise acquire long-term assets are designated as grants related to income. Some of the grants related to income have future related costs expected to be incurred, and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss when related costs are subsequently incurred and the Group received government acknowledge of compliance.

Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized 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 recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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 recognized 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.

(a) Sale of pharmaceutical products

Revenue from the sale of pharmaceutical products is recognized at the point in time when control of the asset is transferred to the customer, generally on acceptance of the pharmaceutical products.

(b) Intellectual property license fee

The Group provides licenses of its patented intellectual property ("**IP**") or commercialization license related to certain IP to customers, and revenue is recognized when the customers obtain rights to use the patented IP or rights to access the commercialization license.

License fee income is recognized at a point of time upon the customer obtains control of patented IP or if control is transferred over time, e.g. commercialization license to customers for a term of period, revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation.

The consideration for license comprises a fixed element (the upfront payment) and variable elements (including but not limited to development milestones). The upfront fee is recorded under contract liabilities and recognized as revenue when customers have the ability to use the underlying patented IP or the ability to access the commercialization license. Milestone payments are recognized as transaction price when the Group can conclude that it is highly probable that there will not be a subsequent reversal of a significant amount of revenue. Sales-based royalties are not included in the transaction price until customers make the sales.

(c) Compounds Library license fee

The Group grants a right to a customer to use the information of the Group's collection of certain inhibitor compounds ("**Compounds Library**") to identify compounds with potential utility in the identified fields. Revenue is recognized throughout the license period when the customer obtains rights to access the Compounds Library.

(d) Consultation service fee

The Group provides consulting service to its customers through contracts. Revenue is recognised over time as service is rendered.

(f) Promotion service fee

The Group provides promotion service to its customers through contracts. Revenue is recognised at a point in time as service is completed and accepted

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Revenue recognition *(Continued)*

Other income

Interest income is recognized 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.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

Share-based payments

The Company operates a share incentive plan which includes pre-IPO share option scheme, 2018 restricted share unit scheme (the "**2018 RSU Scheme**"), 2021 restricted share unit scheme (the "**2021 RSU Scheme**") and 2022 restricted share unit scheme (the "**2022 RSU 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 estimation uncertainty, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. Further details of which are given in note 36 to the financial statements.

The cost of equity-settled transactions is recognized 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 recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Share-based payments *(Continued)*

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized 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 loss 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. The 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 profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group implemented a safe harbor defined contribution 401(k) savings plan (the "**401(k) Plan**") for U.S. employees. The 401(k) Plan covers all U.S. employees and allows participants to defer a portion of their annual compensation on a pre-tax basis. In addition, the Company implemented a matching contribution to the 401(k) Plan, matching 100% of an employee's contribution up to a maximum of 6% of the participant's annual base salary. Such matching contribution vest when made.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

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

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

The resulting exchange differences are recognized 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 recognized in the statement of profit or loss.

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.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Foreign currencies *(Continued)*

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of 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 recognized in the financial statements:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(a) Determining the timing of satisfaction of the license

The Group concluded that for the license which would be significantly affected by the activities undertaken by the Group, such as the exclusive commercialization license of certain pharmaceutical products, whereby the Group recognizes revenue during the expected commercialization period. The Group determined that the output method is the best method in measuring the progress of the license.

(b) Determining the method to estimate variable consideration

Certain license contracts include variable consideration based on the future events. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

Given that the payments of certain variable consideration are not within the control of the Group, such as regulatory approvals, relevant consideration is not considered until relevant approvals are obtained. The Group determines that the most likely amount method is the appropriate method to estimate the variable consideration. When the Group can conclude that it is highly probable that there will not be a subsequent reversal of a significant amount of revenue, the variable consideration will be included in the transaction price.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2022 was RMB24,694,000 (December 31, 2021: RMB24,694,000). Further details are given in note 17.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

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).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' needs and prices change when the products' expiration date is approaching. Management reassesses these estimates at the end of the reporting period.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 21 to the financial statements.

Share-based payments

Estimating fair value for share-based payment transactions requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the award. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share options, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 36.

Useful lives of property, plant and equipment and intangible assets

The Group determines the estimated useful lives and related depreciation and amortization charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and other intangible assets of similar nature and functions. Estimate for IP is based on the patent protection period and the duration in which the future economic benefits from the IP flows into the Group. Management will increase the depreciation charge or amortization charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Research and development expenses

Research and development expenses are capitalized in accordance with the accounting policy for research and development cost in note 2.4 to the financial statements. Determining the amounts to be capitalized requires management to make assumptions regarding the future economic benefits.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the development and sales of novel small-scale therapies for cancers, hepatitis B virus, or HBV, and certain age-related diseases. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment. Therefore, no analysis by operating segment is presented.

Geographical information

(a) Revenue from external customers

	2022	2021
	RMB'000	RMB'000
Mainland China	**209,707**	14,965
United States	**4**	12,945
	209,711	27,910

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

(b) Non-current assets

	2022	2021
	RMB'000	RMB'000
Mainland China	**1,133,439**	990,266
United States	**3,393**	965
Others	**38**	256
	1,136,870	991,487

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers amounting to over 10% of the total revenue of the Group in the reporting period is as follows:

	2022
	RMB'000
Customer A	**155,506**

	2021
	RMB'000
Customer A	12,945
Customer B	9,522
	22,467

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022	2021
	RMB'000	RMB'000
Types of goods or services		
Sales of pharmaceutical products	**174,931**	5,443
License fee income	**24,358**	22,467
Service income	**10,422**	–
	209,711	27,910
Timing of revenue recognition		
At a point in time		
Sales of pharmaceutical products	**174,931**	5,443
Promotion service income	**7,252**	–
Patented IP license fee income	**–**	12,902
Over time		
Commercialization license fee income	**24,354**	9,522
Consultation service income	**3,170**	–
Compounds Library license fee income	**4**	43
	209,711	27,910

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(a) Disaggregated revenue information *(Continued)*

The following table shows the amounts of revenue recognized in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognized from performance obligations satisfied in previous periods:

	2022 RMB'000	2021 RMB'000
Commercialization license fee income	**24,354**	–
Compounds Library license fee income	**4**	43
	24,358	43

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of pharmaceutical products

The performance obligation is satisfied upon acceptance of the products and payment is generally due within 45 days from the date of billing.

Patented IP license

The performance obligation is satisfied at a point in time as the customers obtain rights to use the underlying IP or license.

Commercialization license

The performance obligation is satisfied over time as commercialization license is granted in the expected commercialization period after the Group obtains the commercialization authorization from the local authorities and payment in advance is normally required.

Compounds Library license

The performance obligation is satisfied over time as the license is granted in the license period and payment in advance is normally required.

Promotion service income

The performance obligation is satisfied at a point in time as services are completed and accepted and payment is generally due within 45 days from the date of billing.

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(b) Performance obligations *(Continued)*

Consultation service income

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2022 and 2021 are as follows:

	2022 RMB'000	2021 RMB'000
Amounts expected to be recognized as revenue:		
Within one year	**24,354**	24,358
After one year	**183,625**	207,979
	207,979	232,337

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognized mainly related to commercialization license and compounds library license to customers, which have been recognized or partially recognized during the reporting period. The amounts disclosed above do not include variable consideration which is constrained.

Other income and gains

	2022 RMB'000	2021 RMB'000
Government grants related to income*	**33,597**	63,335
Fair value gain on derivative financial instruments	**19,434**	81,597
Bank interest income	**9,727**	7,106
Gain on disposal of items of property, plant and equipment	**2,068**	–
Foreign exchange gain, net	**–**	9,912
Gain on disposal of financial assets at FVTPL	**–**	5,972
Others	**2,146**	134
	66,972	168,056

* Government grants mainly related to income that have been received to compensate for expenses of the Group's research and development. Some of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These government grants related to income are recognized in profit or loss when related costs are subsequently incurred and the Group receives government acknowledgement of compliance. Details of these grants are set out in note 33.

Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

6. LOSS BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold		**18,926**	747
Cost of services provided		**3,072**	2,581
Depreciation of property, plant and equipment**	14	**38,194**	10,775
Depreciation of investment property**	15	**1,444**	–
Depreciation of right-of-use assets**	16(a)	**13,495**	10,343
Amortization of intangible assets**	18	**9,782**	7,208
Research and development costs		**743,104**	766,491
Employee benefit expense (including directors' remuneration) (note 9):			
Wages and salaries		**360,838**	339,988
Equity-settled share-based payments**	36	**22,105**	46,971
Pension scheme contributions (defined contribution scheme)*		**28,659**	21,933
		411,602	408,892
Fair value (gains)/losses, net:			
Derivative financial instruments		**(19,434)**	(81,597)
Financial assets at FVTPL		**9,765**	26,859
Long-term payables		**–**	17,916
(Gain)/loss on disposal of items of property, plant and equipment		**(2,068)**	34
Gain on disposal of items of lease		**(205)**	–
Lease payments not included in the measurement of lease liabilities	16(c)	**124**	251
Government grants related to income		**(33,597)**	(63,335)
Bank interest income		**(9,727)**	(7,106)
Gain on disposal of financial assets at FVTPL		**–**	(5,972)
Auditors' remuneration		**2,510**	2,580
Donations		**3,118**	5,203
Foreign exchange loss/(gain), net		**2,638**	(9,912)

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

** The depreciation of property, plant and equipment, the depreciation of investment property, the depreciation of right-of-use assets, the amortization of intangible assets and the equity-settled share-based payment expenses for the period are included in "Cost of Sales", "Research and development expenses", "Selling and distribution expenses" and "Administrative expenses" in the consolidated statement of profit or loss.

7. OTHER EXPENSES

	2022 RMB'000	2021 RMB'000
Foreign exchange loss	**2,638**	–
Fair value loss on financial assets at FVTPL	**9,765**	26,859
Donations	**3,118**	5,203
Loss on long-term payables	**–**	17,916
Loss on disposal of items of property, plant and equipment	**–**	34
Others	**2,153**	392
	17,674	50,404

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest expenses on bank loans	**63,362**	36,821
Interest expenses on lease liabilities (note 16(b))	**1,108**	813
Interest expenses on long-term payables	**2,922**	–
	67,392	37,634
Less: Interest capitalized (note 14)	**(14,607)**	(20,903)
	52,785	16,731

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 RMB'000	2021 RMB'000
Fees	**1,616**	1,419
Other emoluments:		
Salaries, allowances and benefits in kind	**4,891**	5,636
Equity-settled share-based payment expenses	**1,176**	2,016
Pension scheme contributions	**242**	181
	6,309	7,833
	7,925	9,252

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

In August 2018, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company. In May and July 2021, certain directors were granted restricted share units, in respect of their services to the Group, under the 2021 RSU Scheme of the Company. Further details are set out in note 36 to the financial statements. The fair value of such options and RSUs, which has been recognized in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

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

Year ended December 31, 2022	**Fees RMB'000**	**RSUs expenses RMB'000**	**Total RMB'000**
Mr. Ye Changqing	**404**	**163**	**567**
Dr. Yin Zheng	**404**	**163**	**567**
Mr. Ren Wei	**404**	**163**	**567**
Dr. David Sidransky	**404**	**155**	**559**
	1,616	**644**	**2,260**

Year ended December 31, 2021	Fees RMB'000	RSUs expenses RMB'000	Total RMB'000
Mr. Ye Changqing	387	98	485
Dr. Yin Zheng	387	98	485
Mr. Ren Wei	355	98	453
Dr. David Sidransky	290	110	400
	1,419	404	1,823

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 director and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share option expenses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended December 31, 2022					
Executive director:					
Dr. Yang Dajun	**–**	**3,779**	**–**	**242**	**4,021**
Non-executive directors:					
Dr. Wang Shaomeng	**–**	**1,112**	**–**	**–**	**1,112**
Dr. Tian Yuan*	**–**	**–**	**419**	**–**	**419**
Dr. Lu Simon Dazhong	**–**	**–**	**59**	**–**	**59**
Mr. Liu Qian*	**–**	**–**	**54**	**–**	**54**
	–	**1,112**	**532**	**–**	**1,644**
	–	**4,891**	**532**	**242**	**5,665**
Year ended December 31, 2021					
Executive director:					
Dr. Yang Dajun	–	4,569	–	181	4,750
Non-executive directors:					
Dr. Wang Shaomeng	–	1,067	–	–	1,067
Dr. Tian Yuan*	–	–	710	–	710
Mr. Zhao Qun	–	–	710	–	710
Dr. Lu Simon Dazhong	–	–	101	–	101
Mr. Liu Qian*	–	–	91	–	91
	–	1,067	1,612	–	2,679
	–	5,636	1,612	181	7,429

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2021: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive director and non-executive directors *(Continued)*

None of the directors received or will receive any retirement benefits or termination benefits during the years ended 31 December 2022 and 2021. During the years ended 31 December 2022 and 2021, there were no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors. During the years ended 31 December 2022 and 2021, no consideration was paid by the Company to third parties for making available directors' services. No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2022 and 2021.

* Dr. Tian Yuan and Mr. Liu Qian resigned as directors of the Company on May 20, 2022.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director who is also the chief executive (2021: no directors), details of whose remuneration is set out in note 9 above. Details of the remuneration for the year of the remaining four (2021: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**13,479**	19,510
Equity-settled share-based payment expenses	**3,162**	6,070
Pension scheme contributions	**797**	666
	17,438	26,246

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

	2022	2021
RMB3,500,000 to RMB4,000,000	**2**	–
RMB4,000,001 to RMB4,500,000	**1**	1
RMB4,500,001 to RMB5,000,000	**–**	1
RMB5,000,001 to RMB5,500,000	**–**	1
RMB5,500,001 to RMB6,000,000	**1**	1
RMB6,000,001 to RMB6,500,000	**–**	1
	4	5

During the year and in prior years, share options or RSUs were granted to four 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 36 the financial statements. The fair values of such options and RSUs, which have been recognized in the statement of profit or loss over the vesting period, were 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.

11. INCOME TAX CREDIT

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

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

Hong Kong

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the reporting period.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Mainland China are subject to corporate income tax ("**CIT**") at a rate of 25% on the taxable income, except for a certain high and new technology enterprise of the Group in Mainland China, which is taxed at a preferential rate of 15% (2021: Nil). No provision for CIT has been made as the Group had no taxable profits in Mainland China during the reporting period.

United States

Pursuant to the tax law and regulations in the United States, the subsidiary operating in the United States is subject to income tax at a rate of 21% (2021: 21%). No provision for income tax has been made as the Group had no assessable profit earned in the United States during the reporting period.

Pursuant to the tax law and regulations in the United States, a subsidiary operating outside the United States is subject to a withholding tax rate of 30% for income earned or derived from the United States.

	2022 **RMB'000**	2021 RMB'000
Current	**–**	3,425
Deferred (note 21)	**(4,248)**	(53,250)
Total income tax credit for the year	**(4,248)**	(49,825)

11. INCOME TAX CREDIT *(Continued)*

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax credit at the effective tax rates is as follows:

2022

	Cayman		Mainland China		United States		Others		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	9,600		(534,385)		(329,731)		(32,656)		(887,172)	
Tax at the statutory rate	–	–	(133,596)	25.0	(69,243)	21.0	(8,234)	25.2	(211,073)	23.8
Lower tax rate for a specific entity	–	–	(4,729)	0.9	–	–	–	–	(4,729)	0.5
Loss attributable to joint venture	–	–	70	–	–	–	–	–	70	–
Income not subject to tax	–	–	–	–	–	–	(12)	–	(12)	–
Tax incentives on eligible expenditures	–	–	(83,831)	15.7	–	–	–	–	(83,831)	9.4
Expenses not deductible for tax	–	–	1,872	(0.4)	11	–	1,728	(5.3)	3,611	(0.4)
Deductible temporary differences and tax losses not recognized	–	–	215,966	(40.4)	69,232	(21.0)	6,518	(20.0)	291,716	(32.9)
Tax credit at the Group's effective rate	–	–	(4,248)	0.8	–	–	–	–	(4,248)	0.5

2021

	Cayman		Mainland China		United States		Others		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	95,733		(537,144)		(74,153)		(316,685)		(832,249)	
Tax at the statutory rate	–	–	(134,286)	25.0	(15,572)	21.0	(55,233)	17.4	(205,091)	24.6
Income not subject to tax	–	–	–	–	–	–	(3,342)	1.1	(3,342)	0.4
Tax incentives on eligible expenditures	–	–	(57,772)	10.8	–	–	–	–	(57,772)	6.9
Expenses not deductible for tax	–	–	1,833	(0.3)	6	–	4,605	(1.5)	6,444	(0.8)
Deductible temporary differences and tax losses not recognized	–	–	162,283	(30.2)	15,566	(21.0)	53,970	(17.0)	231,819	(27.9)
Tax losses utilised from previous periods	–	–	(19,910)	3.7	–	–	–	–	(19,910)	2.4
Deductible tax loss recognized during this year	–	–	(39,830)	7.4	–	–	–	–	(39,830)	4.8
Effect of the decrease in tax rate of deferred tax assets between the period when the asset is realised and the current period	–	–	34,432	(6.4)	–	–	–	–	34,432	(4.1)
Effect of withholding tax on the IP license income of the Group's Hong Kong subsidiary	–	–	–	–	–	–	3,425	(1.1)	3,425	(0.4)
Tax credit at the Group's effective rate	–	–	(53,250)	9.9	–	–	3,425	(1.1)	(49,825)	6.0

12. DIVIDENDS

The board of directors resolved not to declare any final dividend for the year ended December 31, 2022 (2021: Nil).

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 263,668,827 (2021: 254,615,322) 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 December 31, 2022 and 2021 in respect of a dilution as the impact of the options and warrants outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	2022	2021
	RMB'000	RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(882,924)**	(782,424)

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**263,668,827**	254,615,322

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
December 31, 2022						
At January 1, 2022:						
Cost	406,945	8,135	60,520	457	362,859	838,916
Accumulated depreciation and impairment	–	(6,898)	(34,802)	(187)	–	(41,887)
Net carrying amount	406,945	1,237	25,718	270	362,859	797,029
At January 1, 2022, net of accumulated depreciation and impairment	406,945	1,237	25,718	270	362,859	797,029
Additions	5,150	489	34,203	152	160,380	200,374
Depreciation provided during the year	(23,913)	(821)	(13,361)	(99)	–	(38,194)
Transfers	422,818	–	60,930	–	(483,748)	–
Transfer to investment property (note 15)	(356,869)	–	–	–	–	(356,869)
Disposals	–	(95)	(188)	–	–	(283)
Exchange realignment	–	–	29	–	–	29
At December 31, 2022 net of accumulated depreciation and impairment	454,131	810	107,331	323	39,491	602,086
At December 31, 2022:						
Cost	470,217	7,741	154,603	609	39,491	672,661
Accumulated depreciation and impairment	(16,086)	(6,931)	(47,272)	(286)	–	(70,575)
Net carrying amount	454,131	810	107,331	323	39,491	602,086

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Leasehold improvements RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
December 31, 2021						
At January 1, 2021:						
Cost	–	11,603	50,604	914	406,560	469,681
Accumulated depreciation and impairment	–	(9,058)	(25,660)	(558)	–	(35,276)
Net carrying amount	–	2,545	24,944	356	406,560	434,405
At January 1, 2021, net of accumulated depreciation and impairment	–	2,545	24,944	356	406,560	434,405
Additions	–	66	9,458	66	364,200	373,790
Depreciation provided during the year	–	(1,371)	(9,304)	(100)	–	(10,775)
Transfer	406,945	–	956	–	(407,901)	–
Disposals	–	–	(317)	(52)	–	(369)
Exchange realignment	–	(3)	(19)	–	–	(22)
At December 31, 2021 net of accumulated depreciation and impairment	406,945	1,237	25,718	270	362,859	797,029
At December 31, 2021:						
Cost	406,945	8,135	60,520	457	362,859	838,916
Accumulated depreciation and impairment	–	(6,898)	(34,802)	(187)	–	(41,887)
Net carrying amount	406,945	1,237	25,718	270	362,859	797,029

At December 31, 2022, the buildings with a net carrying amount of approximately RMB454,131,000 (2021: RMB406,945,000) and the construction in progress with a net carrying amount of approximately RMB17,833,000 (2021: RMB362,859,000) were pledged to secure general banking loans of the Group (note 30). The amount of borrowing costs capitalized during the year ended December 31, 2022, was approximately RMB14,607,000 (2021: RMB20,903,000). The amount of borrowing costs eligible for capitalization was determined by the interest rate of a specific borrowing, which fell in the range from 4.45% to 4.8% for the year ended December 31, 2022.

15. INVESTMENT PROPERTY

	2022 RMB'000
At January 1, 2022:	
Cost	–
Depreciation	–
At 1 January, net of accumulated depreciation	–
Transfer from property, plant and equipment (note 14)	356,869
Depreciation (note 6)	(1,444)
At 31 December, net of accumulated depreciation	355,425
At 31 December:	
Cost	364,696
Accumulated depreciation and impairment	(9,271)
Net carrying amount	355,425

The Group's investment property consists of one industrial property in Mainland China, being the Company's Suzhou facility which is located at 68, Xinqing Road, Suzhou Industrial Park, Suzhou, Jiangsu, China and is currently being used as the headquarters of the Company and a China-based global R&D center and manufacturing facility, which was approved to be leased out to earn rental income by the Directors at a Board meeting held in November 2022. The properties are measured initially and subsequently at cost. Depreciation is calculated on the straight-line basis over 20 years.

As at December 31, 2022, an investment property with a carrying amount of approximately RMB355,425,000 (2021: Nil) was pledged to secure general banking loans of the Group (note 30).

As at December 31, 2022, the fair value of the Group's investment properties was approximately RMB375,422,000 (2021: Nil). The valuation was determined using the income approach.

As at December 31, 2022, the investment property has not been leased to third parties, there was no lease rental income during this year (2021: Nil).

16. LEASES

The Group as a lessee

The Group has lease contracts for lands and buildings. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 7 years. Other leases generally have lease terms of 12 months or less and/or is individually of low value items. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

16. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(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:

	Buildings RMB'000	Leasehold land RMB'000	Total RMB'000
As at January 1, 2021	11,608	30,988	42,596
Additions	15,132	–	15,132
Depreciation charge (note 6)	(9,213)	(1,130)	(10,343)
Exchange realignment	(46)	–	(46)
As at December 31, 2021 and January 1, 2022	17,481	29,858	47,339
Additions	17,782	–	17,782
Depreciation charge (note 6)	(12,365)	(1,130)	(13,495)
Disposal	(5,051)	–	(5,051)
Exchange realignment	61	–	61
As at December 31, 2022	17,908	28,728	46,636

As at December 31, 2022, leasehold land with a carrying amount of approximately RMB28,728,000 (2021: RMB29,858,000) was pledged to secure general banking loans of the Group (note 30).

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings and the movements during the year are as follows:

	2022 **RMB'000**	2021 RMB'000
Carrying amount at January 1	**17,898**	11,890
New leases	**17,782**	15,132
Accretion of interest recognized during the year (note 8)	**1,108**	813
Payments	**(14,347)**	(9,905)
Exchange realignment	**37**	(32)
Disposal	**(5,256)**	–
Carrying amount at December 31	**17,222**	17,898
Analysed into:		
Current portion	**8,078**	9,651
Non-current portion	**9,144**	8,247

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain properties during the year.

16. LEASES *(Continued)*

The Group as a lessee *(Continued)*

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

	2022 **RMB'000**	2021 RMB'000
Interest on lease liabilities (note 8)	**1,108**	813
Depreciation charge of right-of-use assets	**13,495**	10,343
Expense relating to short-term leases (included in administrative expenses) (note 6)	**124**	251
Total amount recognized in profit or loss	**14,727**	11,407

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 37(c) and 38(b), respectively, to the financial statements.

17. GOODWILL

	RMB'000
At December 31, 2022 and 2021:	
Cost	24,694
Accumulated impairment	–
Net carrying amount	24,694

The carrying amount of goodwill allocated to the cash-generating unit ("**CGU**") is as follows:

	Healthquest Pharma RMB'000
Carrying amount of goodwill as at December 31, 2022 and 2021	24,694

Impairment testing of goodwill

The carrying amount of goodwill that relates to taxation and the deferred tax liability should be removed for impairment testing purposes in order to remove all tax effects from the CGU, which means, in effect, that as at the point of acquisition, the goodwill can be reduced by the deferred tax liability recorded on consolidation in order to test that goodwill for impairment.

The recoverable amounts of the cash-generating units have been determined based on a value in use calculation using cash flow projections approved by senior management. The cash flows of the unit are projected based on the forecasted sales of the new drug after the approval of new drug application ("**NDA**") and within the patent protection period. No revenue nor cash flow is forecasted after the expiration of the patent.

17. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Assumptions were used in the value in use calculation of the cash-generating unit for the reporting period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate – The discount rate applied to the cash flow projections was 16.94% as at December 31, 2022 (December 31, 2021: 17.75%). The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Expected revenue – The revenue are based on the business strategy and the management's expectation for the market development.

The values assigned to the key assumption are consistent with external information sources.

As at December 31, 2022, the recoverable amount of the cash-generating unit exceeds its carrying amount by RMB1,083,513,000 (December 31, 2021: RMB938,898,000).

The following table sets forth the impact of possible changes of the key assumption, with all other variables held constant, of goodwill impairment testing as of the dates indicated.

	2022	2021
	RMB'000	RMB'000
	Recoverable amount of the cash-generating unit exceeding its carrying amount by	
Possible changes of key assumptions		
Pre-tax discount rate increases by 1%	**1,047,100**	898,137
Pre-tax discount rate increases by 3%	**979,399**	823,103
Expected revenue decreases by 1%	**1,052,596**	911,052
Expected revenue decreases by 3%	**990,760**	855,360

In the opinion of the directors, there is no reasonably possible change in the key assumptions on which the recoverable amount is based that would cause the cash-generating unit's carrying amount to exceed the recoverable amount.

18. OTHER INTANGIBLE ASSETS

	Software RMB'000	Patent RMB'000	License RMB'000	Total RMB'000
December 31, 2022				
Cost at January 1, 2022, net of accumulated amortization	**5,404**	**55,007**	**–**	**60,411**
Additions	**3,675**	**–**	**30,000**	**33,675**
Amortization provided during the year (note 6)	**(1,999)**	**(6,408)**	**(1,375)**	**(9,782)**
At December 31, 2022	**7,080**	**48,599**	**28,625**	**84,304**
At December 31, 2022:				
Cost	**11,784**	**87,050**	**30,000**	**128,834**
Accumulated amortization	**(4,704)**	**(38,451)**	**(1,375)**	**(44,530)**
Net carrying amount	**7,080**	**48,599**	**28,625**	**84,304**
December 31, 2021				
Cost at January 1, 2021, net of accumulated amortization	4,990	61,415	–	66,405
Additions	1,214	–	–	1,214
Amortization provided during the year (note 6)	(800)	(6,408)	–	(7,208)
At December 31, 2021	5,404	55,007	–	60,411
At December 31, 2021:				
Cost	8,109	87,050	–	95,159
Accumulated amortization	(2,705)	(32,043)	–	(34,748)
Net carrying amount	5,404	55,007	–	60,411

19. INVESTMENT IN A JOINT VENTURE

	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Share of net assets	**15,922**	16,200

Particulars of the Group's principal joint venture are as follows:

Name	Place of registration and business	Registered share capital RMB'000	Percentage of Ownership interest	Percentage of Voting power	Principal activities
Suzhou Ascentage Harvest Venture Capital LLP* (蘇州亞盛達園豐創業投資合夥企業(有限合夥))	PRC/ Chinese Mainland	200,000	19.9%	**	Venture capital investment

The above investment is indirectly held by the Company.

* The English name of the company registered in the PRC represents the best efforts made by the management of the Company in directly translating the Chinese name of this company as no English name has been registered.

** Suzhou Ascentage Harvest Venture Capital LLP ("**Ascentage Harvest LLP**") is held through the subsidiaries of the Group, Ascentage Grains Valley and Suzhou Yasheng. Ascentage Grains Valley is the executive partner of Ascentage Harvest LLP, and Suzhou Yasheng is a limited partner. Pursuant to the partnership agreement, Ascentage Grains Valley has two representatives in the investment committee and another limited partner has one representative in the investment committee. All investment activities of Ascentage Harvest LLP should be agreed by all three representatives of the investment committee in consensus.

The following table illustrates the financial information of the Group's joint venture:

	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Share of the joint venture's loss for the year	**278**	–
Share of the joint venture's total comprehensive loss for the year	**278**	–
Aggregate carrying amount of the Group's investments in the joint ventures	**15,922**	16,200

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 **RMB'000**	2021 RMB'000
Listed equity investments, at fair value	**2,609**	11,645

The financial assets are the equity securities issued to the Group by a customer as a consideration for the Group's licenses of IP and Compounds Library. The equity securities became listed on NASDAQ in May 2018. The management designated the listed equity investments as financial assets measured at fair value through profit or loss.

21. DEFERRED TAX

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

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary RMB'000
At January 1, 2021	15,355
Deferred tax credited to the consolidated statement of profit or loss during the year (note 11)	(1,602)
Deferred tax liabilities at December 31, 2021 and January 1, 2022	13,753
Deferred tax credited to the consolidated statement of profit or loss during the year (note 11)	(1,602)
Deferred tax liabilities at December 31, 2022	12,151

Deferred tax assets

	Contract liabilities RMB'000	**Losses available for offsetting against future taxable profits** RMB'000	**Total** RMB'000
At January 1, 2021	–	–	–
Deferred tax credited to the statement of profit or loss during the year (note 11)	27,751	23,897	51,648
Deferred tax assets at December 31, 2021 and January 1, 2022	27,751	23,897	51,648
Deferred tax credited to the statement of profit or loss during the year (note 11)	3,446	(800)	2,646
Deferred tax assets at December 31, 2022	31,197	23,097	54,294

21. DEFERRED TAX *(Continued)*

Deferred tax assets have not been recognized in respect of the following items:

	2022	2021
	RMB'000	RMB'000
Taxes losses	**4,723,253**	3,492,968
Deductible temporary differences	**419,266**	425,538
	5,142,519	3,918,506

	2022	2021
	RMB'000	RMB'000
Less than ten years	**2,553,656**	1,777,132
Without limitation	**2,169,597**	1,715,836
	4,723,253	3,492,968

The Group has tax losses arising in Mainland China of RMB2,553,656,000 that will expire in one to ten years for offsetting against future taxable profits as at December 31, 2022 (December 31, 2021: RMB1,777,132,000). Tax losses arising in locations other than Mainland China will be available indefinitely. Deferred tax assets have not been recognized in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

22. OTHER NON-CURRENT ASSETS

	2022	2021
	RMB'000	RMB'000
Deposit	**6,500**	–
Prepayment for property, plant and equipment	**1,303**	9,934
Value added tax recoverable	**–**	35,880
	7,803	45,814

Value added tax recoverable was recorded as a non-current asset since it is expected to be deducted from value added tax payables arising from the Group's revenue which is not expected to be generated within the next 12 months from the end of the reporting period.

23. INVENTORIES

	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Work in progress	**5,038**	2,148
Finished goods	**4,410**	1,782
	9,448	3,930

24. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**54,356**	53,968

The Group's trading terms with its customers are mainly on credit. The credit period is generally 45 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

For the trade receivables generated from the sales of pharmaceutical products, to which the customers have similar loss patterns, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due, and the calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts of future economic conditions. As at December 31, 2022, trade receivables generated from the sales of pharmaceutical products were expected to be recovered on time.

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 RMB'000	2021 RMB'000
Within 1 month	**30,043**	53,968
1 to 3 months	**24,313**	–
	54,356	53,968

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Prepayments	**61,406**	56,933
Deposits	**11,905**	4,145
Value added tax recoverable	**6,484**	22,324
Other receivables	**649**	159
	80,444	83,561

The carrying amounts of financial assets included in prepayments, other receivables and other assets approximate to their fair values.

The financial assets included in the above balances relate to receivables for which there was no recent history of default or past due amounts. As at December 31, 2022 and 2021, the loss allowance was assessed to be minimal.

26. CASH AND BANK BALANCES

	2022 RMB'000	2021 RMB'000
Cash and current deposits as stated in the consolidated statement of cash flows	**1,345,639**	1,706,886
Restricted cash*	**16,601**	36,935
Time deposits with original maturity of more than three months	**130,000**	–
Cash and bank balances as stated in the consolidated statement of financial position	**1,492,240**	1,743,821
Denominated in:		
RMB	**986,267**	947,107
US$	**172,600**	465,564
HK$	**329,456**	329,627
Others	**3,917**	1,523
	1,492,240	1,743,821

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB986,267,000 (2021: RMB947,107,000). 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 authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Term deposits with original maturity of more than three months earn interest at fixed interest rates for varying periods of between two years and three years. The bank balances are deposited with creditworthy banks with no recent history of default.

* Restricted cash represents the deposits granted by the government for specific research and development projects, the deposits can only be used for the payments of research and development expenses for relevant projects with approval.

27. TRADE PAYABLES

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

	2022	2021
	RMB'000	RMB'000
Within 1 month	**64,859**	44,273
1 to 3 months	**3,327**	6,159
3 to 6 months	**27,373**	16,757
6 to 12 months	**–**	3,672
	95,559	70,861

The trade payables are non-interest-bearing and are normally settled in less than six months.

28. OTHER PAYABLES AND ACCRUALS

	2022	2021
	RMB'000	RMB'000
Payables for construction cost	**76,509**	88,054
Payroll payables	**77,581**	59,559
Other payables	**23,799**	11,663
Other accrued expenses	**35,502**	12,112
Accrued interests	**383**	369
Long-term payables – current portion (note 32)	**19,081**	19,147
Tax payables other than income tax	**7,179**	3,279
	240,034	194,183

Other payables are non-interest-bearing and have an average term of three months.

29. CONTRACT LIABILITIES

Details of contract liabilities as at December 31, 2022 and 2021 are as follows:

	2022	2021
	RMB'000	RMB'000
Short-term advances received from customers		
Commercial license fee income	**24,354**	24,354
Compounds Library license fee income	**–**	4
	24,354	24,358
Long-term advances received from customers		
Commercial license fee income	**183,625**	207,979
	207,979	232,337

Contract liabilities include long-term and short-term advances received to grant customers the commercialization license and Compounds Library license.

In July 2021, the Group entered into a collaboration and license agreement with Innovent Biologics (Suzhou) Co., Ltd ("**Innovent**"). Under the agreement, the Group licenses the exclusive commercialization rights of HQP1351 in China to Innovent and Innovent should pay a non-refundable payment for such rights. Collaboration fee received is recorded under contract liabilities and recognized as revenue over time upon customer receives and consumes the benefits during the commercialization stage of the respective products.

In accordance with the agreement, the Group received an upfront fee of RMB194.0 million during the year ended 31 December 2021 and received a milestone payment of RMB47.8 million as the first NDA being approved during this year, of which RMB24.4 million was recognized as revenue during the year ended 31 December 2022 (2021:RMB9.5 million). Milestone payments are recognized as transaction price when the Group can conclude that it is highly probable that there will not be a subsequent reversal of a significant amount of revenue.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

2022

	Effective interest rate per annum (%)	Maturity	RMB'000
Current			
Short-term borrowing	3.90-4.30	2023	139,900
Current portion of long term bank loans – unsecured	4.25-4.75	2023	176,400
Current portion of long term bank loans – unsecured	1 year LPR+0 to 0.9	2023	184,005
Current portion of long-term bank loans – secured*	5 year – LPR+0.15	2023	10,000
Lease liabilities (note 16(b))	4.00 – 4.35	2023	8,078
			518,383
Non-current			
Bank loans – unsecured	1 year LPR+0 to 0.9	2024 – 2027	464,190
Bank loans – unsecured	4.25-4.75	2024 – 2026	249,500
Bank loans – secured*	5 year – LPR+0.15	2024 – 2030	551,510
Lease liabilities (note 16(b))	4.00-4.35	2024 – 2026	9,144
			1,274,344
			1,792,727

Note: LPR represents the Loan Prime Rate.

* The bank loans amounting to RMB561,510,000 were secured by the pledge of the Group's right-of-use assets with a carrying amount of RMB28,728,000 (2021: RMB29,858,000), construction in progress with a carrying amount of approximately RMB17,833,000 (2021: RMB362,859,000), buildings with a net carrying amount of approximately RMB454,131,000 (2021: RMB406,945,000) and investment property with a carrying amount of RMB355,425,000 as at December 31, 2022 (2021: Nil). Such loans were also guaranteed by one of the Group's subsidiary.

The unsecured bank loans amounting to RMB257,120,000 (2021: RMB78,250,000) were guaranteed by two of the Group's subsidiaries as at December 31, 2022.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

2021

	Effective interest rate per annum (%)	Maturity	RMB'000
Current			
Current portion of long term bank loans – unsecured	4.35-4.75	2022	16,950
Current portion of long term bank loans – unsecured	1 year LPR+0.55 to 0.9	2022	22,850
Lease liabilities	4.00 – 4.35	2022	9,651
			49,451
Non-current			
Bank loans – unsecured	4.35 – 4.75	2023 – 2026	205,900
Bank loans – unsecured	1 year LPR+0.55 to 0.9	2023 – 2025	422,900
Bank loans – secured*	5 year – LPR+0.15	2023 – 2030	397,792
Lease liabilities	4.00 – 4.35	2023 – 2024	8,247
			1,034,839
			1,084,290

	2022	2021
	RMB'000	RMB'000
Analysed into:		
Within one year	**518,383**	49,451
In the second year	**384,479**	328,674
In the third to fifth years, inclusive	**788,355**	568,373
Beyond five years	**101,510**	137,792
	1,792,727	1,084,290

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2022 RMB'000	2021 RMB'000
Warrants	**2,822**	22,256

On July 14, 2021, the Company and Innovent entered into a warrant subscription deed, pursuant to which the Company agreed to issue to Innovent 6,787,587 warrants. The initial subscription price of each warrant share upon exercise of the warrants is HK$57.20. The subscription rights attaching to the warrants may be exercised during the period commencing on the date of issuance of the warrants and ending on the date that is 24 months after the date of issuance of the warrants.

The above warrants were measured at their fair values on December 31, 2022. The fair values (categorised as level 3 measurement under IFRS 13) of the warrants were based on a valuation, using the Black-Scholes method, carried out by management, and approved by the Directors. The significant unobservable inputs used in the fair value measurement are expected volatility.

As at December 31, 2022, the warrants had not yet been exercised.

32. LONG-TERM PAYABLES

	2022 RMB'000	2021 RMB'000
Contingent cash consideration for acquisition of Healthquest Pharma, at fair value	**54,412**	71,490
Portion classified as current liabilities (note 28)	**19,081**	19,147
Non-current portion	**35,331**	52,343

Long-term payables represent the value of the cash consideration payable to Dr. Zhai for the acquisition of Healthquest Pharma. During the year ended December 31, 2021, the possibility of the payment reached 100% since HQP1351 has been approved by the China National Medical Products Administration, and the measurement of long-term payables changed from fair value to amortized cost from then on.

The amount of RMB20,000,000 cash consideration was paid to Dr. Zhai in 2022.

33. DEFERRED INCOME

	2022 RMB'000	2021 RMB'000
Government grants	**35,000**	35,300

33. DEFERRED INCOME *(Continued)*

The movements in government grants during the reporting period are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of the year	**35,300**	40,203
Received during the year	**–**	35,000
Recognized as income during the year	**(300)**	(39,903)
At end of the year	**35,000**	35,300

34. SHARE CAPITAL

Issued and fully paid

	As at December 31, 2022		
	Number of shares in issue	**Share capital US$**	**RMB equivalent RMB'000**
Ordinary shares of US$0.0001 each	**265,185,950**	**26,519**	**180**

	As at December 31, 2021		
	Number of shares in issue	Share capital US$	RMB equivalent RMB'000
Ordinary shares of US$0.0001 each	262,880,613	26,288	178

34. SHARE CAPITAL *(Continued)*

Issued and fully paid *(Continued)*

Movements in the issued share capital from January 1, 2021 to December 31, 2022 were as follows:

	Number of shares	Share capital
		RMB'000
At January 1, 2021	226,042,041	154
Issue of ordinary shares (a)	35,323,863	23
Issue of shares under the pre-IPO share option scheme (b)	2,588,201	2
Issue of shares under the 2021 RSU scheme (c)	68,208	–
Repurchase of ordinary shares (d)	(1,141,700)	(1)
At December 31, 2021 and January 1, 2022	262,880,613	178
Issue of shares under the pre-IPO share option scheme (e)	2,213,404	2
Issue of shares under the 2021 RSU scheme (f)	91,933	–
At December 31, 2022	265,185,950	180

Notes:

(a) In connection with the share placement, 26,500,000 placing shares of the Company were issued and allotted at a price of HK$44.20 per share on February 11, 2021. Pursuant to the board meeting's resolution passed on July 13, 2021, a total of 8,823,863 shares have been successfully allotted and issued by the Company to Innovent at the price of HK$44.00 per share on July 23, 2021.

(b) During the year ended December 31, 2021, the Company issued ordinary shares with respect to the share options under the pre-IPO share option scheme exercised by certain grantees of the Company before December 31, 2021 to grantees. In connection with the exercised share options, 2,588,201 new shares of the Company were issued with weighted average exercise price of HK$0.01, an amount of RMB1,664 was credited as share capital.

(c) On July 23, 2021, the Company issued ordinary shares with respect to the restricted shares under the 2021 RSU Scheme exercised by certain selected persons of the Company before December 31, 2021 to selected persons. In connection with the exercised restricted share, 68,208 new shares of the Company were issued, an amount of RMB44 was credited as share capital.

(d) In November 2021, the Company repurchased 1,141,700 shares of the Company pursuant to the general mandate to repurchase shares granted by the shareholders of the Company to the Board at the annual general meeting of the Company held on May 10, 2021.

(e) During the year ended December 31, 2022, the Company issued ordinary shares with respect to the share options under the pre-IPO share option scheme exercised by certain grantees of the Company before December 31, 2022 to those grantees. In connection with the exercised share options, 2,213,404 new shares of the Company were issued with weighted average exercise price of HK$0.01, and an amount of RMB1,535 was credited as share capital.

(f) In June 2022, the Company issued ordinary shares with respect to the restricted shares under the 2021 RSU Scheme exercised by certain selected persons of the Company before December 31, 2022 to those selected persons. In connection with the exercised restricted shares, 91,933 new shares of the Company were issued, and an amount of RMB62 was credited as share capital.

35. 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 96 to 97 of the financial statements.

In connection with the pre-IPO share option scheme, the 2018 RSU Scheme, 2021 RSU Scheme, and 2022 RSU Scheme, expenses amounting to RMB22,105,000 were recognized and contributed to capital and reserves.

Upon the exercise of the pre-IPO share option scheme, the 2018 RSU Scheme, 2021 RSU Scheme, and 2022 RSU Scheme, RMB50,957,000 was credited to share premium and RMB51,167,000 was transferred out from capital and reserves.

36. SHARE-BASED PAYMENTS

(a) Share option scheme

In July 2018, the Company adopted the pre-IPO share option scheme for the purpose of providing incentives and rewards to eligible participants who have contributed or will contribute to the Group. Eligible participants of the pre-IPO share option scheme may include any substantial shareholder, existing or incoming employees of the Group which include the directors (including executive directors, non-executive directors and independent non-executive directors) and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the board of directors consider, in its sole discretion, have contributed or will contribute to the Group.

The maximum number of shares which may be issued upon the exercise of all pre-IPO share options is 12,307,533. The exercise price for each share under the pre-IPO share options is HK$0.01.

Subject to any restriction contained in the pre-IPO share option scheme, an option may be exercised in accordance with the terms of the pre-IPO share option scheme and the terms of grant thereof, provided that part of pre-IPO share options in respect of 1,758,219 shares ("**Special Options**") which may be issued shall only be vested/exercised upon the earliest occurrence of the following events: (a) the listing, (b) trade sale, (c) any liquidation event, and (d) change of control of the Company.

On August 15, 2018, the Company has granted options to 282 grantees to subscribe for an aggregate of 11,438,960 shares under the pre-IPO share option scheme, including 926,797 Special Options. Subject to the terms and conditions as set out in the pre-IPO share option scheme, the Special Options will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the listing date. The remaining 10,512,163 options (the "**2018 Granted Options**") will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the grant date of the options.

On May 15, 2019, the Company has granted options to 100 grantees to subscribe for an aggregate of 3,314,532 shares under the pre-IPO share option scheme. Subject to the terms and conditions as set out in the pre-IPO share option scheme, 3,267,573 shares granted to 95 grantees (the "**2019 Granted Options**") will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the grant date of the options, and the remaining options granted to five grantees in respect of 46,959 shares (the "**Supplemental Options**") will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of August 15, 2018, i.e., the grant date of the 2018 Granted Options.

36. SHARE-BASED PAYMENTS *(Continued)*

(a) Share option scheme *(Continued)*

Pursuant to the resolution of the board of directors in July 2019, the first vesting period of the 2018 Granted Options and the Supplemental Options (together, the "**Relevant Options**") was amended from August 15, 2019 (i.e., the first anniversary of August 15, 2018) to the first day of the third month after the listing of the Company. In addition, the proportion to be vested on the first vesting date of the Relevant Options was amended from 25% to 35%, whilst the proportion to be vested on the second vesting date of the Relevant Options, being August 15, 2020, was amended from 25% to 15%.

On September 16, 2019, the Company has granted options to 16 grantees to subscribe for an aggregate of 542,955 shares under the pre-IPO share option scheme. Subject to the terms and conditions as set out in the pre-IPO share option scheme, 522,955 shares granted to 15 grantees (the "Second 2019 Granted Options") will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the grant date of the options, and the remaining options granted to a grantee in respect of 20,000 Special Options will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the listing date.

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 pre-IPO share option scheme during the year:

	2022		2021	
	Exercise price HK$ per share	**Number of options '000**	Exercise price HK$ per share	Number of options '000
Outstanding as of January 1	**0.01**	**6,699**	0.01	9,596
Granted during the year	**0.01**	**–**	0.01	–
Forfeited during the year	**0.01**	**(311)**	0.01	(309)
Exercised during the year	**0.01**	**(2,213)**	0.01	(2,588)
Outstanding as of December 31	**0.01**	**4,175**	0.01	6,699

The number of share options exercisable was 3,342,691 as at December 31, 2022 (2021: 3,038,512).

36. SHARE-BASED PAYMENTS *(Continued)*

(a) Share option scheme *(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 HK$ per share	Exercise period
3,129	**0.01**	**Jan 28, 2020 – Aug 15, 2028**
950	**0.01**	**May 15, 2020 – May 15, 2029**
96	**0.01**	**Sept 16, 2020 – Sept 16, 2029**
4,175		

2021

Number of options '000	Exercise price HK$ per share	Exercise period
4,807	0.01	Jan 28, 2020 – Aug 15, 2028
1,659	0.01	May 15, 2020 – May 15, 2029
233	0.01	Sept 16, 2020 – Sept 16, 2029
6,699		

The Group has not granted any share options during the year ended December 31, 2022 (2021: Nil), of which the Group recognized a share option expense of RMB10,645,000 (2021: RMB22,207,000) during the year ended December 31, 2022.

The 2,213,404 share options exercised during the year resulted in the issue of 2,213,404 ordinary shares of the Company and new share capital of RMB1,535 (before issue expenses), as further detailed in note 34 to the financial statements.

As at December 31, 2022, the Company had 4,175,000 share options outstanding under the pre-IPO share option scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 4,175,000 additional Ordinary Shares of the Company and additional share capital and share premium of US$10,131,000, equivalent to RMB68,144,000 (before issue expenses) transferred from capital and other reserves.

At the date of approval of these financial statements, the Company had 4,175,000 share options outstanding under the Scheme, which represented approximately 1.57% of the Company's shares in issue as at that date.

36. SHARE-BASED PAYMENTS *(Continued)*

(b) RSUs granted to employees

The 2018 RSU Scheme

On July 6, 2018, the Company approved and adopted the 2018 RSU Scheme. The purpose of the 2018 RSU scheme is to incentivize the existing and incoming directors, senior management and employees for their contribution to the Company, and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Company. Unless otherwise cancelled or amended, the 2018 RSU Scheme will remain in force for 10 years from the date of adoption.

The maximum number of RSUs that may be granted under the 2018 RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the 2018 RSU Scheme) shall be 5,274,657 ordinary shares.

On September 14, 2020, pursuant to the 2018 RSU Scheme, 2,590,592 RSUs were granted to 50 selected persons, who are employees of the Company. The RSUs granted would vest on the third month from the grant date, and in equal tranches over the remaining years of the total vesting period as three years, on condition that employees remain in service without any performance requirements.

The following restricted shares were outstanding under the 2018 RSU Scheme during the year:

	2022		2021	
	Grant fair value HK$ per share	**Number of RSUs '000**	Grant fair value HK$ per share	Number of RSUs '000
Outstanding as of January 1	**28.35**	**1,085**	28.35	1,915
Granted during the year	**28.35**	**–**	28.35	–
Forfeited during the year	**28.35**	**(282)**	28.35	(287)
Exercised during the year	**28.35**	**(401)**	28.35	(543)
Outstanding as of December 31	**28.35**	**402**	28.35	1,085

The fair value of each RSU under the 2018 RSU Scheme at the grant date was determined by reference to the fair value of the ordinary shares of the Company issued to its shareholders, using the market approach.

The Group has not granted any RSUs under the 2018 RSU Scheme during the year ended December 31, 2022.

The Company recognized a share grant expense of RMB2,316,000 for the year ended December 31, 2022 (2021: RMB18,213,000).

As at December 31, 2022, the Company had 402,000 RSUs outstanding under 2018 RSU Scheme. The exercise in full of the outstanding RSUs would, under the present capital structure of the Company, result in additional share capital and share premium of HK$11,388,000, equivalent to RMB9,781,000, transferred from capital and other reserves.

36. SHARE-BASED PAYMENTS *(Continued)*

(b) RSUs granted to employees *(Continued)*

The 2021 RSU Scheme

On February 2, 2021, the Company approved and adopted the 2021 RSU Scheme. The purpose of the 2021 RSU scheme is to (i) incentivize the existing and incoming directors, senior management, and employees for their contribution to the Group; and (ii) 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 2021 RSU Scheme will remain in force for 10 years from the date of adoption.

The maximum number of RSUs that may be granted under the 2021 RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the 2021 Scheme Rules) shall be 3,133,526 Shares.

On May 17, 2021, pursuant to the 2021 RSU Scheme, 440,490 RSUs were granted to 34 selected persons, which include employees, senior management of the Group and a director of the Company. Among the awards, 10,641 RSUs were granted to an independent non-executive director and 55,157 RSUs were granted to the Chief Commercial Officer. On July 23, 2021, 26,892 RSUs were granted to three independent non-executive directors of the Company. The RSUs granted were categorized in six types based on the vesting period and the proportion of shares that can be unlocked upon each of the vesting dates.

Details of the unlocking date are summarised as follows:

Type of eligible participants	Grant fair value HK$ per share	% of conditional shares	Vesting date	% of vested conditional shares
1	44.35	100%	June 8, 2021-2024	35%, 15%, 25%, 25%
2	44.35	100%	June 8, 2021-2024	25%, 25%, 25%, 25%
3	44.35	100%	June 8, 2022-2025	35%, 15%, 25%, 25%
4	44.35	100%	April 30, 2022-2025	35%, 15%, 25%, 25%
5	44.35	100%	June 8, 2022-2025	25%, 25%, 25%, 25%
6	52.00	100%	June 8, 2022-2025	25%, 25%, 25%, 25%

As for the restricted shares granted to employees and senior management, the conditions for releasing the restrictions comprised two parts, namely the participants have not been terminated with or without cause on or before each relevant vesting date and the participants have obtained a score of B or above in the annual performance review prior to the applicable vesting date. The percentage of shares in respect of which the restrictions may be released depends on the achievement of those conditions. For the independent non-executive directors, the restricted shares would vest on condition that independent non-executive directors remain in service without any performance requirements.

36. SHARE-BASED PAYMENTS *(Continued)*

(b) RSUs granted to employees *(Continued)*

The 2021 RSU Scheme *(Continued)*

The following restricted shares were outstanding under the 2021 RSU Scheme during the year:

	2022 Number of RSUs '000	2021 Number of RSUs '000
Outstanding as of January 1, 2022	**367**	–
Granted during the year	**–**	467
Forfeited during the year	**(56)**	(31)
Exercised during the year	**(91)**	(69)
Outstanding as of December 31, 2022	**220**	367

The fair value of each RSUs under the 2021 RSU Scheme at the grant date was determined by reference to the fair value of the ordinary shares of the Company issued to its shareholders, using the market approach.

Under the 2021 RSU Scheme, the fair value of the RSUs granted during the year ended December 31, 2022 amounted to RMB17,980,000.

The Company recognized a share grant expense of RMB3,645,000 for the year ended December 31, 2022.

As at December 31, 2022, the Company had 220,000 RSUs outstanding. The exercise in full of the outstanding RSUs would, under the present capital structure of the Company, result in additional share capital and share premium of HK$9,900,000, equivalent to RMB8,503,000, transferred from capital and other reserves.

The 2022 RSU Scheme

On June 23, 2022, the Company approved and adopted the 2022 RSU Scheme. The purpose of the 2022 RSU scheme is to (i) incentivize the existing and incoming directors, senior management, and employees for their contribution to the Group; and (ii) 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 2022 RSU Scheme will remain in force for 10 years from the date of adoption.

The maximum number of RSUs that may be granted under the 2022 RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the 2022 Scheme Rules) shall be 5,272,695 Shares.

Pursuant to the 2022 RSU Scheme, on June 23, 2022, the Company initially granted an aggregate of 1,634,426 RSUs under the 2022 RSU Scheme (the "**2022 Awards**"), representing 1,634,426 shares to a total of 80 selected persons, who are employees of the Group, among which 100,000 RSUs, representing 100,000 shares, were granted to Dr. Zhai Yifan ("**Dr. Zhai**"), who is the chief medical officer and a substantial shareholder of the Company. The RSUs granted were categorized in six types based on the vesting period and the proportion of shares that can be unlocked upon each vesting dates.

36. SHARE-BASED PAYMENTS (Continued)

(b) RSUs granted to employees (Continued)

The 2022 RSU Scheme *(Continued)*

Details of the unlocking date are summarised as follows:

Type of eligible participants	Grant fair value HK$ per share	% of conditional shares	Vesting date	% of vested conditional shares
1	20.15	100%	June 8, 2021-2024	35%, 15%, 25%, 25%
2	20.15	100%	April 30, 2023-2026	25%, 25%, 25%, 25%
3	20.15	100%	June 8, 2023-2026	25%, 25%, 25%, 25%
4	20.15	100%	June 8, 2023-2024	40%, 60%
5	20.15	100%	June 8, 2023-2025	30%, 30%, 40%
6	20.15	100%	April 30, 2023-2026	23%, 69%, 6%, 2%

As for the restricted shares granted to employees and senior management, the conditions for releasing the restrictions comprised two parts, namely the participants having not been terminated with or without cause on or before each relevant vesting date and the participants having obtained a score of B or above in the annual performance review prior to the applicable vesting date. The percentage of shares in respect of which the restrictions may be released depends on the achievement of those conditions.

The following restricted shares were outstanding under the 2022 RSU Scheme during the year:

	Number of RSUs '000
Outstanding as of January 1, 2022	–
Granted during the year	1,634
Forfeited during the year	(499)
Exercised during the year	(14)
Outstanding as of December 31, 2022	1,121

The fair value of each RSUs under the 2022 RSU Scheme at the grant date was determined by reference to the fair value of the ordinary share of the Company issued to its shareholders, using the market approach.

Under 2022 RSU Scheme, the fair value of the RSUs granted during the year ended December 31, 2022 amounted to RMB28,287,000.

The Company recognized a share grant expense of RMB5,499,000 for the year ended December 31, 2022.

As at December 31, 2022, the Company had 1,121,000 RSUs outstanding. The exercise in full of the outstanding RSUs would, under the present capital structure of the Company, result in additional share capital and share premium of HK$22,586,000, equivalent to RMB19,399,000, transferred from capital and other reserves.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

i. In 2021, the Company granted 467,382 RSUs under the 2021 RSUs scheme to 37 grantees. During the year, the Company granted 1,634,426 RSUs under the 2022 RSUs scheme to 80 grantees, further details of which are given in note 36.

ii. During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB17,782,000 and RMB17,782,000, respectively, in respect of lease arrangements for buildings (2021: RMB15,132,000 and RMB15,132,000).

(b) Changes in liabilities arising from financing activities

	Accrued interest in other payables and accruals RMB'000	**Bank and other loans RMB'000**	**Lease liabilities RMB'000**
At January 1, 2022	**369**	**1,066,392**	**17,898**
Changes from financing cash flows	**(48,741)**	**709,113**	**(13,239)**
New leases	**–**	**–**	**17,782**
Interest expenses	**48,755**	**–**	**1,108**
Interest paid classified as financing cash flows	**–**	**–**	**(1,108)**
Effect of change in foreign exchange rates	**–**	**–**	**37**
Disposal of items of lease	**–**	**–**	**(5,256)**
At December 31, 2022	**383**	**1,775,505**	**17,222**

	Accrued interest in other payables and accruals RMB'000	Bank and other loans RMB'000	Lease liabilities RMB'000
At January 1, 2021	446	517,805	11,890
Changes from financing cash flows	(15,995)	548,587	(9,092)
New leases	–	–	15,132
Interest expenses	15,918	–	813
Interest paid classified as financing cash flows	–	–	(813)
Effect of change in foreign exchange rates	–	–	(32)
At December 31, 2021	369	1,066,392	17,898

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

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

	2022	2021
	RMB'000	RMB'000
Within operating activities	**124**	251
Within financing activities	**14,347**	9,905
	14,471	10,156

38. COMMITMENTS

(a) As at December 31, 2022, the Group had capital commitments of RMB2,269,000 relating to furniture and equipment. (December 31, 2021: RMB160,725,000).

(b) The Group has no lease contracts that have not yet commenced as at December 31, 2022.

39. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at the end of the reporting date.

40. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in notes 14, 15,16 and 30 to the financial statements.

41. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed in note 32 to the financial statements, the Group had the following transactions with related parties during the year.

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

	2022	2021
	RMB'000	RMB'000
Short term employee benefits	**21,168**	26,897
Equity-settled share-based payment expenses	**3,690**	4,781
Post-employment benefits	**911**	737
	25,769	32,415

Further details of directors' emoluments are included in note 9 to the financial statements.

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

2022

Financial assets

	Financial assets at fair value through profit or loss	Financial	
	Mandatorily designated as such at FVTPL RMB'000	assets at amortized cost RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables	–	12,554	12,554
Cash and bank balances	–	1,492,240	1,492,240
Trade receivables	–	54,356	54,356
Financial assets at FVTPL	2,609	–	2,609
Financial assets included in other non-current assets	–	6,500	6,500
	2,609	1,565,650	1,568,259

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition at FVTPL RMB'000	Financial liabilities at amortized cost RMB'000	Total RMB'000
Interest-bearing bank and other borrowings (current and non-current portion)	–	1,792,727	1,792,727
Trade payables	–	95,559	95,559
Financial liabilities included in other payables and accruals	–	100,691	100,691
Long-term payables (current and non-current portion)	–	54,412	54,412
Derivative financial instruments	2,822	–	2,822
	2,822	2,043,389	2,046,211

42. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2021

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such at FVTPL RMB'000	Financial assets at amortized cost RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables	–	4,304	4,304
Cash and bank balances	–	1,743,821	1,743,821
Trade receivables	–	53,968	53,968
Financial assets at FVTPL	11,645	–	11,645
	11,645	1,802,093	1,813,738

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition at FVTPL RMB'000	Financial liabilities at amortized cost RMB'000	Total RMB'000
Interest-bearing bank and other borrowings (current and non-current portion)	–	1,084,290	1,084,290
Trade payables	–	70,861	70,861
Financial liabilities included in other payables and accruals	–	100,086	100,086
Long-term payables (current and non-current portion)	–	71,490	71,490
Derivative financial instruments	22,256	–	22,256
	22,256	1,326,727	1,348,983

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets at FVTPL	**2,609**	11,645	**2,609**	11,645
Financial assets included in other non-current assets	**6,500**	–	**5,930**	–
	9,109	11,645	**8,539**	11,645
Financial liabilities				
Non-current portion of long-term payables	**35,331**	52,343	**35,331**	52,343
Derivative financial instruments	**2,822**	22,256	**2,822**	22,256
Non-current portion of interest-bearing bank and other borrowings (other than lease liabilities)	**1,265,200**	1,026,592	**1,215,510**	978,799
	1,303,353	1,101,191	**1,253,663**	1,053,398

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, the current portion of long-term payables, the current portion of interest-bearing bank and other borrowings, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments, or the interest rate is approximate to the discount rate of current market.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. 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 annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of financial assets included in other non-current assets, the non-current portion of interest-bearing bank and other borrowings, and non-current portion of long-term payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for other non-current assets, interest-bearing bank and other borrowings, and long-term payables as at December 31, 2022 was assessed to be insignificant.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair value of listed equity investment was based on quoted market prices. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3.

For Level 3 financial liabilities, the Group adopts the valuation techniques to determine the fair value. The fair value measurement of the financial instruments may involve unobservable inputs such as discount rate and possibility of payment. The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial assets in Level 3.

Unobservable inputs and sensitivity analysis of Level 3 liability

Below is a summary of the significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at December 31, 2022 and 2021.

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value of the input
Derivative financial instruments	Black-Scholes method	Volatility rate	2022: 68.07% (2021: 70.90%)	2022: 1% (December 31, 2021: 1%) increase/decrease in volatility rate would result in decrease/increase in fair value by 7% (2021:3%)

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 December 31, 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 FVTPL	**2,609**	**–**	**–**	**2,609**

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Assets measured at fair value *(Continued)*

As at December 31, 2021

	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 FVTPL	11,645	–	–	11,645

Liabilities measured at fair value

As at December 31, 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**
Derivative financial instruments	**–**	**–**	**2,822**	**2,822**

As at December 31, 2021

	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
Derivative financial instruments	–	–	22,256	22,256

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities measured at fair value *(Continued)*

The movements in the fair value measurements within Level 3 during the reporting period are as follows:

	2022 **RMB'000**	2021 RMB'000
Derivative financial instruments:		
Carrying amount at January 1	**22,256**	–
Addition during the year	**–**	103,853
Change in fair value during the year	**(19,434)**	(81,597)
	2,822	22,256

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 both financial assets and financial liabilities (2021: Nil).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts.

As at December 31, 2022, the total interest-bearing bank borrowings of 1,215,165,000 (December 31, 2021: 849,797,000) of the Group were with floating interest rates denominated in RMB.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

The following table demonstrates the sensitivity to a reasonably possible change in the RMB interest rate, with all other variables held constant, of the Group's loss before tax through the impact on floating rate borrowings. This analysis does not include the effect of interest capitalized.

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax RMB'000
2022		
RMB	**100**	**6,782**
RMB	**(100)**	**(6,782)**
2021		
RMB	100	4,458
RMB	(100)	(4,458)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity as at the end of each reporting period to a reasonably possible change in the US$ and HK$ exchange rates, with all other variables held constant, of the Group's loss before tax and in other comprehensive income (without tax) due to changes in the fair values of monetary assets and liabilities.

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in loss before tax RMB'000	Increase/ (decrease) in other comprehensive income (without tax) RMB'000
December 31, 2022			
If RMB weakens against US$	**5**	**(1,736)**	**28,911**
If RMB strengthens against US$	**(5)**	**1,736**	**(28,911)**
December 31, 2021			
If RMB weakens against US$	5	(11,391)	59,081
If RMB strengthens against US$	(5)	11,391	(59,081)

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in loss before tax RMB'000	Increase/ (decrease) in other comprehensive income (without tax) RMB'000
December 31, 2022			
If RMB weakens against HK$	**5**	**(16,418)**	**–**
If RMB strengthens against HK$	**(5)**	**16,418**	**–**
December 31, 2021			
If RMB weakens against HK$	5	(16,481)	–
If RMB strengthens against HK$	(5)	16,481	–

Credit risk

The Group trades only with recognized 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 bank balances, trade receivables, financial assets included in prepayments, deposits and other receivables and other non-current assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are gross carrying amounts for financial assets.

December 31, 2022	**12-month ECLs**	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets included in prepayments, other receivables and other assets					
– Normal**	**12,554**	**–**	**–**	**–**	**12,554**
Cash and bank balances					
– Not yet past due	**1,492,240**	**–**	**–**	**–**	**1,492,240**
Trade receivables*	**–**	**–**	**–**	**54,356**	**54,356**
Financial assets included in other non-current assets					
– Normal**	**6,500**	**–**	**–**	**–**	**6,500**
	1,511,294	**–**	**–**	**54,356**	**1,565,650**

December 31, 2021	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets					
– Normal**	4,304	–	–	–	4,304
Cash and bank balances					
– Not yet past due	1,743,821	–	–	–	1,743,821
Trade receivables*	–	–	–	53,968	53,968
	1,748,125	–	–	53,968	1,802,093

* For trade receivables to which the Group applies the simplified approach for impairment, information based on provision matrix is disclosed in note 24 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets and financial assets included in other non-current assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

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:

As at December 31, 2022

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	–	95,559	–	–	95,559
Lease liabilities	–	10,336	10,164	–	20,500
Interest-bearing bank and other borrowings (excluding lease liabilities)	–	584,745	1,287,271	104,076	1,976,092
Financial liabilities included in other payables and accruals	100,691	–	–	–	100,691
Long-term payables	–	20,000	40,000	–	60,000
Derivative financial instruments	2,822	–	–	–	2,822
	103,513	710,640	1,337,435	104,076	2,255,664

As at December 31, 2021

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	–	70,861	–	–	70,861
Lease liabilities	–	13,099	8,276	–	21,375
Interest-bearing bank and other borrowings (excluding lease liabilities)	–	89,804	1,003,853	137,793	1,231,450
Financial liabilities included in other payables and accruals	100,086	–	–	–	100,086
Long-term payables	–	20,000	60,000	–	80,000
Derivative financial instruments	22,256	–	–	–	22,256
	122,342	193,764	1,072,129	137,793	1,526,028

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in a financial asset at FVTPL (note 20) as at December 31, 2022. The Group's listed investment is listed on the NASDAQ and is valued at quoted market price at the end of the reporting period.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	December 31, 2022	**High/low 2022**	December 31, 2021	High/low 2021
United States – NASDAQ index	**10,466**	**15,852/ 10,089**	15,645	16,212/ 12,397

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments RMB'000	**Decrease/ (increase) in loss before tax RMB'000**
2022		
Investments listed in:		
NASDAQ – Financial assets at fair value through profit or loss	**2,609**	**130**
		(130)
2021		
Investments listed in:		
NASDAQ – Financial assets at fair value through profit or loss	11,645	582
		(582)

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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. No changes were made in the objectives, policies or processes for managing capital during the reporting year.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings (other than convertible bonds), trade payables, financial liabilities included in other payables and accruals and long-term payables, less cash and bank balances. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2022 **RMB'000**	2021 RMB'000
Interest-bearing bank and other borrowings	**1,792,727**	1,084,290
Trade payables	**95,559**	70,861
Financial liabilities included in other payables and accruals	**100,691**	100,086
Long-term payables	**54,412**	71,490
Less: Cash and bank balances	**(1,492,240)**	(1,743,821)
Net debt	**551,149**	(417,094)
Equity attributable to owners of the parent	**408,658**	1,234,737
Adjusted capital	**408,658**	1,234,737
Capital and net debt	**959,807**	817,643
Gearing ratio	**57%**	N/A*

* As at December 31, 2021, the Group's cash and bank balances exceeded the financial liabilities. As such, no gearing ratio as at December 31, 2021 was presented.

45. EVENT AFTER THE REPORTING PERIOD

The Company issued a total of 22,500,000 placing shares at a price of HK$24.45 per share on January 18, 2023. The net proceeds arising from the placing were approximately HK$543.9 million (RMB470.1 million).

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**217,312**	183,285
Total non-current assets	**217,312**	183,285
CURRENT ASSETS		
Prepayments, other receivables and other assets	**3,022,224**	2,548,712
Cash and bank balances	**332,161**	659,347
Total current assets	**3,354,385**	3,208,059
CURRENT LIABILITIES		
Other payables and accruals	**3,689**	448
Derivative financial instruments	**2,822**	22,256
Total current liabilities	**6,511**	22,704
NET CURRENT ASSETS	**3,347,874**	3,185,355
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,565,186**	3,368,640
Net assets	**3,565,186**	3,368,640
EQUITY		
Share capital	**180**	178
Treasury shares	**(26,552)**	(3)
Capital and reserves	**3,591,558**	3,368,465
Total equity	**3,565,186**	3,368,640

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital and reserves RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2021	1,085,120	2,217,288	(262,815)	(899,727)	2,139,866
Profit for the year	–	–	–	95,733	95,733
Other comprehensive loss for the year:					
Exchange differences on translation of foreign operations	–	–	(68,927)	–	(68,927)
Total comprehensive income for the year	–	–	(68,927)	95,733	26,806
Issue of ordinary shares	1,196,748	–	–	–	1,196,748
Share issue expenses	(16,071)	–	–	–	(16,071)
Repurchase of ordinary shares	(25,873)	–	–	–	(25,873)
Employees share-based compensation scheme					
Pre-IPO share option expenses	–	22,207	–	–	22,207
Restricted share unit expenses	–	24,764	–	–	24,764
Exercise of pre-IPO share options	41,523	(41,504)	–	–	19
Exercise of RSUs	15,325	(15,326)	–	–	(1)
At December 31, 2021 and January 1, 2022	**2,296,772**	**2,207,429**	**(331,742)**	**(803,994)**	**3,368,465**
Profit for the year	**–**	**–**	**–**	**9,600**	**9,600**
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	**–**	**–**	**191,598**	**–**	**191,598**
Total comprehensive income for the year	**–**	**–**	**191,598**	**9,600**	**201,198**
Employees share-based compensation scheme					
Pre-IPO share option expenses	**–**	**10,645**	**–**	**–**	**10,645**
Restricted share unit expenses	**–**	**11,460**	**–**	**–**	**11,460**
Exercise of pre-IPO share options	**37,484**	**(37,467)**	**–**	**–**	**17**
Exercise of RSUs	**13,473**	**(13,700)**	**–**	**–**	**(227)**
At December 31, 2022	**2,347,729**	**2,178,367**	**(140,144)**	**(794,394)**	**3,591,558**

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on March 22, 2023.