



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 **2023**

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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 |
| “2021 Warrants” | the unlisted warrants issued by the Company to Innovent pursuant to the Warrant Subscription Deed |
| “2022 RSU Scheme” | the restricted share unit scheme approved by the Board on June 23, 2022 (as amended from time to time) |
| “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 |
| “AML” | acute myelogenous leukemia |

Definitions

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|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “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 |
| “APG-2575” | our novel, orally administered Bcl-2 inhibitor |
| “APG-265” | a MDM2 protein degrader |
| “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. (蘇州亞盛馨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 |
| “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 |

Definitions

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|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “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 |
| “BTD” | breakthrough therapy designation |
| “BTK” | Bruton’s tyrosine kinase inhibitor |
| “BVI” | the British Virgin Islands |
| “CDE” | the center of drug evaluation of China |
| “CG Code” | the “Corporate Governance Code” as contained in Appendix C1 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 |

Definitions

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|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “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 |
| “EED” | Embryonic Ectoderm Development |
| “EGFR” | epidermal growth factor receptor |
| “ER+” | estrogen receptor positive |
| “EU” | European Union |

Definitions

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|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “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 |
| “GMP” | good manufacturing practice |
| “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 |

Definitions

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|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “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 |
| “Iisaftoclax (APG-2575)” | our novel, orally administered Bcl-2 inhibitor |
| “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 C3 to the Listing Rules |
| “MPNST” | malignant peripheral nerve sheath tumor |
| “Mr. Ren” | Mr. Ren Wei, an independent non-executive Director |
| “Mr. Ye” | Mr. Ye Changqing, an independent non-executive Director |
| “Mr. Zhu” | Mr. Zhu Gang, the chief commercial officer of the Company |
| “NASDAQ” | National Association of Securities Dealers Automated Quotations |
| “NCCN” | National Comprehensive Cancer Network |

Definitions

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|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “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 |
| “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” | 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 |
| “R/R” or “r/r” | disease or condition which become progressive after treatment (relapsed) or does not respond to the initial treatment (refractory) |
| “RECIST” | Response Evaluation Criteria in Solid Tumours |
| “Remuneration Committee” | the remuneration committee of the Board |
| “Reporting Period” | the one-year period from January 1, 2023 to December 31, 2023 |
| “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 |

Definitions

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| “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 |
| “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 |
| “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 |

Definitions

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| “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 |
| “WM” | waldenstrom macroglobulinemia |
| “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.

BOARD OF DIRECTORS

Executive Director

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

Non-executive Directors

Dr. Wang Shaomeng

Dr. Lu Simon Dazhong

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

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, | | | | |
|---------------------------------------|----------------------------------------|-----------|-----------|-----------|------------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | 14,513 | 12,450 | 27,910 | 209,711 | 221,984 |
| Research and development expenses | (463,883) | (564,571) | (766,491) | (743,104) | (706,972) |
| Administrative expenses | (161,643) | (128,970) | (143,513) | (170,595) | (181,076) |
| Loss for the year | (1,480,714) | (677,606) | (782,424) | (882,924) | (925,712) |
| Total comprehensive loss for the year | (1,579,513) | (740,809) | (813,702) | (821,427) | (899,453) |
| | | | | | |
| | As at December 31, | | | | |
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Total current assets | 909,105 | 1,079,044 | 1,885,280 | 1,636,488 | 1,344,178 |
| Total non-current assets | 295,945 | 651,995 | 1,054,780 | 1,193,773 | 1,156,215 |
| Total current liabilities | 202,062 | 276,148 | 361,109 | 881,152 | 934,173 |
| Total non-current liabilities | 112,513 | 608,270 | 1,344,214 | 1,540,451 | 1,495,588 |
| Total equity/(deficit) | 890,475 | 846,621 | 1,234,737 | 408,658 | 70,632 |

* 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, 2023.

2023 was a truly remarkable year for Ascentage Pharma as the Company achieved many major milestones. Ascentage Pharma's commercialized product, olverembatinib, the first and only third generation BCR-ABL1 tyrosine kinase inhibitor (TKI) approved in China, was included into the 2022 National Reimbursement Drug List (the "NRDL") in January 2023. The NRDL inclusion, which became effective in March 2023, has drastically improved the drug's affordability and accessibility. Compared to 2022, the sales volume of olverembatinib increased by 259% in 2023. Over the same period, the number of hospitals entered increased by 567%. As the accessibility improved, more patients were able to benefit from olverembatinib; the number of patients treated increased by 123%. Since its launch, olverembatinib has realized an accumulated invoiced sales revenue of RMB362.1 million (inclusive of value added tax) as of the end of 2023.

In addition, olverembatinib has been approved by the Center for Drug Evaluation ("CDE") of China National Medical Products Administration ("NMPA") for the treatment of adult patients with chronic-phase chronic myeloid leukemia (CML-CP) who are resistant and/or intolerant to first- and second-generation tyrosine kinase inhibitors (TKIs), significantly expanding the applicable patient population. Recently, as a recognition by leading international oncology community of its clinical utility, olverembatinib was included in the NCCN (National Comprehensive Cancer Network) guidelines for the management of CML.

The success olverembatinib achieved 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 2023.

As we continued to advance our pipeline products, we received clearance from the US Food and Drug Administration ("FDA") and CDE to commence five global registrational studies: (i) in February 2024, olverembatinib has received clearance from the FDA to initiate a Phase 3 registrational trial of olverembatinib in previously treated patients with CML-CP, both with and without the T315I mutation; (ii) in July 2023, a Phase 3 pivotal study of olverembatinib in combination with chemotherapy versus imatinib in combination with chemotherapy in patients with newly diagnosed Philadelphia chromosome-positive acute lymphoblastic leukemia (Ph+ ALL) has been approved by the CDE of NMPA; (iii) in December 2023, lisaftoclax (APG-2575), a Bcl-2 selective inhibitor with global best-in-class potential, received clearance from CDE to initiate global registrational Phase 3 clinical trial in newly diagnosed elderly or unfit patients with acute myelogenous leukemia (AML); (iv) in October 2023, we received clearance from CDE to initiate a global registrational Phase 3 clinical trial for lisaftoclax in treatment-naïve chronic lymphocytic leukemia (CLL) patients; and (v) in August 2023, we received clearance from the FDA to initiate a global registrational Phase 3 clinical trial for lisaftoclax in previously treated patients with chronic lymphocytic leukemia/small lymphocytic lymphoma (CLL/SLL).

In 2023, the clinical and pre-clinical results of a number of our key assets including olverembatinib, lisaftoclax, alrizomadlin (APG-115), pelcitoclax (APG-1252) and APG-2449 were presented in several international conferences, such as American Society of Clinical Oncology (ASCO) Annual Meeting, American Society of Hematology (ASH) Annual Meeting, American Association for Cancer Research (AACR) Annual Meeting and European Society of Medical Oncology (ESMO) Congress. Of note, data on olverembatinib in CML were selected for oral reports at ASH for the sixth consecutive year, underscoring the significant interest in the drug's efficacy and safety by the global hematology community. Preliminary positive clinical data of lisaftoclax in patients with multiple myeloma (MM), AML and myelodysplastic syndromes (MDS) were presented at ASH, suggesting potentially alternative breakthrough therapeutics for patients.

Chairman's Statement

With respect to our manufacturing capabilities, in April 2023, the Company received a zero-deficiency report from the GMP compliance audit of Ascentage Pharma's global manufacturing center by a Qualified Person (QP) of the EU. In 2023, we completed the technical transfer of the lisaftoclax (APG-2575) tablets, which allows us to internalize the production and supply of the drug for its global clinical trials. We completed the drug tablet coating and debossing development and the GMP production of olverembatinib tablets, preparing for the future applications to the global regulatory authorities including the FDA. Our manufacturing facilities will continue to support the clinical and commercial production of drug supply and product development and regulatory filings.

Looking into the new year, we will strengthen our commercial capabilities and expand coverage to improve patients' accessibility to olverembatinib. We will accelerate the global clinical development of olverembatinib, lisaftoclax and our other key assets, so as to bring these lifesaving products to the market and patients globally in the most efficient manner.

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 and Rockville, US, March 27, 2024

Management Discussion and Analysis

OVERVIEW

We are a commercial stage 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 host immunomodulatory function 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 BCR-ABL1 TKI, Bcl-2 and dual Bcl-2/Bcl-xL inhibitors, 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 our 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, 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, 2023:

| Compounds | Target | Indications | Preclinical | Phase I | Phase II | Registration Trial | NDA Approval | Trial Region | Rights Region | |
|--------------------------|-----------------|-----------------------------------|----------------|---------|----------|--------------------|--------------|--------------|---------------|---|
| Olverembatinib (HQP1351) | BCR-ABL/KIT | Resistant CML | [Progress bar] | | | | | | ● | ● |
| | | Resistant CML (Global-FDA) | [Progress bar] | | | | | | ● | ● |
| | | TN Ph+ ALL | [Progress bar] | | | | | | ● | ● |
| | | GIST | [Progress bar] | | | | | | ● | ● |
| Lisafitoclax (APG-2575) | Bcl-2 Selective | BTKi treated CLL/SLL (Global-FDA) | [Progress bar] | | | | | | ● | ● |
| | | r/r CLL/SLL (China) | [Progress bar] | | | | | | ● | ● |
| | | TN CLL/SLL (Global) | [Progress bar] | | | | | | ● | ● |
| | | AML | [Progress bar] | | | | | | ● | ● |
| | | WM | [Progress bar] | | | | | | ● | ● |
| | | MDS | [Progress bar] | | | | | | ● | ● |
| | | MM | [Progress bar] | | | | | | ● | ● |
| | | T-PLL | [Progress bar] | | | | | | ● | ● |
| | | MCL | [Progress bar] | | | | | | ● | ● |
| | | ER+/HER2-BC and Solid Tumors | [Progress bar] | | | | | | ● | ● |
| Alrizomadlin (APG-115) | MDM2-p53 | Melanoma and Solid Tumors | [Progress bar] | | | | | | ● | ● |
| | | ACC | [Progress bar] | | | | | | ● | ● |
| APG-1387 | IAP/XIAP | AML, MDS | [Progress bar] | | | | | | ● | ● |
| | | Solid tumors (IO Combo) | [Progress bar] | | | | | | ● | ● |
| | | PDAC+ Chemo | [Progress bar] | | | | | | ● | ● |
| Pelcitoclax (APG-1252) | Bcl-2/Bcl-xL | CHB | [Progress bar] | | | | | | ● | ● |
| | | NSCLC+ TKI | [Progress bar] | | | | | | ● | ● |
| | | SCLC+ Chemo | [Progress bar] | | | | | | ● | ● |
| | | NET | [Progress bar] | | | | | | ● | ● |
| APG-2449 | FAK/ALK/ROS1 | NHL | [Progress bar] | | | | | | ● | ● |
| | | NSCLC/Solid tumors | [Progress bar] | | | | | | ● | ● |
| APG-5918 | EED Selective | Tumors/Hemoglobinopathy | [Progress bar] | | | | | | ● | ● |
| APG-265 | PROTACs MDM2 | Tumors | [Progress bar] | | | | | | ● | ● |
| UBX1967/1325 | Bcl Family | DME | [Progress bar] | | | | | | ● | ● |

Management Discussion and Analysis

BUSINESS REVIEW

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

Core Product Candidate

Olverembatinib (HQP1351)

Our Core Product, olverembatinib, is a novel third-generation BCR-ABL1 inhibitor targeting *BCR-ABL1* mutants, including those with the T315I mutation. We believe olverembatinib has the potential to be a global best-in-class drug that addresses unmet medical needs in patients with CML and Ph+ ALL. Olverembatinib is the first marketed third-generation BCR-ABL1 inhibitor and is the only drug approved for treating CML patients with T315I mutations in China. Olverembatinib received support from the National Major New Drug Discovery and Manufacturing Program. In January 2023, olverembatinib has been included into the China 2022 NRDL, which bolstered the affordability and accessibility of the drug. Ascentage Pharma is committed to the expansion of commercialization and availability of olverembatinib in the China market and abroad.

Previously, olverembatinib was accepted by CDE with priority review status and also granted a BTM by CDE. It was granted ODD by FDA for the treatment of CML, AML, acute lymphoblastic leukemia (ALL), and 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 an Orphan Designation by the EMA (European Medicines Agency) for the treatment of CML.

The recent progress of olverembatinib is as follows:

Approval, recommendation and NRDL coverage

- Recently, olverembatinib was included in NCCN guidelines for the management of CML.
- In November 2023, olverembatinib has been approved by the CDE of NMPA for the treatment of adult patients with CML-CP who are resistant and/or intolerant to first- and second-generation TKIs.
- In May 2023, olverembatinib has been recommended by CDE for a BTM for the treatment of patients with SDH-deficient GIST who had received first-line treatment.
- In January 2023, olverembatinib has been included in the 2022 NRDL for the indication of T315I-mutant CML-CP and accelerated-phase CML (CML-AP). The inclusion in the NRDL will boost the accessibility of olverembatinib, allowing more CML patients to easily and affordably access olverembatinib.

Clinical progress

- In February 2024, olverembatinib received clearance from FDA to initiate a Phase 3 registrational trial of olverembatinib in previously treated patients with CML-CP, both with and without the T315I mutation (POLARIS-2).
- In July 2023, the Phase 3 pivotal study of olverembatinib, in combination with chemotherapy versus imatinib in combination with chemotherapy in patients with newly diagnosed Ph+ ALL has been approved by CDE, which may potentially make olverembatinib the first TKI for the first-line treatment of Ph+ ALL in China.

Management Discussion and Analysis

Data publication

- In December 2023, the results of multiple clinical studies of olverembatinib were presented at the 65th ASH Annual Meeting. The data presented in oral reports include the latest results from a randomized, controlled registrational Phase II study in patients with first- and second generation TKI-resistant CML-CP and preliminary results from a Phase II study of olverembatinib combined with venetoclax chemotherapy in treatment-naïve patients with Ph+ ALL.
- In October 2023, we presented the clinical studies of antitumor activity of olverembatinib in patients with TKI-resistant SDH-deficient GIST, at the 2023 ESMO Congress.
- In June 2023, the positive clinical data of olverembatinib in GIST were presented at the 2023 ASCO annual meeting. In this Phase 1b/2 study in China, olverembatinib was well tolerated and showed potent antitumor activity in patients with TKI-resistant SDH-deficient GIST.
- In April 2023, we presented the results of preclinical studies showing that olverembatinib enhances antitumor effects of immunotherapy in renal cell carcinoma (RCC), at the 2023 AACR. This novel combination may provide an alternative approach to enhance treatment effects with checkpoint inhibitors (CPIs) in renal cancers.

The expected progress of olverembatinib in 2024 is as follows:

- We expect to commence patient enrollment for the global registrational phase 3 trial for CML patients (POLARIS-2).
- We expect to continue to execute the global registrational clinical trial for Ph+ ALL patients.
- For SDH-deficient GIST, we will actively engage CDE for the discussion of a global pivotal study for the monotherapy treatment.

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 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 has received clearances and approvals for 21 Phase 1b/2 clinical studies in China, the United States, Australia, and Europe, with indications including CLL, non-Hodgkin's lymphoma (NHL), AML, MM, WM and solid tumors. More than 800 patients have been treated so far with lisaftoclax (APG-2575), among which approximately 400 patients are with CLL/SLL. Furthermore, FDA has granted five ODDs to lisaftoclax (APG-2575) for the treatment of patients with follicular lymphoma (FL), WM, CLL, MM, or AML.

Management Discussion and Analysis

The clinical development of lisaftoclax (APG-2575) is as follows:

Clinical progress

- In December 2023, we received clearance from CDE to initiate a global registrational Phase 3 clinical trial for our key clinical asset, lisaftoclax (APG-2575) in newly diagnosed old or unfit patients with AML.
- In October 2023, the CDE of NMPA approved a global pivotal registrational Phase 3 study designed to evaluate lisaftoclax (APG-2575), in combination with the BTK inhibitor acalabrutinib, versus immunochemotherapy in treatment-naïve patients with CLL/SLL, aiming to validate the combination regimen as a first-line treatment for CLL/SLL.
- In August 2023, we received clearance from FDA to initiate a global registrational Phase 3 clinical trial for lisaftoclax (APG-2575) in previously treated patients with CLL/SLL.
- Phase 1b/2 studies of lisaftoclax (APG-2575) as a single agent or in combinations for the treatment of patients with AML/MDS are ongoing in China.
- Phase 1b/2 studies of lisaftoclax (APG-2575) in combinations for the treatment of patients with AML/MDS are also ongoing in the United States.
- A Phase 1b/2 study of lisaftoclax (APG-2575) in combination for the treatment of patients with MM is ongoing in China.
- A Phase 1b/2 study of lisaftoclax (APG-2575) in combination for the treatment of patients with MM is also ongoing in the United States.
- A global Phase 1b/2 study of lisaftoclax (APG-2575), both as a single agent and in combinations with ibrutinib/rituximab for the treatment of patients with WM, is ongoing in the United States, Australia, and China.

Data publication

- In December 2023, we released clinical data on lisaftoclax in patients with CLL at the ASH Annual Meeting, which once again demonstrate the drug's promising efficacy and favorable tolerability in patients with CLL who were heavily pretreated and had prior exposure to Bruton's tyrosine kinase (BTK) inhibitors. In two other abstracts on lisaftoclax, results were disclosed from clinical studies of the drug as a single agent and in combination regimens in multiple hematologic malignancies, including MM, AML, and MDS.
- In June 2023, we released preliminary data of a phase 1b/2 study of lisaftoclax (APG-2575) alone or combined with ibrutinib or rituximab in patients with WM, at the ASCO annual meeting. Lisaftoclax (APG-2575) alone or combined with ibrutinib/rituximab demonstrated measurable effects in patients with treatment-naïve or BTKi-refractory WM.
- In April 2023, we released preclinical results on the combination of olverembatinib with lisaftoclax (APG-2575) to overcome resistance in GISTs, at the AACR annual meeting. Our results demonstrated that olverembatinib and lisaftoclax (APG-2575) have synergistic antitumor effects in imatinib-resistant GIST.

Management Discussion and Analysis

The expected progress of lisaftoclax (APG-2575) in 2024 is as follows:

- We expect to submit a new drug application (NDA) in China for lisaftoclax for the treatment of CLL/SLL in 2024.
- We expect to continue to execute the global registrational clinical trials in CLL/SLL and other hematologic tumors.

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 MDM2-p53 protein-protein interactions (PPIs). Alrizomadlin (APG-115) was designed to restore 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 hematologic malignancies.

The FDA has granted six ODDs for alrizomadlin (APG-115) for the treatment of soft-tissue sarcoma, gastric cancer (GC), AML, retinoblastoma, stage IIB-IV melanoma, and neuroblastoma. In addition, alrizomadlin (APG-115) has been granted two Rare Pediatric Disease (RPD) s by the FDA for the treatment of neuroblastoma and retinoblastoma.

The recent progress of alrizomadlin (APG-115) is as follows:

Clinical progress

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

- A Phase 1b/2 study of alrizomadlin (APG-115) monotherapy in patients with unresectable or metastatic melanomas (in collaboration with Merck & Co.) or other advanced solid tumors.
- A Phase 1b/2 study of alrizomadlin (APG-115) alone or in combination with azacytidine in patients with relapsed/refractory (R/R) AML, chronic myelomonocytic leukemia (CMML), or MDS.
- An investigator-initiated trial (IIT) of alrizomadlin (APG-115) monotherapy in a Phase 2 study for the treatment of salivary gland cancer.

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

- A Phase 1b/2 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 1b study of alrizomadlin (APG-115) single agent or in combination with azacytidine or cytarabine in patients with R/R AML and relapsed/progressed high-/very high-risk MDS.
- A phase 1 clinical study of alrizomadlin (APG-115) alone or in combination with lisaftoclax (APG-2575) in children with recurrent or refractory neuroblastoma or other solid tumors.

Management Discussion and Analysis

Data publication

- In June 2023, the latest result of a phase 2 study of alrizomadlin (APG-115) in combination with pembrolizumab in patients with unresectable or metastatic cutaneous melanoma that has failed immuno-oncologic (IO) drugs was presented at the ASCO annual meeting. The results showed that alrizomadlin (APG-115) combined with pembrolizumab is well tolerated and demonstrates clinical efficacy in these patients with cutaneous melanoma that had progressed on PD-1/PD-L1 immunotherapy.
- In June 2023, the latest result of a phase 2 study of alrizomadlin (APG-115) in combination with pembrolizumab in patients with MPNST was presented at ASCO. The results showed that alrizomadlin combined with pembrolizumab is well tolerated and demonstrates clinical efficacy in these patients with MPNST that progressed on available therapy or in those for whom therapy was unavailable.
- In April 2023, we presented the results of preclinical studies showing that MDM2 inhibitor alrizomadlin (APG-115) promotes antitumor activity of mitogen-activated protein kinase (MAPK) inhibitors in uveal melanoma (UM), at the AACR meeting. These results demonstrate the potential utility of combining alrizomadlin with MAPK pathway inhibitors to treat patients with UM.

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, 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), NSCLC, neuroendocrine tumor (NET), and NHL. It was granted an ODD by FDA for the treatment of SCLC.

As of December 31, 2023, a total of 205 patients have been treated with pelcitoclax (APG-1252) as a monotherapy or in combination with other antitumor agents. Three phase 1 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.

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

Clinical progress

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

- A Phase 1b study of pelcitoclax (APG-1252) plus osimertinib in patients with Epidermal growth factor receptor (*EGFR*) mutant NSCLC, in China;
- A Phase 1b study of pelcitoclax (APG-1252) as a monotherapy in neuroendocrine tumors from the pancreas or other parts of the gastrointestinal tract, in China; and
- A Phase 1b/2 study of pelcitoclax (APG-1252) as a single agent or in combination with other therapeutic agents in patients with R/R NHL, in China.

Management Discussion and Analysis

Data publication

- In October 2023, we presented the latest data from a study of pelcitoclax (APG-1252), a Bcl-2/Bcl-xL dual-targeted inhibitor, combined with osimertinib in patients with EGFR-mutant NSCLC, at the 2023 ESMO Congress. The clinical data demonstrated promising therapeutic utility of pelcitoclax combined with osimertinib in patients with EGFR-mutant NSCLC.
- Recently, we posted the results of the first-in-human study with preclinical data of BCL-2/BCL-xL inhibitor pelcitoclax in locally advanced or metastatic solid tumors in clinical cancer research.

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

Other Clinical or IND-Stage Candidates

APG-1387

APG-1387 is a novel, small-molecule inhibitor of inhibitor of apoptosis proteins (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 hepatitis B virus (HBV) infection.

As of December 31, 2023, a total of 260 patients were enrolled and treated in the whole APG-1387 program.

The recent progress of APG-1387 is as follows:

As for the two HBV studies:

- We have already completed a phase 1 study of APG-1387 monotherapy in treatment-naïve CHB patients.
- A Phase 2 clinical trial of APG-1387 combined with entecavir in the treatment of CHB patients is in progress. The Phase 1 safety assessment has been completed. Based on the well-tolerated safety data, the study entered Phase 2, which is the efficacy evaluation of APG-1387 in combination with entecavir compared to entecavir monotherapy.

Studies in relation to other indications are as follows:

- A Phase 1 clinical trial conducted in the United States for the combination of APG-1387 and pembrolizumab in the treatment of solid tumors was completed.
- In China, a Phase 1b/2 clinical trial of APG-1387 in combination with toripalimab (拓益) (another anti-PD-1 monoclonal antibody) in solid tumors is currently being conducted. The phase 1b patient enrollment has been completed, the trial has entered into phase 2, and the nasopharyngeal carcinoma (NPC) cohort is open. Among 10 efficacy-evaluable patients in PD-1-naïve and previous treatment-failed NPC, 5 achieved objective responses, including 1 complete response (CR) and 4 partial responses (PRs), per RECIST 1.1.
- A Phase 1/2 study to investigate the combination of APG-1387 with chemotherapy (nab-paclitaxel and gemcitabine (“**AG**”)) for the treatment of advanced pancreatic cancer is ongoing. Among 4 AG-naïve and previous treatment-failed patients, 2 achieved confirmed PRs.

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Management Discussion and Analysis

APG-2449

APG-2449 is a novel, orally active, small-molecule focal adhesion kinase (FAK)/anaplastic lymphoma kinase (ALK) and 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* wild-type or *EML4-ALK L1196M* mutation and hence inhibited the proliferation of tumor cells by the ALK pathway. Emerging clinical data demonstrated an efficacy signal in patients who failed second-generation ALK TKI treatment.

The recent progress of APG-2449 is as follows:

- Updated data results from the APG-2449 Phase 1 study were presented at the 2023 ASCO meeting. Updated data demonstrated continued good safety and tolerability and preliminary efficacy in ALK-positive NSCLC patients (both TKI treatment naïve and second-generation TKI treatment-resistant). In addition, initial efficacy was also observed in a ROS1-positive NSCLC patient. Exploratory biomarker research indicated that FAK inhibition could provide a novel treatment strategy for NSCLC patients who are resistant to second-generation ALK inhibitors.
- A Phase 1b/2 study of APG-2449 in combination with liposomal doxorubicin hydrochloride in platinum-resistant ovarian cancer is ongoing.

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET APG-2449 SUCCESSFULLY.

APG-5918

APG-5918 is a potent, orally available, and highly selective Embryonic Ectoderm Development (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 hematologic malignancies and solid tumors carrying specific mutations. In addition, APG-5918 demonstrated potential for treating beta-hemoglobinopathy, including sickle-cell disease and β -thalassemia. APG-5918 showed overall favorable drug metabolism and pharmacokinetics (DMPK) and toxicological profiles (TOX profiles).

The recent progress of APG-5918 is as follows:

- In January 2023, APG-5918 obtained approval from CDE to initiate a clinical study in patients with anemia-related indications. During the Reporting Period, the first part of the dose escalation study in healthy subjects has been completed, and the second part has been initiated.
- In November 2023, we published the abstract about APG-5918 improves chronic kidney disease- (CKD)-induced hemoglobin insufficiency in preclinical models of anemia at ASH annual meeting.

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET APG-5918 SUCCESSFULLY.

Management Discussion and Analysis

Lead Preclinical Asset

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 potency 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 accomplishment in researching, developing, and commercializing biopharmaceuticals. We plan to continue to diversify and expand our product pipeline through both in-house research and development and collaboration with biotechnology and pharmaceutical companies, as well as academic institutions. We have an experienced scientific advisory board (SAB), chaired by Dr. Wang, our cofounder 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 periodically provide us with assistance and guide our clinical development programs through regularly scheduled SAB meetings.

For the years ended December 31, 2022 and 2023, our research and development expenses were RMB743.1 million and RMB707.0 million, respectively.

INTELLECTUAL PROPERTY RIGHTS

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 rights to issued patents or patent applications worldwide with respect to our product candidates. As of December 31, 2023, we had 498 issued patents globally, among which 352 issued patents were issued outside of China.

COMMERCIALIZATION

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

We have established a fully functional commercialization team consisting of more than 100 staff. Our team, together with Innovent Biologics, Inc. (1801.HK) ("**Innovent Biologics**"), had covered 117 distributors and over 800 hospitals. By the end of 2023, we have entered 526 direct-to-pharmacy (DTP) pharmacies and hospitals.

In 2023, Ascentage Pharma's commercial team organized a variety of online and offline promotional activities. They also educated health care professionals (HCPs) concerning olverembatinib's clinical benefits, which enhanced 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 CML-CP and CML-AP. The new version of the NRDL took effect on March 1, 2023 in China. The inclusion will bolster the accessibility of olverembatinib, allowing more CML patients to easily and affordably access. We will collaborate with Innovent Biologics to accelerate the target hospital listings and medical insurance pharmacies, bolstering the accessibility of olverembatinib and laying a solid foundation for accessibility of our products in the future for new approved indications.

Management Discussion and Analysis

In November 2023, olverembatinib was approved by NMPA for treatment of CML-CP patients who are resistant and/or intolerant to first- and second-generation TKI treatment. We will actively consider and apply for the inclusion of new indications in the NRDL in the second half of 2024. We also actively promote the inclusion of commercial medical insurance projects in various cities to enhance affordability for patients.

Recently, olverembatinib was also included in the NCCN guidelines for the management of CML. Olverembatinib has been highly recognized by clinical practice guidelines globally. Ascentage Pharma is committed to the expansion of commercialization and availability of olverembatinib in the China market and abroad.

CHEMISTRY, MANUFACTURING AND CONTROL

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 and the manufacturing center were put into use in the second half of 2021 and the fourth quarter of 2022, respectively.

The Suzhou manufacturing center has more than 20,000 square meters of floor area, and the manufacturing capacity for both oral solid tablets and capsules is up to 250 million dosage units per year. We also maintain manufacturing capability for injectable drug products, including lyophilized formulations at the Suzhou center. In the fourth quarter of 2022, the Company was issued a Drug Manufacturing License (Certificate A), which 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 center is enabling further transformation from a biotech company to a biopharma company.

In April 2023, the Company received a zero-deficiency report from the GMP compliance audit of Ascentage Pharma's global manufacturing center by a Qualified Person (QP) of the EU. This successful audit indicates that the Company's Global Manufacturing Center and quality management system implemented at the site are compliant with the standards of the EU GMP, marking the achievement of a major milestone that will pave the way for the Company's continued global expansion.

In 2023, we completed the technical transfer of the lisaftoclax (APG-2575) tablets, which allows us to internalize the production and supply of the drug for its global clinical trials. We completed the drug tablet coating and debossing development and the GMP production of olverembatinib tablets, preparing for the future applications to the global regulatory authorities including the FDA. Our manufacturing facilities will continue to support the clinical and commercial production of drug supply and product development and regulatory filings.

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 preclinical test articles and clinical trial materials for some of our drug candidates.

Management Discussion and Analysis

FINANCIAL REVIEW

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

| | Year ended December 31, | |
|---------------------------------------|-------------------------|-----------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Revenue | 221,984 | 209,711 |
| Other income and gains | 59,316 | 66,972 |
| Selling and distribution expenses | (195,387) | (157,421) |
| Research and development expenses | (706,972) | (743,104) |
| Administrative expenses | (181,076) | (170,595) |
| Finance costs | (96,057) | (52,785) |
| Other expenses | (5,203) | (17,674) |
| Loss for the year | (925,712) | (882,924) |
| Total comprehensive loss for the year | (899,453) | (821,427) |

1. Overview

For the year ended December 31, 2023, the Group recorded revenue of RMB222.0 million, as compared with RMB209.7 million for the year ended December 31, 2022, and a total comprehensive loss of RMB899.5 million, as compared with RMB821.4 million for the year ended December 31, 2022. The loss of the Group was RMB925.7 million for the year ended December 31, 2023, as compared with RMB882.9 million for the year ended December 31, 2022. The selling and distribution expenses of the Group was RMB195.4 million for the year ended December 31, 2023, as compared with RMB157.4 million for the year ended December 31, 2022, the increase was attributable to the increase in selling and distribution expenses incurred in the commercialization of olverembatinib and other products. The research and development expenses of the Group was RMB707.0 million for the year ended December 31, 2023, as compared with RMB743.1 million for the year ended December 31, 2022. The administrative expenses of the Group was RMB181.1 million for the year ended December 31, 2023, as compared with RMB170.6 million for the year ended December 31, 2022.

2. Revenue

For the year ended December 31, 2023, the Group generated revenue of RMB222.0 million from the sales of pharmaceutical products, commercialization license fee income from Innovent Suzhou and service income, as compared to RMB209.7 million for the year ended December 31, 2022, representing an increase of RMB12.3 million, or 5.9%, which was primarily attributable to the rise in sales of pharmaceutical products.

Management Discussion and Analysis

3. 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; and (iii) interest income on term deposit at banks. 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.

Other income and gains for the year ended December 31, 2023 was RMB59.3 million, as compared to RMB67.0 million for the year ended December 31, 2022, representing a decrease of RMB7.7 million, or 11.5%, which was primarily attributable to (i) the decrease in government grants related to income to RMB19.4 million for the year ended December 31, 2023, as compared with RMB33.6 million for the year ended December 31, 2022; (ii) the decrease in fair value gain on derivative financial instruments to RMB2.8 million for the year ended December 31, 2023, which arose from the Warrants subscribed by Innovent on July 14, 2021, as compared with RMB19.4 million for the year ended December 31, 2022; and (iii) partially offset by the increase in bank interest income to RMB32.4 million for the year ended December 31, 2023, as compared with RMB9.7 million for the year ended December 31, 2022.

4. Selling and Distribution Expenses

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

For the year ended December 31, 2023, the selling and distribution expenses of the Group increased by RMB38.0 million or 24.1% to RMB195.4 million, as compared to RMB157.4 million for the year ended December 31, 2022. The increase was attributable to the increase in selling and distribution expenses incurred in the commercialization of olverembatinib and other products.

5. 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, 2023, the research and development expenses of the Group decreased by RMB36.1 million, or 4.9% to RMB707.0 million from RMB743.1 million for the year ended December 31, 2022. The decrease was attributable to the decrease in outsourced services.

Management Discussion and Analysis

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

| | Year ended December 31, | |
|--------------------------------------------|-------------------------|---------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Internal research and development expenses | 199,967 | 186,761 |
| External research and development expenses | 84,577 | 148,447 |
| Staff costs | 291,902 | 299,002 |
| IP expenses | 10,704 | 5,016 |
| Materials | 12,218 | 24,191 |
| Depreciation and amortization | 33,139 | 20,664 |
| Share option and RSU expenses of R&D staff | 26,159 | 15,762 |
| Others | 48,306 | 43,261 |
| Total | 706,972 | 743,104 |

6. Administrative Expenses

For the year ended December 31, 2023, the administrative expenses of the Group increased by RMB10.5 million, or 6.2% to RMB181.1 million from RMB170.6 million for the year ended December 31, 2022. The increase was primarily attributable to the increase in 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, | |
|-------------------------------|-------------------------|---------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Share option and RSU expenses | 4,512 | 4,895 |
| Staff costs | 60,910 | 68,583 |
| Depreciation and amortization | 52,570 | 35,321 |
| Others | 63,084 | 61,796 |
| Total | 181,076 | 170,595 |

7. Finance Costs

Finance costs represented mainly interest expenses from bank borrowings and other borrowings.

For the year ended December 31, 2023, the finance costs of the Group increased by RMB43.3 million, or 82.0% to RMB96.1 million from RMB52.8 million for the year ended December 31, 2022. The increase was primarily attributable to additional interest incurred in relation to bank borrowings.

Management Discussion and Analysis

8. Other Expenses

The Group's other expenses mainly consisted of (i) fair value loss on financial assets at FVTPL; and (ii) donations.

For the year ended December 31, 2023, the Group reported other expenses of RMB5.2 million, as compared to other expenses of RMB17.7 million for the year ended December 31, 2022, which represented a decrease of RMB12.5 million, or 70.6%. The decrease was primarily attributable to (i) the decrease of fair value loss on financial assets at FVTPL from RMB9.8 million for the year ended December 31, 2022 to RMB0.7 million for the year ended December 31, 2023; and (ii) the decrease of the realized and unrealized losses from foreign exchange from RMB2.6 million for the year ended December 31, 2022 to the realized and unrealized gains from foreign exchange being RMB1.6 million for the year ended December 31, 2023.

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.

9. Loss for the Reporting Period

As a result of the foregoing, the loss of the Company increased by RMB42.8 million, or 4.8%, to RMB925.7 million for the year ended December 31, 2023 from RMB882.9 million for the year ended December 31, 2022.

10. Cash Flows

For the year ended December 31, 2023, net cash outflows used in operating activities of the Group amounted to RMB726.1 million, as compared to that of RMB653.9 million for the year ended December 31, 2022, the increase was mainly due to the expansion of commercialization of olverembatinib.

For the year ended December 31, 2023, net cash inflows from investing activities of the Group amounted to RMB21.9 million, which mainly consisted of (i) the net increase in property, plant and equipment and other intangible assets of RMB56.8 million; and (ii) payment of contingent consideration in relation to our acquisition of Healthquest Pharma in December 2016 of RMB20.0 million and the decrease in time deposits with original maturity of more than three months of RMB98.8 million. 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, 2023, net cash inflows from financing activities of the Group amounted to RMB368.8 million, which mainly consisted of (i) net proceeds of RMB470.1 million from the issuance of shares through the 2023 Placing; and (ii) interest paid which amounted to RMB92.3 million. For the year ended December 31, 2022, net cash inflows from financing activities amounted to RMB619.3 million, which mainly consisted of net borrowings of RMB709.1 million from banks.

Management Discussion and Analysis

11. Key Financial Ratios

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

| | As at December 31, 2023 | 2022 |
|------------------------------|------------------------------------|-------|
| Current ratio ⁽¹⁾ | 1.4 | 1.9 |
| Quick ratio ⁽²⁾ | 1.4 | 1.8 |
| Gearing ratio ⁽³⁾ | 993.5% | 73.5% |

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%. The increase was primarily attributable to (i) the decrease of cash and bank balances from RMB1,492.2 million for the year ended December 31, 2022 to RMB1,093.8 million for the year ended December 31, 2023; and (ii) the decrease of total equity from RMB408.7 million for the year ended December 31, 2022 to RMB70.6 million for the year ended December 31, 2023.

12. Significant Investments

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

13. 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 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.

14. 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, 2023.

Management Discussion and Analysis

15. Bank Loans and Other Borrowings

As at December 31, 2023, we had bank loans of RMB1,772.9 million denominated in RMB and lease liabilities of RMB22.7 million.

As at December 31, 2023, RMB700.6 million of the Group's borrowings were at fixed interest rates.

2023

| | Effective interest rate per annum (%) | Maturity | RMB'000 |
|-----------------------------------------------------|------------------------------------------------------------|-------------|------------------|
| Current | | | |
| Short-term borrowing | 3.15 | 2024 | 120,000 |
| Current portion of long term bank loans – unsecured | 1 year LPR-0.15 to 0.65 or 1 year LPR+0.55 to 0.7 | 2024 | 322,500 |
| Current portion of long term bank loans – unsecured | 2.95 – 4.75 | 2024 | 155,050 |
| Current portion of long-term bank loans – secured* | 5 year LPR-0.85 | 2024 | 9,097 |
| Lease liabilities | 4.00 – 4.35 | 2024 | 9,757 |
| Total – current | | | <u>616,404</u> |
| Non-current | | | |
| Bank loans – unsecured | 1 year LPR-0.15 to 0.65 or 1 year LPR+0.65 | 2025 – 2026 | 147,000 |
| Bank loans – unsecured | 3.00 – 4.55 | 2025 – 2028 | 425,570 |
| Bank loans – secured* | 5 year LPR-0.85 | 2025 – 2038 | 593,697 |
| Lease liabilities | 4.00 – 4.35 | 2025 – 2028 | 12,924 |
| Total – non-current | | | <u>1,179,191</u> |
| Total | | | <u>1,795,595</u> |

Note: LPR represents the Loan Prime Rate.

* The bank loans amounting to RMB602,794,000 (December 31, 2022: RMB561,510,000) were secured by the pledge of the Group's buildings with a net carrying amount of approximately RMB769,776,000 (December 31, 2022: buildings with a net carrying amount of RMB454,131,000, construction in progress with a carrying amount of RMB17,833,000 and investment property with a net carrying amount of approximately RMB355,425,000) and right-of-use assets with a net carrying amount of approximately RMB27,598,000 (December 31, 2022: RMB28,728,000) as at December 31, 2023. Such loans were also guaranteed by two of the Group's subsidiaries.

The unsecured bank loans amounting to RMB377,620,000 (2022: RMB257,120,000) were guaranteed by the Group's subsidiaries as at December 31, 2023.

Management Discussion and Analysis

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

| | As at December 31, | |
|----------------------------------------|--------------------|-----------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Analysed into: | | |
| Within one year | 616,404 | 518,383 |
| In the second year | 428,783 | 384,479 |
| In the third to fifth years, inclusive | 238,580 | 788,355 |
| Beyond five years | 511,828 | 101,510 |
| Total | 1,795,595 | 1,792,727 |

16. Charges on Group Assets

As at December 31, 2023, the Group had pledged the Group's right-of-use assets with a carrying amount of approximately RMB27.6 million, the buildings with a carrying amount of approximately RMB769.8 million.

17. Contingent Liabilities

As at December 31, 2023, the Group did not have any material contingent liabilities.

18. 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, 2023, the Group's cash and bank balances decreased to RMB1,093.8 million from RMB1,492.2 million as at December 31, 2022.

As at December 31, 2023, the Group's cash and bank balances were held mainly in U.S. dollars, Hong Kong dollars and RMB.

As at December 31, 2023, the Group had not used any financial instruments for hedging purposes.

As at December 31, 2023, the current assets of the Group were RMB1,344.2 million, including cash and bank balances of RMB1,093.8 million, inventory balances of RMB16.2 million, trade receivable balances of RMB145.9 million and prepayments, other receivables and other current assets of RMB88.3 million.

As at December 31, 2023, the current liabilities of the Group were RMB934.2 million, including trade payables of RMB72.4 million, other payables and accruals of RMB206.9 million, borrowings of RMB616.4 million and contract liabilities of RMB38.4 million.

As at December 31, 2023, the non-current liabilities of the Group were RMB1,495.6 million, including long term borrowings of RMB1,179.2 million, contract liabilities of RMB251.2 million, long term payables and deferred income of RMB54.7 million and deferred tax liability of RMB10.5 million.

Management Discussion and Analysis

19. Employees and Remuneration Policies

The following table sets forth a breakdown of our employees as at December 31, 2023 by function:

| Function | Number | % |
|---------------------------|------------|--------------|
| Research and Development | 401 | 68.8 |
| Commercial | 108 | 18.5 |
| Administrative and others | 74 | 12.7 |
| Total | 583 | 100.0 |

As at December 31, 2023, we had 583 full-time employees, including a total of 47 employees with M.D. or Ph.D. degrees. Of these, 401 are engaged in full-time research and development and laboratory operations and 182 are engaged in full-time general and administrative and commercial functions, and business development function. Our research and development personnel includes 41 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, 2023, we had 159 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, 2022 and 2023, employee benefit expense amounted to RMB427.6 million and RMB413.0 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.

Management Discussion and Analysis

On May 4, 2023, the Company granted 1,379,094 RSUs under the 2022 RSU Scheme, representing 1,379,094 Shares to 172 selected persons (“**2022 Further Grant**”), who are employees of the Group. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, all of the selected persons are third parties independent of the Company and are not connected persons of the Company, and none of them is a director, chief executive or substantial shareholder of the Company or any of its subsidiaries, or an associate (as defined under the Listing Rules) of any of them as at the date of the 2022 Further Grant.

On May 19, 2023, the Company granted 1,528,514 RSUs, representing 1,528,514 Shares, under the 2021 RSU Scheme to 491 selected persons of the 2021 RSU Scheme (the “**2021 Further Grant**”), who are employees of the Group. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, all of the 491 selected persons are third parties independent of the Company and are not connected persons of the Company, and none of them is a director, chief executive or substantial shareholder of the Company or any of its subsidiaries, or an associate (as defined under the Listing Rules) of any of them as at the date of the 2021 Further Grant.

On May 19, 2023, the Company granted an aggregate of 1,237,884 RSUs, representing 1,237,884 Shares, under the 2018 RSU Scheme to 73 selected persons of the 2018 RSU Scheme (the “**2018 Further Grant**”), who are employees of the Group, among which 46,972 RSUs, representing 46,972 Shares, were granted to Dr. Yang, who is the executive Director and the chief executive officer of the Company, and 126,000 RSUs, representing 126,000 Shares, were granted to Dr. Zhai, who is the chief medical officer and a substantial shareholder of the Company. Save as disclosed above, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the other 71 selected persons are third parties independent of the Company and are not connected persons of the Company, and none of them is a director, chief executive or substantial shareholder of the Company or any of its subsidiaries, or an associate (as defined under the Listing Rules) of any of them as at the date of the 2018 Further Grant. Dr. Yang, being the executive Director and the chief executive officer of the Company, and Dr. Zhai, being a substantial shareholder of the Company and the spouse of Dr. Yang, are connected persons of the Company under Chapter 14A of the Listing Rules.

Accordingly, the awards granted to each of Dr. Yang and Dr. Zhai under the 2018 Further Grant constitute connected transactions of the Company under Chapter 14A of the Listing Rules. However, (i) as no new Shares will be allotted and issued upon the vesting of such awards granted to Dr. Yang under the 2018 Further Grant; and (ii) the grant of awards to Dr. Yang under the 2018 Further Grant was made pursuant to his service contract with the Company and form part of his remuneration package thereunder, the grant of awards to Dr. Yang under the 2018 Further Grant is exempt from the reporting, announcement and independent shareholders’ approval requirements under Rules 14A.73(6) and Rule 14A.95 of the Listing Rules. Further, based on the closing price of HK\$19.28 as quoted on the Stock Exchange on May 19, 2023 (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\$2,429,280. 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.

Management Discussion and Analysis

For further details of the Pre-IPO Share Option Scheme and the Post-IPO Share Option 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 2018 RSU Scheme and the grant of RSUs thereunder, please refer to the Prospectus and the relevant announcements of the Company dated February 2, 2021 and May 29, 2023. 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, July 23, 2021 and May 29, 2023, the circular of the Company dated August 31, 2021 and the poll results announcement of the Company dated September 20, 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, October 31, 2022, May 8, 2023, November 13, 2023, November 14, 2023, November 16, 2023 and February 2, 2024.

FUTURE AND OUTLOOK

Leveraging our extensive experience in the global biotechnology industry, we will continue to accelerate our development of nine drug candidates across 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 by accelerating clinical trial site 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 commercialization of our other drug candidates, we plan to capture additional commercialization opportunities in global pharmaceutical markets by actively pursuing strategic partnerships with global biotechnology and pharmaceutical companies for cooperation over our pipeline assets.

In addition, we expect to expand our intellectual property portfolio by actively seeking patent rights for our product candidates. As of December 31, 2023, we had 498 issued patents globally, among which 352 issued 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 “cutting-edge, patient-centric” innovative therapies with improved efficacy and safety profiles and affordable costs for patients to address their unmet medical needs, improve patient health, and extend benefits to 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

Subsequent to year ended December 31, 2023 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 and Senior Management

DIRECTORS

Executive Director

Yang Dajun (楊大俊), M.D., Ph.D., aged 61, 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 60, 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

Lu Simon Dazhong (呂大忠), Ph.D., aged 55, 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 23 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).

Independent non-executive Directors

Ye Changqing (葉長青), aged 53, 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 30 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 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.

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 43, 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 July 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 63, 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.

Directors and Senior Management

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 61, is the Chairman, chief executive officer and an executive Director. Please refer to “Directors – Executive Director” in this section for his biography.

Zhai Yifan (翟一帆), M.D., Ph.D., aged 61, 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 66, 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.

Directors and Senior Management

Thomas Joseph Knapp, aged 71, 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.

COMPANY SECRETARY

Wong Cheung Ki Johnny (王章旗), aged 40, 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**").

Report of the Directors

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, 2023 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, 2023 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, 2022 and 2023.

The Board does not recommend payment of a dividend for the year ended December 31, 2023.

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 C2 of the Listing Rules applicable to the financial year ended December 31, 2023, 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.

Report of the Directors

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.

Report of the Directors

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.

Report of the Directors

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, 2023, 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 88.8% and 48.4%, 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 12.0% and 3.5%, 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, 2023 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, 2023 and details of the Shares issued during the year ended December 31, 2023 are set out in Note 34 to the consolidated financial statements.

DONATION

During the year ended December 31, 2023, the Group made RMB2.0 million of charitable donations to Peking University Education Foundation, RMB1.1 million of charitable donations to Beijing Health Alliance Charitable Foundation and RMB0.9 million of charitable donations to other foundations.

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December 31, 2023.

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, 2023.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2023.

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, 2023. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

Report of the Directors

DISTRIBUTABLE RESERVES

As at December 31, 2023, 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, 2023 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

Each of our executive Directors 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, 2023.

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, 2023.

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

Save as disclosed herein, there is no change in information of Directors, since the date of publication of the annual report of the Company for the year ended 31 December 2022, which are required to be disclosed pursuant to Rule 13.51B(l) of the Listing Rules.

Report of the Directors

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, 2023, 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 C3 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 | Interests held jointly with other persons ⁽²⁾ Interest of spouse ⁽³⁾ Settlor of discretionary trust ⁽⁴⁾ Beneficial owner ⁽⁷⁾ | 64,585,929 | 22.26% |
| Dr. Wang | Interests held jointly with other persons ⁽²⁾ Settlor of discretionary trust ⁽⁴⁾ | 64,585,929 | 22.26% |
| 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 ⁽¹²⁾ | 64,585,929 | 22.26% |
| Dr. Lu Simon Dazhong | Beneficial owner ⁽⁶⁾ | 41,457 | 0.01% |
| Mr. Ye Changqing | Beneficial owner ⁽⁸⁾ | 8,964 | 0.003% |
| Dr. Yin Zheng | Beneficial owner ⁽⁹⁾ | 8,964 | 0.003% |
| Mr. Ren Wei | Beneficial owner ⁽¹⁰⁾ | 8,964 | 0.003% |
| Dr. David Sidransky | Beneficial owner ⁽¹¹⁾ | 10,641 | 0.004% |

Report of the Directors

Notes:

1. All interests stated are long position.
2. Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai 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 and Dr. Zhai SPV is deemed to be interested in an aggregate of 22.26% 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 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.
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. Interests in share options granted pursuant to the Pre-IPO Share Option Scheme.
7. On May 19, 2023, Dr. Yang was granted 46,972 RSUs under the 2018 RSU Scheme, as at December 31, 2023, all RSUs granted under the 2018 RSU Scheme has been vested. On May 19, 2023, Dr. Zhai was granted 126,000 RSUs under the 2018 RSU Scheme, as at December 31, 2023, all RSUs granted under the 2018 RSU Scheme has been vested.
8. Mr. Ye Changqing is interested in RSUs granted to him under the 2021 RSU Scheme entitling him to receive 8,964 shares.
9. Dr. Yin Zheng is interested in RSUs granted to him under the 2021 RSU Scheme entitling him to receive 8,964 shares.
10. Mr. Ren Wei is interested in RSUs granted to him under the 2021 RSU Scheme entitling him to receive 8,964 shares.
11. Dr. David Sidransky is interested in RSUs granted to him under the 2021 RSU Scheme entitling him to receive 10,641 shares.
12. Dr. Zhai is interested in RSUs granted to her under the 2022 RSU Scheme entitling her to receive 100,000 shares, as at December 31, 2023, 70,000 RSUs remain unvested. On May 19, 2023, Dr. Zhai was granted 126,000 RSUs under the 2018 RSU Scheme, as at December 31, 2023, all RSUs granted under the 2018 RSU Scheme has been vested.
13. All interests are calculated based on the total Shares in issue as at December 31, 2023, being 290,196,560 Shares.

Save as disclosed above, as at December 31, 2023, 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.

Report of the Directors

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

As at December 31, 2023, 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⁾ | 64,585,929 (L) | 22.26% |
| Dr. Guo | Interest held jointly with other persons ^(3,5) Settlor of discretionary trust ⁽⁵⁾ | 64,585,929 (L) | 22.26% |
| Gao Sharon Xia | Interest of spouse ⁽⁴⁾ | 64,585,929 (L) | 22.26% |
| Dr. Zhai SPV | Beneficial owner Interest held jointly with other persons ⁽³⁾ | 64,585,929 (L) | 22.26% |
| South Dakota Trust | Trustee ^(5,6) | 54,652,465 (L) | 18.83% |

Notes:

- (L) – Long position; (S) – Short position.
- Ms. Li Ju-Yun is Dr. Wang's spouse, and is therefore deemed to be interested in the Shares held by Dr. Wang.
- Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai 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 and Dr. Zhai SPV is deemed to be interested in an aggregate of 22.26% shareholding interest in our Company.
- Ms. Gao Sharon Xia is Dr. Guo's spouse, and is therefore deemed to be interested in the Shares held by Dr. Guo.

Report of the Directors

5. 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.
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, 2023, being 290,196,560 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 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.

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 4.24% of the issued capital of the Company, with a par value of US\$0.0001 each as at December 31, 2023 and 4.24% 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 at the beginning and end of 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.

Report of the Directors

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, 2023. 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, 2023 | Exercised during the Reporting Period | Cancelled/ Lapsed during the Reporting Period | Outstanding as at December 31, 2023 |
|---------------------------------------|------------------------------------------------------------------------------|-------------------------|-----------------------------------|---------------------------------------|-----------------------------------------------|-------------------------------------|
| 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 |
| Other grantees | | | | | | |
| 45 administrative and other staff | 1,376,454 | Between August 15, 2018 | 348,546 | 66,756 | - | 281,790 |
| 316 research and development staff | 10,263,455 | to September 16, 2019 | 3,161,591 | 844,306 | - | 2,317,285 |
| Total | | | 4,174,710 | 911,062 | - | 3,263,648 |

Notes:

- 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.
- 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\$22.58.

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 number of options available for grant under the overall limit of the Post-IPO Share Option Scheme is 20,707,462 Shares at the beginning of the Reporting Period and 20,707,462 Shares at the end of the Reporting Period.

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**”), representing 7.14% of the total issued shares of the Company as of the date of this annual report.

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.

Report of the Directors

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, 2023, 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 7.14% of the issued share capital of the Company as at December 31, 2023 and 7.14% 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 five 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.

Exercise of Options

An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the Option period in the manner as set forth in the Post-IPO Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to the Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter. The exercise of any Option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised Share capital of our Company.

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 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.

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 1.82% of the issued shares of the Company as at December 31, 2023 and 1.82% 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 3,280,945 Shares as at the beginning of the Reporting Period and 2,087,693 Shares as at the end of the Reporting Period.

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 4 years.

Report of the Directors

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

On May 19, 2023, the Company granted 1,237,884 RSUs under the 2018 RSU Scheme ("2018 Further Grant"), representing 1,237,884 Shares to 73 Selected Persons, who are the employees of the Group, among which 46,972 RSUs, representing 46,972 Shares, were granted to Dr. Yang, our executive Director and the chief executive officer, and 126,000 RSUs, representing 126,000 Shares, were granted to Dr. Zhai, our chief medical officer and a substantial shareholder, each of them is a connected person of the Company under Chapter 14A of the Listing Rules. However, (i) as no new Shares will be allotted and issued upon the vesting of such 2018 Awards granted to Dr. Yang under the 2018 Further Grant; and (ii) the grant of 2018 Awards to Dr. Yang under the 2018 Further Grant was made pursuant to his service contract with the Company and form part of his remuneration package thereunder, the grant of 2018 Awards to Dr. Yang under the 2018 Further Grant is exempt from the reporting, announcement and independent shareholders' approval requirements under Rules 14A.73(6) and Rule 14A.95 of the Listing Rules. Further, based on the closing price of HK\$19.28 as quoted on the Stock Exchange on May 19, 2023 (being the date of the abovementioned grant of RSUs), (i) the aggregate market value of the underlying Shares in relation to the RSUs granted to Dr. Zhai amounts to HK\$2,429,280; (ii) the aggregate market value of the underlying Shares in relation to the RSUs granted to Dr. Yang amounts to HK\$905,620.16; and (iii) the aggregate market value of the underlying Shares in relation to the 1,064,912 RSUs granted to the remaining 71 Selected Persons amounts to HK\$20,531,503.36.

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.

The abovementioned RSUs shall vest in accordance with the vesting criteria, conditions and time schedule as determined by the Board in its sole and absolute discretion with reference to, among other things, the location at which the abovementioned 2018 Selected Persons are based and the commencement date or duration of their employment. The Board has determined that vesting shall take place on May 19, 2023. The closing price of the shares on May 18, 2023, being the date immediately before the date on which the abovementioned RSUs were granted, was HK\$19.82.

As at December 31, 2023, the Company has granted an aggregate of 3,828,476 RSUs under the 2018 RSU Scheme, representing 3,828,476 Shares to 114 selected persons, who are employees of the Group.

The abovementioned RSUs granted under the 2018 RSU Scheme would be satisfied by Shares issued and allotted to the RSU Holdco as the settlor of the 2018 RSU Scheme prior to the Listing.

Please refer to the relevant announcements of the Company dated September 16, 2020, March 19, 2021 and May 29, 2023 for further details.

Report of the Directors

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, 2023:

| | Date of grant | Outstanding as at January 1, 2023 | Granted during the Reporting Period | Exercised during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Outstanding as at December 31, 2023 |
|----------|-----------------------------------------------|------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------|
| Dr. Yang | May 19, 2023 | – | 46,972 | 46,972 | – | – | 0 |
| Dr. Zhai | May 19, 2023 | – | 126,000 | 126,000 | – | – | 0 |
| Staff | From September 14, 2020 to May 19, 2023 | 401,663 | 1,064,912 | 1,421,943 | – | 44,632 | 0 |

Notes:

1. 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\$21.3. The RSUs granted under the 2018 RSU Scheme which were cancelled during the Reporting Period have no exercise price.
2. 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 the date of grant 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.

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 1.08% of the issued shares of the Company as at December 31, 2023 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 2,753,641 Shares as at the beginning of the Reporting Period and 1,264,839 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.

Report of the Directors

As at December 31, 2023, the total number of shares available for issue under the 2021 Scheme is 101,017 Shares, representing approximately 0.035% of the issued shares of the Company as at December 31, 2023 and 0.035% of the issued shares of the Company as at the date of this annual report.

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.

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, 2023, the remaining life of the RSU Scheme was approximately seven 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 19, 2023, the Company granted 1,528,514 RSUs, representing 1,528,514 Shares, under the 2021 RSU Scheme to 491 selected persons of the 2021 RSU Scheme, who are employees of the Group. The abovementioned RSUs shall vest in accordance with the vesting criteria, conditions and time schedule as determined by the Board in its sole and absolute discretion with reference to, among other things, the location at which the abovementioned Selected Persons are based and the commencement date or duration of their employment. The Board has determined that the such RSUs shall vest on the date of grant. Based on the closing price of HK\$19.28 as quoted of the Stock Exchange on May 19, 2023 (being the date of the abovementioned grant of RSUs), the aggregate market value of the underlying Shares in relation to such RSUs amounts to HK\$29,469,749.92. The closing price of the Shares on May 18, 2023, being the date immediately before the grant date, is HK\$19.82.

The abovementioned RSUs granted under the 2021 RSU Scheme would be satisfied by the allotment and issuance of Shares to the trustee of the 2021 RSU Scheme to be held by the trustee for such purpose under the mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on May 18, 2023 to allot, issue and deal with up to 20% of the then issued share capital of the Company, being the general mandate currently available to the Company.

Further details of the 2021 RSU Scheme are set out in the announcement of the Company dated February 2, 2021 and May 29, 2023.

Report of the Directors

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, 2023:

| | Date of grant | Outstanding as at January 1, 2023 | Granted during the Reporting Period | Exercised during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Outstanding as at December 31, 2023 |
|---------------|-----------------------------------------|------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------|
| Dr. Sidransky | July 23, 2021 | 10,641 | – | – | – | – | 10,641 |
| Mr. Ye | July 23, 2021 | 6,723 | – | 2,241 | – | – | 4,482 |
| Dr. Yin | July 23, 2021 | 6,723 | – | 2,241 | – | – | 4,482 |
| Mr. Ren | July 23, 2021 | 6,723 | – | 2,241 | – | – | 4,482 |
| Staff | From May 17, 2021 to May 19, 2023 | 188,934 | 1,528,514 | 1,592,825 | – | 39,712 | 84,911 |

Notes:

1. 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\$19.87. The RSUs granted under the 2021 RSU Scheme which were cancelled during the Reporting Period have no exercise price.
2. 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.

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.

Report of the Directors

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 cancelled in accordance with the rules of the 2022 RSU Scheme) shall be 5,272,695 ordinary shares, representing 1.82% of the issued shares of the Company as at December 31, 2023 and 1.82% of the issued capital of the Company as at the date of this annual report. The numbers of RSUs available for grant under the overall limit of the 2022 RSU Scheme are 4,137,292 Shares as at the beginning of the Reporting Period and 2,903,782 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.

As at December 31, 2023, the total number of shares available for issue under the 2022 RSU Scheme is 1,641,974 Shares, representing approximately 0.57% of the issued shares of the Company as at December 31, 2023 and 0.57% of the issued shares of the Company as at the date of this annual report.

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, 2023, the remaining life of the RSU Scheme was approximately eight 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.

Based on the closing price of HK\$20.15 as quoted on the Stock Exchange on June 23, 2022 (being the date of the grant of 1,534,426 RSUs to the 79 Selected Persons other than Dr. Zhai, who are employees of the Company (and also third parties independent of the Company and are not connected persons of the Company, and none of whom is a director, chief executive or substantial shareholder of the Company or any of its subsidiaries, or an associate (as defined under the Listing Rules) of any of them), the aggregate market value of the underlying Shares in relation to the RSUs granted to such Selected Persons amounts to HK\$30,918,683.90.

On May 4, 2023, the Company granted 1,379,094 RSUs, representing 1,379,094 Shares, to 172 Selected Persons, who are employees of the Group. The abovementioned RSUs shall vest in accordance with the vesting criteria, conditions and time schedule (being approximately three and a half months from the date of the Further Grant) as determined by the Board in its sole and absolute discretion with reference to, among other things, the location at which the abovementioned Selected Person is based and the commencement date or duration of their employment. Based on the closing price of HK\$21.80 as quoted of the Stock Exchange on May 4, 2023 (being the date of the abovementioned grant of RSUs), the aggregate market value of the underlying Shares in relation to such RSUs amounts to HK\$30,064,249.20. The closing price of the Shares on May 3, 2023, being the date immediately before the grant date, is HK\$22.15.

The abovementioned RSUs granted under the 2022 RSU Scheme are satisfied by existing shares of the Company.

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, October 31, 2022 and May 8, 2023.

Report of the Directors

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, 2023:

| | Date of grant | Outstanding as at January 1, 2023 | Granted during the Reporting Period | Exercised during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Outstanding as at December 31, 2023 |
|-----------|-------------------------------------|--------------------------------------------|----------------------------------------------|------------------------------------------------|------------------------------------------------|---------------------------------------------|----------------------------------------------|
| Dr. Zhai | June 23, 2022 | 100,000 | – | 30,000 | – | – | 70,000 |
| 172 staff | From June 2022 to May 4, 2023 | 1,020,873 | 1,379,094 | 682,409 | – | 145,584 | 1,571,974 |

Notes:

- 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\$20.95. The weighted average closing price of the Shares immediately before the dates on which the RSUs exercised under the 2022 RSU Scheme were HK\$24.17. The RSUs granted under the 2022 RSU Scheme which were cancelled during the Reporting Period have no exercise price.
- Based on the closing price of HK\$20.15 as quoted on the Stock Exchange on June 23, 2022 (being the date of the grant of 1,534,426 RSUs to the 79 Selected Persons other than Dr. Zhai, who are third parties independent of the Company and are not connected persons of the Company, and none of whom is a director, chief executive or substantial shareholder of the Company or any of its subsidiaries, or an associate (as defined under the Listing Rules) of any of them), the aggregate market value of the underlying Shares in relation to the RSUs granted to such Selected Persons amounts to HK\$30,918,683.90.

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 0.015.

CONNECTED TRANSACTIONS

The grant of RSUs to Dr. Zhai under the 2018 RSU Scheme constitutes a de minimis connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. As no new Shares will be allotted and issued upon the vesting of such 2018 Awards granted to Dr. Yang under the 2018 Further Grant; and the grant of 2018 Awards to Dr. Yang under the 2018 Further Grant was made pursuant to his service contract with the Company and form part of his remuneration package thereunder, the grant of 2018 Awards to Dr. Yang under the 2018 Further Grant is exempt from the reporting, announcement and independent shareholders' approval requirements under Rules 14A.73(6) and Rule 14A.95 of the Listing Rules. For further details, please refer to the sections headed "Equity Plans – 3. 2018 RSU Scheme – Grant of RSUs under the 2018 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, 2023. Details of related party transactions of the Group for the year ended December 31, 2023 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, 2023.

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, 2023.

USE OF NET PROCEEDS FROM THE 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, 2023, the Company has fully utilized the net proceeds in accordance with such intended purposes. 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;

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- 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 December 31, 2023:

| Use of proceeds | Planned allocation of net proceeds | Planned allocation of Net Proceeds (HKD million) | Planned allocation of Net Proceeds (RMB million) | Utilized amount (as at December 31, 2023) (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.

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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, 2023 the Company has fully utilized the net proceeds in accordance with such intended purposes.

The table below sets out the planned applications of the net proceeds from the 2020 Placing and the actual usage up to December 31, 2023:

| Use of proceeds | Planned allocation of net proceeds | Planned allocation of net proceeds (HK\$ million) | Planned allocation of net proceeds (RMB million) | Utilized amount (as at December 31, 2023) (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 FORM 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 “2021 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 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 as at December 31, 2023, the Company has fully utilized the net proceeds in accordance with such intended purposes.

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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, 2023.

| Use of proceeds | Planned allocation of net proceeds | Planned allocation of net proceeds (HK\$ million) | Planned allocation of net proceeds (RMB million) | Utilized amount | Utilized amount | Unutilized amount |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------------------------|--------------------------------------------------|-------------------------------------------|-----------------------------------------|-----------------------------------------|
| | | | | during the Reporting Period (RMB million) | (as at December 31, 2023) (RMB million) | (as at December 31, 2023) (RMB million) |
| Clinical development of the key product candidate, APG-2575 | 50% | 576.8 | 480.6 | 50.0 | 480.6 | 0 |
| Registrational trials for full approval and the commercialization of the Core Product, HQP1351 | 20% | 230.7 | 192.2 | 20.0 | 192.2 | 0 |
| 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 | 20.0 | 192.2 | 0 |
| General corporate purposes | 10% | 115.4 | 96.1 | 5.0 | 96.1 | 0 |
| Total | 100% | 1,153.6 | 961.1 | 95.0 | 961.1 | 0 |

Notes:

- (1) The sum of the data may not add up to the total due to rounding.
- (2) 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 FORM THE 2023 PLACING

On January 18, 2023, the Company entered into the 2023 Placing and Subscription Agreement with Ascentage Limited (the “Vendor”) and J.P. Morgan Securities (Asia Pacific) Limited, China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited (the “2023 Placing Agents”), pursuant to which (i) the Vendor agreed to appoint the 2023 Placing Agents, and the 2023 Placing Agents agreed to act as agents of the Vendor, to procure not less than six placees (the “2023 Placees”), on a best effort basis, to purchase up to 22,500,000 shares of the Company (the “Placing Shares”) at the price of HK\$24.45 per 2023 Placing Share; and (ii) the Vendor agreed to subscribe for, and the Company agreed to issue to the Vendor up to 22,500,000 new shares of the Company (the “Subscription Shares”) at the price of HK\$24.45 per Subscription Share (the “2023 Subscription”). The closing of the 2023 Placing took place on January 20, 2023 and the closing of the 2023 Subscription took place on February 1, 2023. A total of 22,500,000 Placing Shares have been successfully placed by the 2023 Placing Agents to the 2023 Placees. A total of 22,500,000 Subscription Shares have been allotted and issued to the Vendor pursuant to the generate mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on May 19, 2022. The aggregate nominal value of the Subscription Shares is US\$2,250. The closing price of the Shares on January 18, 2023, being the date on which the terms of the 2023 Placing was fixed, was HK\$24.05. The net proceeds (after the deduction of all applicable costs and expenses) raised from the 2023 Placing were approximately HK\$543.9 million. On this basis, the net price per Placing Share will be

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approximately HK\$24.17. There was no change in the intended use of the net proceeds as previously disclosed in the relevant announcement of the Company dated February 1, 2023 and the Company will gradually utilize the residual amount of the net proceeds in accordance with such intended purposes depending on actual business needs.

The Directors considered that the 2023 Placing represents an opportunity to further raise capital for the Company in order to enable the Company to continue the development of its pipeline candidates, while broadening its Shareholder base. The Directors are of the view that the Placing and the Subscription 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 2023 Placing and the actual usage up to December 31, 2023.

| Use of proceeds | | Planned allocation of net proceeds (HK\$ million) | Planned allocation of net proceeds (RMB million) | Utilized amount during the Reporting Period | Utilized amount (as at December 31, 2023) | Unutilized amount (as at December 31, 2023) | Expected timeline for utilizing the remaining balance of net proceeds from the 2023 Placing |
|-------------------------------------------------------|-------------|---------------------------------------------------|--------------------------------------------------|---------------------------------------------|-------------------------------------------|---------------------------------------------|---------------------------------------------------------------------------------------------|
| | | | | (RMB million) | (RMB million) | (RMB million) | |
| Clinical trials of the key product candidate APG-2575 | 50% | 282.0 | 235.1 | 45.4 | 45.4 | 189.7 | December 31, 2024 |
| Clinical trials of the core product HQP-1351 | 20% | 108.8 | 94.0 | 18.2 | 18.2 | 75.8 | December 31, 2024 |
| Clinical development of other key product candidates | 20% | 108.8 | 94.0 | 18.0 | 18.0 | 76.0 | December 31, 2024 |
| General corporate purposes | 10% | 54.4 | 47.0 | 9.1 | 9.1 | 37.9 | December 31, 2024 |
| Total | 100% | 543.9 | 470.1 | 90.7 | 90.7 | 379.4 | |

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 2023 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.

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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 has fully utilized the net proceeds in accordance with such intended purposes.

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 and the actual usage up to December 31, 2023.

| Use of proceeds | | Planned allocation of net proceeds (HK\$ million) | Planned allocation of net proceeds (RMB million) | Utilized | Utilized | Unutilized |
|--------------------------------------------------------------------------|-------------|------------------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|
| | | | | amount during the Reporting Period (RMB million) | amount (as at December 31, 2023) (RMB million) | amount (as at December 31, 2023) (RMB million) |
| Development and commercialization of the Company's Core Product, HQP1351 | 30% | 116.42 | 97.10 | 87.1 | 97.10 | 0 |
| Development of the Company's key product candidate, APG-2575 | 70% | 271.64 | 226.40 | 202.9 | 226.40 | 0 |
| Total | 100% | 388.06 | 323.50 | 290.0 | 323.50 | 0 |

Notes:

- (1) The sum of the data may not add up to the total due to rounding.
- (2) Net proceeds from the subscription of Shares by Innovent were received in Hong Kong dollars and translated to RMB for application planning.

Report of the Directors

2021 WARRANTS

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 warrants have expired in July 2023 and not been exercised. As such, no proceeds were raised from the issuance of the warrants.

FUND RAISING

Save for the 2023 Placing as disclosed above, 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, 2023, 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 27, 2024

Corporate Governance Report

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. Lu Simon Dazhong

Independent non-executive directors:

Mr. Ye Changqing

Dr. Yin Zheng

Mr. Ren Wei

Dr. David Sidransky

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, 2023, 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.

Corporate Governance Report

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 2023 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.

Corporate Governance Report

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.

Corporate Governance Report

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, 2023 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, 2023 fell within the following bands as follows:

| Remuneration Band | No. of employees |
|----------------------------|------------------|
| USD800,001 to USD1,000,000 | 1 |
| USD600,001 to USD800,000 | – |
| USD400,001 to USD600,000 | 2 |
| USD200,000 to USD400,000 | 1 |
| | <hr/> |
| | 4 |

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;

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- 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, 2023, 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 Company currently does not have female Director. To achieve the aim of gender diversity of the Board, the Company will endeavor to identify at least one female Director for appointment by the mid of 2024. The Nomination Committee will be responsible for identifying suitable female candidates and providing their recommendations to the Board on at least an annual basis. Subject to (i) the Board being satisfied with the background, qualification and experience of the relevant candidate(s) and their potential contributions to the development of the Group, (ii) the Directors fulfilling their fiduciary duties to act in the best interest of our Company and the Shareholders as a whole when making the relevant recommendation(s), and (iii) the Company's prevailing nomination policy, the Board will recommend the female candidate to the Shareholders for appointment as a member of the Board. However, during the year, the Nomination Committee had not identified a right candidate according to the Company's nomination policy.

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;

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- 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, 2023, 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, 2022, and (ii) respective remuneration packages for the year ended December 31, 2023;
- made recommendations to the Board on the remuneration packages of non-executive Directors (including independent non-executive Directors) for the year ended December 31, 2023; 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;

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- 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 C1 to the Listing Rules;
- performing the corporate governance functions delegated by the Board; and
- monitoring the Company's environmental, social and governance issues.

During the year ended December 31, 2023, 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, 2022;
- 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, 2022, and recommended to the Board for approval;
- reviewed the draft audited annual results announcement of the Group for the year ended December 31, 2022, 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, 2022;
- 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, 2023, 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;

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- 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, 2023 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, 2023, 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, 2023 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 | 7 | 1 | 1 | 2 | 1 |
| Executive Directors | | | | | |
| Dr. Yang Dajun | 7 | 1 | – | – | 1 |
| Non-executive Directors | | | | | |
| Dr. Wang Shaomeng | 7 | – | – | – | 1 |
| Dr. Lu Simon Dazhong | 7 | – | – | 2 | 1 |
| Independent Non-executive Directors | | | | | |
| Mr. Ye Changqing | 7 | 1 | – | 2 | 1 |
| Dr. Yin Zheng | 7 | – | 1 | 2 | 1 |
| Mr. Ren Wei | 7 | 1 | 1 | – | 1 |
| Dr. David Sidransky | 7 | – | – | – | 1 |

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, 2023 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 85 and 88 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, 2023, 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, 2023, 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.

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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, 2023, the total remuneration paid or payable to the Company’s auditors, Ernst & Young, for annual audit and non-audit services totally RMB3.459 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 | 2,550 |
| Non-Audit services | 909 |
| Total | <u>3,459</u> |

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 2024 and the proposal will be submitted for approval at the 2024 AGM which is expected to be held on May 10, 2024.

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 2023, 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 provided with ready, equal and timely access to material information of the Company in order to maintain an on-going dialogue with the Shareholders and to enable the Shareholders to exercise their rights in an informed manner.

To ensure the shareholders of the Company are kept well informed of the Group’s key business imperatives, ranges of communication tools, such as AGMs, annual reports, various notices, announcements and circulars, are utilised by the Company for communication of information with the Shareholders.

Corporate Governance Report

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.

Overall, the Company considers the shareholders communication policy of the Group to be effective and adequate. The Company will continue to review the implementation and effectiveness of the policy by shareholders' feedback from the previous mentioned channel.

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.

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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 December 31, 2023, 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 A1 to the Listing Rules which took effect on January 1, 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 C2 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.

SHARE SCHEMES

The Remuneration Committee has reviewed the share schemes of the Company and the new grants during the Reporting Period. In particular, the Remuneration Committee has reviewed the effectiveness and appropriateness of using share schemes 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.

During the review process, the Remuneration Committee has taken into factors, such as the financial, business and operation performance of the Company, the scheme rules of the share schemes, the number of shares or options granted and to be granted to share scheme participants, the need and the industry practice to use share schemes to motivate the Company's employees etc.

Based on the above review, the Remuneration Committee is of the view that the share schemes and the new grants during the Reporting Period are in the interests of the Company and its shareholders and therefore has given approval on relevant matters relating to share schemes during the Reporting Period.



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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 89 to 176, which comprise the consolidated statement of financial position as at December 31, 2023, 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 material accounting policy information.

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, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (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.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><i>Risk of misstatement of research and development expenses</i></p> <p>For the year ended December 31, 2023, the Group incurred research and development (“R&D”) expenses amounting to RMB706,972,000. Clinical trial expenses and service fees paid to contract research organizations (“CROs”) are the main components of R&D expenses.</p> <p>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.</p> <p>The disclosures about accounting policies of R&D expense recognition are included in note 2.4 “Material accounting policies” and note 3 “Significant accounting judgements and estimates” to the consolidated financial statements.</p> | <p>We obtained an understanding of the internal controls over the R&D expenses recognition process, performed walkthroughs and test of controls, and assessed the effectiveness of the design and implementation of the relevant internal controls.</p> <p>We inquired management about the reasons for periodical fluctuations in R&D expenses and assessed the adequacy of those fluctuations.</p> <p>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.</p> <p>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.</p> <p>We also focused on the adequacy of the disclosures of the R&D expenses in the consolidated financial statements.</p> |

Independent Auditor's Report

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

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

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

Independent Auditor's Report

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 27, 2024

Consolidated Statement of Profit or Loss

Year ended December 31, 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|----------------------------------------------------------------------|-------|------------------|-----------------|
| REVENUE | 5 | 221,984 | 209,711 |
| Cost of sales | | (30,543) | (21,998) |
| Gross profit | | 191,441 | 187,713 |
| Other income and gains | 5 | 59,316 | 66,972 |
| Selling and distribution expenses | | (195,387) | (157,421) |
| Administrative expenses | | (181,076) | (170,595) |
| Research and development expenses | | (706,972) | (743,104) |
| Other expenses | 7 | (5,203) | (17,674) |
| Finance costs | 8 | (96,057) | (52,785) |
| Share of profit and loss of a joint venture | 19 | 1,076 | (278) |
| LOSS BEFORE TAX | 6 | (932,862) | (887,172) |
| Income tax credit | 11 | 7,150 | 4,248 |
| LOSS FOR THE YEAR | | (925,712) | (882,924) |
| Attributable to: | | | |
| Owners of the parent | | (925,637) | (882,924) |
| Non-controlling interests | | (75) | – |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted | | | |
| – For loss for the year (RMB) | 13 | (3.28) | (3.35) |

Consolidated Statement of Comprehensive Income

Year ended December 31, 2023

| | 2023 | 2022 |
|---------------------------------------------------------------------------------------------------|------------------|-----------|
| | RMB'000 | RMB'000 |
| LOSS FOR THE YEAR | (925,712) | (882,924) |
| OTHER COMPREHENSIVE INCOME | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | 20,593 | 25,832 |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of non-foreign operations | 5,666 | 35,665 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | 26,259 | 61,497 |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | (899,453) | (821,427) |
| Attributable to: | | |
| Owners of the parent | (899,378) | (821,427) |
| Non-controlling interests | (75) | - |

Consolidated Statement of Financial Position

December 31, 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|-----------------------------------------------------------------------------|-------|------------------|-----------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 14 | 905,815 | 602,086 |
| Investment properties | 15 | – | 355,425 |
| Right-of-use assets | 16(a) | 51,252 | 46,636 |
| Goodwill | 17 | 24,694 | 24,694 |
| Other intangible assets | 18 | 85,446 | 84,304 |
| Investment in a joint venture | 19 | 16,998 | 15,922 |
| Financial assets at fair value through profit or loss (“ FVTPL ”) | 20 | 1,951 | 2,609 |
| Deferred tax assets | 21 | 59,842 | 54,294 |
| Other non-current assets | 22 | 10,217 | 7,803 |
| Total non-current assets | | 1,156,215 | 1,193,773 |
| CURRENT ASSETS | | | |
| Inventories | 23 | 16,167 | 9,448 |
| Trade receivables | 24 | 145,893 | 54,356 |
| Prepayments, other receivables and other assets | 25 | 88,285 | 80,444 |
| Cash and bank balances | 26 | 1,093,833 | 1,492,240 |
| Total current assets | | 1,344,178 | 1,636,488 |
| CURRENT LIABILITIES | | | |
| Trade payables | 27 | 72,445 | 95,559 |
| Other payables and accruals | 28 | 206,914 | 240,034 |
| Contract liabilities | 29 | 38,410 | 24,354 |
| Interest-bearing bank and other borrowings | 30 | 616,404 | 518,383 |
| Derivative financial instruments | 31 | – | 2,822 |
| Total current liabilities | | 934,173 | 881,152 |
| NET CURRENT ASSETS | | 410,005 | 755,336 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,566,220 | 1,949,109 |

Consolidated Statement of Financial Position (Continued)

December 31, 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---------------------------------------------|-------|------------------|-----------------|
| NON-CURRENT LIABILITIES | | | |
| Contract liabilities | 29 | 251,189 | 183,625 |
| Interest-bearing bank and other borrowings | 30 | 1,179,191 | 1,274,344 |
| Deferred tax liabilities | 21 | 10,549 | 12,151 |
| Long-term payables | 32 | 18,299 | 35,331 |
| Deferred income | 33 | 36,360 | 35,000 |
| Total non-current liabilities | | 1,495,588 | 1,540,451 |
| Net assets | | 70,632 | 408,658 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 34 | 197 | 180 |
| Treasury shares | 34 | (21,351) | (26,552) |
| Capital and reserves | 35 | 81,571 | 435,030 |
| | | 60,417 | 408,658 |
| Non-controlling interests | | 10,215 | – |
| Total equity | | 70,632 | 408,658 |

Dr. Yang Dajun
Director

Dr. Wang Shaomeng
Director

Consolidated Statement of Changes in Equity

Year ended December 31, 2023

| | Attributable to owners of the parent | | | | | | | Non-controlling interests | Total equity |
|-------------------------------------------------------------------------|--------------------------------------|-----------------|---------------|----------------------|------------------------------|--------------------|-----------|---------------------------|--------------|
| | Share capital | Treasury shares | Share premium | Capital and reserves | Exchange fluctuation reserve | Accumulated losses | Total | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At January 1, 2023 | 180 | (26,552) | 5,393,029 | (359,235) | (159,279) | (4,439,485) | 408,658 | - | 408,658 |
| Loss for the year | - | - | - | - | - | (925,637) | (925,637) | (75) | (925,712) |
| Other comprehensive income for the year: | | | | | | | | | |
| Exchange differences on translation of operations | - | - | - | - | 26,259 | - | 26,259 | - | 26,259 |
| Total comprehensive loss for the year | - | - | - | - | 26,259 | (925,637) | (899,378) | (75) | (899,453) |
| Capital contribution from a non-controlling shareholder of a subsidiary | - | - | - | - | - | - | - | 10,290 | 10,290 |
| Issue of ordinary shares | 15 | - | 470,066 | - | - | - | 470,081 | - | 470,081 |
| Repurchase of ordinary shares | - | (5,923) | - | - | - | - | (5,923) | - | (5,923) |
| Equity-settled share-based payments | | | | | | | | | |
| - Pre-IPO share option expenses | - | - | - | 3,750 | - | - | 3,750 | - | 3,750 |
| - Restricted share unit ("RSU") expenses | - | - | - | 27,753 | - | - | 27,753 | - | 27,753 |
| - Exercise of pre-IPO share options | 1 | - | 18,354 | (18,347) | - | - | 8 | - | 8 |
| - Exercise of restricted share units | - | 11,123 | 14,239 | (25,362) | - | - | - | - | - |
| - Equity-settled bonus | 1 | 1 | 55,466 | - | - | - | 55,468 | - | 55,468 |
| At December 31, 2023 | 197 | (21,351) | 5,951,154* | (371,441)* | (133,020)* | (5,365,122)* | 60,417 | 10,215 | 70,632 |

Consolidated Statement of Changes in Equity (Continued)

Year ended December 31, 2023

| | Attributable to owners of the parent | | | | | | | | Non-controlling interests | Total equity |
|---------------------------------------------------|--------------------------------------|-----------------|---------------|----------------------|------------------------------|--------------------|-----------|---------|---------------------------|--------------|
| | Share capital | Treasury shares | Share premium | Capital and reserves | Exchange fluctuation reserve | Accumulated losses | Total | | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | | |
| At January 1, 2022 | 178 | (3) | 5,342,072 | (330,173) | (220,776) | (3,556,561) | 1,234,737 | - | 1,234,737 | |
| Loss for the year | - | - | - | - | - | (882,924) | (882,924) | - | (882,924) | |
| Other comprehensive income for the year: | | | | | | | | | | |
| Exchange differences on translation of operations | - | - | - | - | 61,497 | - | 61,497 | - | 61,497 | |
| Total comprehensive loss for the year | - | - | - | - | 61,497 | (882,924) | (821,427) | - | (821,427) | |
| Repurchase of ordinary shares | - | (26,776) | - | - | - | - | (26,776) | - | (26,776) | |
| Equity-settled share-based payments | | | | | | | | | | |
| - Pre-IPO share option expenses | - | - | - | 10,645 | - | - | 10,645 | - | 10,645 | |
| - RSU expenses | - | - | - | 11,460 | - | - | 11,460 | - | 11,460 | |
| - Exercise of pre-IPO share options | 2 | - | 37,484 | (37,467) | - | - | 19 | - | 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 | - | 408,658 | |

* These reserve accounts comprise the consolidated capital and reserves of RMB81,571,000 (2022: RMB435,030,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended December 31, 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|------------------------------------------------------------------------|-------|------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before tax | | (932,862) | (887,172) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 6 | 55,281 | 38,194 |
| Depreciation of investment property | 6 | 15,883 | 1,444 |
| Depreciation of right-of-use assets | 6 | 11,632 | 13,495 |
| Amortization of intangible assets | 6 | 10,399 | 9,782 |
| Equity-settled share-based payments | 6 | 31,503 | 22,105 |
| Gain on disposal of items of property, plant and equipment | 6 | (4) | (2,068) |
| Gain on disposal of items of lease | 6 | - | (205) |
| Fair value loss on financial assets measured at FVTPL | 6 | 699 | 9,765 |
| Fair value gain on derivative financial instruments | 6 | (2,822) | (19,434) |
| Finance costs | 8 | 96,057 | 52,785 |
| Share of (profit)/losses of a joint venture | 19 | (1,076) | 278 |
| Foreign exchange loss | 6 | (1,621) | 2,703 |
| | | (716,931) | (758,328) |
| (Increase)/decrease in restricted bank balances | | (7,936) | 20,334 |
| Increase in inventories | | (6,719) | (5,518) |
| Increase in trade receivables | | (91,537) | (388) |
| (Increase)/decrease in prepayments, other receivables and other assets | | (7,841) | 3,117 |
| (Increase)/decrease in other non-current assets | | (3,552) | 29,380 |
| (Decrease)/increase in trade payables | | (23,114) | 24,698 |
| Increase in other payables and accruals | | 48,573 | 57,448 |
| Increase/(decrease) in contract liabilities | | 81,620 | (24,358) |
| Increase/(decrease) in deferred income | | 1,360 | (300) |
| Cash used in operations | | (726,077) | (653,915) |
| Net cash flows used in operating activities | | (726,077) | (653,915) |

Consolidated Statement of Cash Flows (Continued)

Year ended December 31, 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---------------------------------------------------------------------------------------|-------|------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | | (46,108) | (203,288) |
| Proceeds from disposal of items of property, plant and equipment | | 14 | 2,351 |
| Purchase of items of other intangible assets | | (10,736) | (33,675) |
| Payment of contingent consideration from acquisition of a subsidiary | | (20,000) | (20,000) |
| Decrease/(increase) in time deposits with original maturity of more than three months | | 98,752 | (130,000) |
| Net cash flows from/(used) in investing activities | | 21,922 | (384,612) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | 470,081 | – |
| Payments of repurchase of shares | | (5,923) | (26,776) |
| Proceeds from exercise of share options | | 8 | 19 |
| Interest paid | | (92,348) | (49,849) |
| New bank loans | | 953,500 | 763,617 |
| Repayment of bank loans | | (956,091) | (54,504) |
| Principal portion of lease payments | | (10,766) | (13,239) |
| Capital contribution from non-controlling shareholders of a subsidiary | | 10,290 | – |
| Net cash flows from financing activities | | 368,751 | 619,268 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (335,404) | (419,259) |
| Cash and cash equivalents at beginning of year | | 1,345,639 | 1,706,886 |
| Effect of foreign exchange rate changes, net | | 27,813 | 58,012 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 1,038,048 | 1,345,639 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents at end of year | 26 | 1,038,048 | 1,345,639 |
| Restricted bank balances | 26 | 24,537 | 16,601 |
| Time deposits with original maturity of more than three months | 26 | 31,248 | 130,000 |
| Cash and bank balances at end of year | | 1,093,833 | 1,492,240 |

Notes to the Consolidated Financial Statements

December 31, 2023

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 | | Principal business |
|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------------|----------|---------------------------------------------|
| | | | Direct | Indirect | |
| 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 ”)/ Chinese Mainland 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/Chinese Mainland 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\$15 | – | 100% | Clinical trial operation |
| Shanghai Yasheng Pharmaceutical Technology Co., Ltd.** (上海亞盛醫藥科技有限公司) | PRC/Chinese Mainland December 10, 2015 | RMB40,000,000 | – | 100% | Medical research and development |

Notes to the Consolidated Financial Statements

December 31, 2023

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 | | Principal business |
|-----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------|------------------------------------------------------------|----------|------------------------------------------|
| | | | Direct | Indirect | |
| Ascentage Pharma Pty. Ltd. | Australia March 24, 2016 | Australian dollar ("AUS\$")1,000 | – | 100% | Clinical trial operation |
| Suzhou Ascentage Pharma Co., Ltd.* [®] (蘇州亞盛藥業有限公司) ("Suzhou Yasheng") | PRC/Chinese Mainland June 1, 2016 | RMB2,000,000,000 | – | 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/Chinese Mainland 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/Chinese Mainland 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/Chinese Mainland 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/Chinese Mainland 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/Chinese Mainland November 17, 2022 | RMB401,000,000 | – | 99.75% | Venture capital investment |
| Suzhou Shenghe Innovation Space Development Co., Ltd.* [®] (蘇州盛禾眾創空間發展有限公司) | PRC/Chinese Mainland April 14, 2023 | RMB21,000,000 | – | 51% | Science and technology promotion service |

* 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 companies established in PRC.

2. 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, 2023. 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 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognizes the fair value of any investment retained and 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.

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES *(Continued)*

2.2 Changes In accounting policies and disclosures

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

| | |
|---------------------------------------------------|-----------------------------------------------------------------------------------------|
| IFRS 17 | <i>Insurance Contracts</i> |
| Amendments to IAS 1 and IFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> |
| Amendments to IAS 8 | <i>Definition of Accounting Estimates</i> |
| Amendments to IAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> |
| Amendments to IAS 12 | <i>International Tax Reform – Pillar Two Model Rules</i> |

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

- (a) Amendments to IAS 1 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 21 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES (Continued)

2.2 Changes In accounting policies and disclosures (Continued)

- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 Issued but not yet effective international financial reporting standards

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

| | |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Amendments to IFRS 10 and IAS 28 | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³ |
| Amendments to IFRS 16 | <i>Lease Liability in a Sale and Leaseback</i> ¹ |
| Amendments to IAS 1 | <i>Classification of Liabilities as Current or Non-current</i> (the “ 2020 Amendments ”) ¹ |
| Amendments to IAS 1 | <i>Non-current Liabilities with Covenants</i> (the “ 2022 Amendments ”) ¹ |
| Amendments to IAS 7 and IFRS 7 | <i>Supplier Finance Arrangements</i> ¹ |
| Amendments to IAS 21 | <i>Lack of Exchangeability</i> ² |

¹ Effective for annual periods beginning on or after January 1, 2024

² Effective for annual periods beginning on or after January 1, 2025

³ No mandatory effective date yet determined but available for adoption

Amendments to IAS 1 are expected to be applicable to the Group. The Group is in the process of making assessment of the impact of these revised IFRSs upon initial application. So far, the Group considers that, these revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies

Investments in joint venture

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. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of 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. Unrealized 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 unrealized 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.

Goodwill

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.

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

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 minimizing the use of unobservable inputs.

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

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

For assets and liabilities that are 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, 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.

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Impairment of non-financial assets *(Continued)*

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.

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.

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material 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 improvement | 20% to 33.33% |
| Furniture and equipment | 9.5% to 31.67% |
| Motor vehicles | 23.75% |

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 is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. 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 recognized 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 book 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 recognized 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.

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Intangible assets (other than goodwill) (Continued)

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

| | |
|----------|---------------|
| Software | 3 to 10 years |
| Patent | 14 years |
| License | 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.

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 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.

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material 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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Leases *(Continued)*

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

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.

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.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Investments and other financial assets *(Continued)*

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 the equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

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.

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

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.

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 |

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Impairment of financial assets *(Continued)*

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.

Subsequent measurement

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

Financial liabilities at amortized cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing 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.

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

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.

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.

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statements of financial positions, cash and bank balances comprise cash and cash equivalents as defined above, restricted bank balances and time deposits with original maturity of more than three months.

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 Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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.

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.

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Income tax *(Continued)*

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 does not give rise to equal taxable and deductible temporary differences; 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 utilized, 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 does not give rise to equal taxable and deductible temporary differences; 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 utilized.

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 utilized. 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.

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 realize 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.

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

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 statement of financial position and transferred to profit or loss when related costs are subsequently incurred and the Group received government acknowledgment 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.

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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers (Continued)

(b) Intellectual property license fee

The Group provides commercialization license related to certain IP to customers, and the license fee income is recognized over time during the expected commercialization period after the Group obtain the commercialization authorization from the local authorities.

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 over time when the customer have the ability to access the commercialization license during the expected commercialization period. 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) Consultation service fee

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

(d) Promotion service fee

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

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).

Share-based payments

The Company operates a share incentive plan which includes the 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**”). Employees (including directors) of the Group receive remuneration in the form of Estimation uncertainty s, whereby employees render services in exchange for equity instruments (“**equity-settled transactions**”).

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

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Share-based payments (Continued)

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.

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.

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 Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Chinese Mainland 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 vests when made.

Notes to the Consolidated Financial Statements

December 31, 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material 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. 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, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve 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.

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 exchange rates that approximate to those prevailing at the dates of the transactions.

Notes to the Consolidated Financial Statements

December 31, 2023

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.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an owner-occupied property or an investment property, and has developed criteria in making that judgement. Owner-occupied property is a property held for use in the production or supply of goods or services or for administrative purposes. While investment property is a property held to earn rentals or for capital appreciation or both. The Group transfers a property to, or from, investment property when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. Judgement is made on an individual property based on the intentions for the use of a property.

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, 2023 was RMB24,694,000 (December 31, 2022: 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).

Notes to the Consolidated Financial Statements

December 31, 2023

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 realizable value of inventories

Net realizable 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 utilized. 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 and RSU, 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.

Notes to the Consolidated Financial Statements

December 31, 2023

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

| | 2023 RMB'000 | 2022 RMB'000 |
|------------------|-----------------|-----------------|
| Chinese Mainland | 221,984 | 209,707 |
| United States | - | 4 |
| Total revenue | 221,984 | 209,711 |

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

(b) Non-current assets

| | 2023 RMB'000 | 2022 RMB'000 |
|--------------------------|------------------|-----------------|
| Chinese Mainland | 1,088,733 | 1,133,439 |
| United States | 2,665 | 3,393 |
| Others | 24 | 38 |
| Total non-current assets | 1,091,422 | 1,136,870 |

The non-current assets information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Notes to the Consolidated Financial Statements

December 31, 2023

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:

| | 2023 RMB'000 |
|------------|-------------------------------|
| Customer A | 107,323 |
| Customer B | 35,021 |
| Customer C | 30,623 |
| | 172,967 |
| | 2022 RMB'000 |
| Customer A | 155,506 |

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) *Disaggregated revenue information*

| | 2023 RMB'000 | 2022 RMB'000 |
|--------------------------------------|-------------------------------|-----------------|
| Types of goods or services | | |
| Sales of pharmaceutical products | 193,535 | 174,931 |
| License fee income | 26,049 | 24,358 |
| Service income | 2,400 | 10,422 |
| Total | 221,984 | 209,711 |
| Timing of revenue recognition | | |
| <i>At a point in time</i> | | |
| Sales of pharmaceutical products | 193,535 | 174,931 |
| Promotion service income | - | 7,252 |
| <i>Over time</i> | | |
| Commercialization license fee income | 26,049 | 24,354 |
| Consultation service income | 2,400 | 3,170 |
| Compounds Library license fee income | - | 4 |
| Total | 221,984 | 209,711 |

Notes to the Consolidated Financial Statements

December 31, 2023

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:

| | 2023 RMB'000 | 2022 RMB'000 |
|--------------------------------------|-----------------|-----------------|
| Commercialization license fee income | 24,354 | 24,354 |
| Compounds Library license fee income | - | 4 |
| Total | 24,354 | 24,358 |

(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.

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 the point in time as services are completed and accepted and payment is generally due within 45 days from the date of billing.

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.

Notes to the Consolidated Financial Statements

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5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations (Continued)

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|-----------------------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Amounts expected to be recognized as revenue: | | |
| Within one year | 38,410 | 24,354 |
| After one year | 251,189 | 183,625 |
| Total | 289,599 | 207,979 |

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

| | 2023 | 2022 |
|------------------------------------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Bank interest income | 32,409 | 9,727 |
| Government grants related to income* | 19,358 | 33,597 |
| Fair value gain on derivative financial instruments | 2,822 | 19,434 |
| Foreign exchange gain, net | 1,621 | – |
| Rental income | 400 | – |
| Gain on disposal of items of property, plant and equipment | 4 | 2,068 |
| Others | 2,702 | 2,146 |
| Total other income and gains | 59,316 | 66,972 |

* Government grants mainly related to income that has 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.

Notes to the Consolidated Financial Statements

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6. LOSS BEFORE TAX

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

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|------------------------------------------------------------------------|-------|-----------------|-----------------|
| Cost of inventories sold | | 29,342 | 18,926 |
| Cost of services provided | | 1,201 | 3,072 |
| Depreciation of property, plant and equipment** | 14 | 55,281 | 38,194 |
| Depreciation of investment property** | 15 | 15,883 | 1,444 |
| Depreciation of right-of-use assets** | 16(a) | 11,632 | 13,495 |
| Amortization of intangible assets** | 18 | 10,399 | 9,782 |
| Research and development costs | | 706,972 | 743,104 |
| Employee benefit expense (including directors' remuneration) (note 9): | | | |
| Wages and salaries | | 337,381 | 360,838 |
| Equity-settled share-based payment expenses** | 36 | 31,503 | 22,105 |
| Pension scheme contributions (defined contribution scheme)* | | 30,705 | 28,659 |
| Total | | 399,589 | 411,602 |
| Fair value gain, net: | | | |
| Derivative financial instruments | | (2,822) | (19,434) |
| Financial assets at FVTPL | | 699 | 9,765 |
| Gain on disposal of items of property, plant and equipment | | (4) | (2,068) |
| Gain on disposal of items of lease | | - | (205) |
| Lease payments not included in the measurement of lease liabilities | 16(c) | 181 | 124 |
| Government grants related to income | | (19,358) | (33,597) |
| Bank interest income | | (32,409) | (9,727) |
| Auditors' remuneration | | 2,550 | 2,510 |
| Donations | | 3,988 | 3,118 |
| Foreign exchange (gain)/loss, net | | (1,621) | 2,638 |

* 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 year 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.

Notes to the Consolidated Financial Statements

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7. OTHER EXPENSES

| | 2023 RMB'000 | 2022 RMB'000 |
|----------------------------------------------|-----------------|-----------------|
| Foreign exchange loss | – | 2,638 |
| Fair value loss on financial assets at FVTPL | 699 | 9,765 |
| Donations | 3,988 | 3,118 |
| Others | 516 | 2,153 |
| | 5,203 | 17,674 |

8. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|------------------------------------------------------|-----------------|-----------------|
| Interest expenses on bank loans and other borrowings | 91,690 | 63,362 |
| Interest expenses on lease liabilities (note 16(b)) | 1,321 | 1,108 |
| Interest expenses on long-term payables | 3,046 | 2,922 |
| | 96,057 | 67,392 |
| Subtotal | 96,057 | 67,392 |
| Less: Interest capitalized | – | (14,607) |
| | 96,057 | 52,785 |

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:

| | 2023 RMB'000 | 2022 RMB'000 |
|---------------------------------------------|-----------------|-----------------|
| Fees | 1,692 | 1,616 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | 5,693 | 4,891 |
| Equity-settled share-based payment expenses | 349 | 1,176 |
| Pension scheme contributions | 253 | 242 |
| | 6,295 | 6,309 |
| Subtotal | 6,295 | 6,309 |
| Total | 7,987 | 7,925 |

Notes to the Consolidated Financial Statements

December 31, 2023

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, 2023 | Fees | RSUs | Total |
|------------------------------|---------|---------------------|---------|
| | RMB'000 | expenses RMB'000 | RMB'000 |
| Mr. Ye Changqing | 423 | 79 | 502 |
| Dr. Yin Zheng | 423 | 79 | 502 |
| Mr. Ren Wei | 423 | 79 | 502 |
| Dr. David Sidransky | 423 | 87 | 510 |
| Total | 1,692 | 324 | 2,016 |

| Year ended December 31, 2022 | Fees | RSUs | Total |
|------------------------------|---------|---------------------|---------|
| | RMB'000 | expenses RMB'000 | 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 |
| Total | 1,616 | 644 | 2,260 |

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

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December 31, 2023

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, 2023 | | | | | |
| Chief executive officer and executive director: Dr. Yang Dajun | - | 4,528 | - | 253 | 4,781 |
| Non-executive directors: Dr. Wang Shaomeng | - | 1,165 | - | - | 1,165 |
| Dr. Lu Simon Dazhong | - | - | 25 | - | 25 |
| Subtotal | - | 1,165 | 25 | - | 1,190 |
| Total | - | 5,693 | 25 | 253 | 5,971 |
| Year ended December 31, 2022 | | | | | |
| Chief executive officer and 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 |
| Subtotal | - | 1,112 | 532 | - | 1,644 |
| Total | - | 4,891 | 532 | 242 | 5,665 |

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2022: Nil).

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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 2023 and 2022. During the years ended 31 December 2023 and 2022, 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 2023 and 2022, 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 2023 and 2022.

* 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 (2022: one director), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining four (2022: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---------------------------------------------|-----------------|-----------------|
| Salaries, allowances and benefits in kind | 15,410 | 13,479 |
| Equity-settled share-based payment expenses | 2,517 | 3,162 |
| Pension scheme contributions | 929 | 797 |
| Total | 18,856 | 17,438 |

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

| | 2023 | 2022 |
|------------------------------|----------|------|
| RMB3,500,000 to RMB4,000,000 | 2 | 2 |
| RMB4,000,001 to RMB4,500,000 | 1 | 1 |
| RMB5,500,001 to RMB6,000,000 | – | 1 |
| RMB7,000,001 to RMB7,500,000 | 1 | – |
| Total | 4 | 4 |

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.

Notes to the Consolidated Financial Statements

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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.

Chinese Mainland

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Chinese Mainland 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 Chinese Mainland, which is taxed at a preferential rate of 15% (2022: 15%). No provision for CIT has been made as the Group had no taxable profits in Chinese Mainland 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 tax at a maximum of 21% (2022: 21%) federal corporate income tax rate and 8.25% (2022: 8.25%) Maryland state tax rate. No provision for income tax has been made as the Group had no assessable profits 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.

| | 2023 | 2022 |
|--------------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Deferred (note 21) | (7,150) | (4,248) |
| Total income tax credit for the year | (7,150) | (4,248) |

Notes to the Consolidated Financial Statements

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11. INCOME TAX CREDIT (Continued)

A reconciliation of the tax expense/(credit) applicable to loss before tax at the statutory tax 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:

2023

| | Cayman | | Chinese Mainland | | United States | | Others | | Total | |
|----------------------------------------------------------------|----------|---|------------------|--------|---------------|--------|----------|--------|-----------|--------|
| | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| Loss before tax | (14,262) | | (547,868) | | (330,132) | | (40,600) | | (932,862) | |
| Tax at the statutory rate | - | - | (136,967) | 25.0 | (96,563) | 29.3 | (11,019) | 27.1 | (244,549) | 26.2 |
| Lower tax rate for a specific entity | - | - | 3,292 | (0.6) | - | - | - | - | 3,292 | (0.4) |
| Gains attributable to joint venture | - | - | (269) | 0.05 | - | - | - | - | (269) | - |
| Items not subject to tax | - | - | - | - | - | - | (4,093) | 10.1 | (4,093) | 0.4 |
| Tax incentives on eligible expenditures | - | - | (67,525) | 12.3 | - | - | - | - | (67,525) | 7.2 |
| Items not deductible for tax | - | - | 7,965 | (1.5) | 39 | - | 1,188 | (2.9) | 9,192 | (1.0) |
| Deductible temporary differences and tax losses not recognized | - | - | 186,354 | (34.0) | 96,524 | (29.3) | 13,924 | (34.3) | 296,802 | (31.8) |
| Tax credit at the Group's effective rate | - | - | (7,150) | 1.3 | - | - | - | - | (7,150) | 0.8 |

2022

| | Cayman | | Chinese Mainland | | 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 | (96,446) | 29.3 | (8,234) | 25.2 | (238,276) | 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) | 15 | - | 1,728 | (5.3) | 3,615 | (0.4) |
| Deductible temporary differences and tax losses not recognized | - | - | 215,966 | (40.4) | 96,431 | (29.3) | 6,518 | (20.0) | 318,915 | (35.9) |
| Tax credit at the Group's effective rate | - | - | (4,248) | 0.8 | - | - | - | - | (4,248) | 0.5 |

Notes to the Consolidated Financial Statements

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12. DIVIDENDS

The board of directors resolved not to declare any final dividend for the year ended December 31, 2023 (2022: 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 282,299,269 (2022: 263,668,827) 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, 2023 and 2022 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:

| | 2023 | 2022 |
|------------------------------------------------------------------------------------------------------------------|-------------------------|-------------|
| | RMB'000 | RMB'000 |
| Loss | | |
| Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation | (925,637) | (882,924) |
| | Number of shares | |
| | 2023 | 2022 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation | 282,299,269 | 263,668,827 |

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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, 2023 | | | | | | |
| At January 1, 2023: | | | | | | |
| 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 |
| At January 1, 2023, net of accumulated depreciation and impairment | 454,131 | 810 | 107,331 | 323 | 39,491 | 602,086 |
| Additions | - | 2,528 | 8,017 | - | 9,877 | 20,422 |
| Disposals | - | - | (11) | - | - | (11) |
| Depreciation provided during the year (note 6) | (23,897) | (4,572) | (26,692) | (120) | - | (55,281) |
| Transfers | - | 18,936 | 17,782 | - | (36,718) | - |
| Transfer from investment property (note 15) | 339,542 | - | - | - | - | 339,542 |
| Others | - | - | (948) | - | - | (948) |
| Exchange realignment | - | (1) | 6 | - | - | 5 |
| At December 31, 2023 net of accumulated depreciation and impairment | 769,776 | 17,701 | 105,485 | 203 | 12,650 | 905,815 |
| At December 31, 2023: | | | | | | |
| Cost | 834,913 | 29,218 | 179,256 | 609 | 12,650 | 1,056,646 |
| Accumulated depreciation and impairment | (65,137) | (11,517) | (73,771) | (406) | - | (150,831) |
| Net carrying amount | 769,776 | 17,701 | 105,485 | 203 | 12,650 | 905,815 |

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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, 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 |
| Disposals | - | (95) | (188) | - | - | (283) |
| Depreciation provided during the year (note 6) | (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) |
| 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 |

At December 31, 2023, the buildings with a net carrying amount of approximately RMB769,776,000 (December 31, 2022: buildings with a net carrying amount of approximately RMB454,131,000, an investment property with a carrying amount of approximately RMB355,425,000 and the construction in progress with a net carrying amount of approximately RMB17,833,000) were pledged to secure general banking loans of the Group.

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15. INVESTMENT PROPERTY

| | 2023 | 2022 |
|------------------------------------------------------------|------------------|---------|
| | RMB'000 | RMB'000 |
| At January 1: | | |
| Cost | 364,696 | – |
| Depreciation | (9,271) | – |
| At 1 January, net of accumulated depreciation | 355,425 | – |
| Transfer (to)/from property, plant and equipment (note 14) | (339,542) | 356,869 |
| Depreciation (note 6) | (15,883) | (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 Chinese Mainland, being the Company's Suzhou facility which is located at 68, Xinqing Road, Suzhou Industrial Park, Suzhou, Jiangsu, China.

The property was measured initially and subsequently at cost, and depreciation is calculated on the straight-line basis over 20 years. As at December 31, 2022, the fair value of the Group's investment property was approximately RMB375,422,000. The valuation was determined using the income approach.

In December 2023, the investment property was approved to transfer to property, plant and equipment by the board of directors for its best use as the headquarters of the Company and a China-based global R&D center and manufacturing facility.

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 are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

Notes to the Consolidated Financial Statements

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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 | Leasehold land | Total |
|---------------------------------------------|------------------|---------------------------|-----------------|
| | RMB'000 | RMB'000 | RMB'000 |
| As at 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 |
| | <hr/> | <hr/> | <hr/> |
| As at December 31, 2022 and January 1, 2023 | 17,908 | 28,728 | 46,636 |
| | <hr/> | <hr/> | <hr/> |
| Additions | 16,194 | – | 16,194 |
| Depreciation charge (note 6) | (10,502) | (1,130) | (11,632) |
| Exchange realignment | 54 | – | 54 |
| | <hr/> | <hr/> | <hr/> |
| As at December 31, 2023 | 23,654 | 27,598 | 51,252 |

As at December 31, 2023, leasehold land with a carrying amount of approximately RMB27,598,000 (2022: RMB28,728,000) 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:

| | 2023 | 2022 |
|-----------------------------------------------------------|-----------------|----------|
| | RMB'000 | RMB'000 |
| Carrying amount at January 1 | 17,222 | 17,898 |
| New leases | 16,194 | 17,782 |
| Accretion of interest recognized during the year (note 8) | 1,321 | 1,108 |
| Payments | (12,087) | (14,347) |
| Exchange realignment | 31 | 37 |
| Disposal | – | (5,256) |
| | <hr/> | <hr/> |
| Carrying amount at December 31 | 22,681 | 17,222 |
| | <hr/> | <hr/> |
| Analysed into: | | |
| Current portion | 9,757 | 8,078 |
| Non-current portion | 12,924 | 9,144 |

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.

Notes to the Consolidated Financial Statements

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16. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognized in profit or loss in relation to leases are as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|-----------------------------------------------------------------------------------------|-----------------|-----------------|
| Interest on lease liabilities (note 8) | 1,321 | 1,108 |
| Depreciation charge of right-of-use assets | 11,632 | 13,495 |
| Expense relating to short-term leases (included in administrative expenses) (note 6) | 181 | 124 |
| Total amount recognized in profit or loss | 13,134 | 14,727 |

(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.

The Group as a lessor

The Group leases its investment properties (note 15) consisting of one industrial property in Chinese Mainland under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognized by the Group during the year was RMB400,000 (2022: Nil), details of which are included in note 5 to the financial statements.

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

| | 2023 RMB'000 |
|-----------------------------------------|-----------------|
| Within one year | 1,114 |
| After one year but within two years | 1,114 |
| After two years but within three years | 472 |
| After three years but within four years | 472 |
| After four years but within five years | 236 |
| Total | 3,408 |

17. GOODWILL

| | RMB'000 |
|--------------------------------|---------------|
| At December 31, 2023 and 2022: | |
| Cost | 24,694 |
| Accumulated impairment | — |
| Net carrying amount | 24,694 |

Notes to the Consolidated Financial Statements

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17. GOODWILL (Continued)

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, 2023 and 2022 | <u>24,694</u> |

Impairment testing of goodwill

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.

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 17.54% as at December 31, 2023 (December 31, 2022: 16.94%). The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Expected revenue – The revenue is based on the business strategy and management’s expectation for the market development.

The values assigned to the key assumptions are consistent with external information sources.

As at December 31, 2023, the recoverable amount of the cash-generating unit exceeds its carrying amount by RMB296,236,000 (December 31, 2022: RMB1,083,513,000).

The following table sets forth the impact of possible changes of the key assumptions, with all other variables held constant, of goodwill impairment testing as of the dates indicated.

| | 2023 RMB'000 | 2022 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% | 280,243 | 1,047,100 |
| Pre-tax discount rate increases by 3% | 250,602 | 979,399 |
| Expected revenue decreases by 1% | 292,965 | 1,052,596 |
| Expected revenue decreases by 3% | 286,422 | 990,760 |

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.

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18. OTHER INTANGIBLE ASSETS

| | Software RMB'000 | Patent RMB'000 | License RMB'000 | Total RMB'000 |
|----------------------------------------------------------|---------------------|-------------------|--------------------|------------------|
| December 31, 2023 | | | | |
| Cost at January 1, 2023, net of accumulated amortization | 7,080 | 48,599 | 28,625 | 84,304 |
| Additions | 5,541 | 6,000 | – | 11,541 |
| Amortization provided during the year (note 6) | (2,389) | (6,510) | (1,500) | (10,399) |
| At December 31, 2023 | 10,232 | 48,089 | 27,125 | 85,446 |
| At December 31, 2023: | | | | |
| Cost | 17,325 | 93,050 | 30,000 | 140,375 |
| Accumulated amortization | (7,093) | (44,961) | (2,875) | (54,929) |
| Net carrying amount | 10,232 | 48,089 | 27,125 | 85,446 |
| 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 |

Notes to the Consolidated Financial Statements

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19. INVESTMENT IN A JOINT VENTURE

| | | |
|---------------------|----------------|---------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Share of net assets | 16,998 | 15,922 |

Particulars of the Group's principal joint venture are as follows:

| Name | Place of registration and business | Registered share capital RMB'000 | Percentage of | | Principal activities |
|--------------------------------------------------------------------------|------------------------------------|-------------------------------------|--------------------|--------------|-------------------------------|
| | | | Ownership interest | Voting power | |
| 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 the three representatives of the investment committee in consensus.

The following table illustrates the financial information of the Group's joint venture:

| | | |
|---------------------------------------------------------------------------|---------------------|--------------|
| | December 31, | December 31, |
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Share of the joint venture's gain/(loss) for the year | 1,076 | (278) |
| Share of the joint venture's total comprehensive gain/(loss) for the year | 1,076 | (278) |
| Aggregate carrying amount of the Group's investment in the joint venture | 16,998 | 15,922 |

Notes to the Consolidated Financial Statements

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20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2023 | 2022 |
|------------------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Listed equity investments, at fair value | 1,951 | 2,609 |

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. 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 | Right-of-use assets | Total |
|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------|----------------------------|----------------|
| | RMB'000 | RMB'000 | RMB'000 |
| At January 1, 2022 | 13,753 | – | 13,753 |
| Effect of adoption of amendments to IAS 12 | – | 4,126 | 4,126 |
| Deferred tax liabilities at January 1, 2022 (restated) | 13,753 | 4,126 | 17,879 |
| Deferred tax charged/(credited) to the statement of profit or loss during the year (note 11) | (1,602) | 1,202 | (400) |
| Deferred tax liabilities at December 31, 2022 and January 1, 2023 (restated) | 12,151 | 5,328 | 17,479 |
| Deferred tax charged/(credited) to the statement of profit or loss during the year (note 11) | (1,602) | 85 | (1,517) |
| Deferred tax liabilities at December 31, 2023 | 10,549 | 5,413 | 15,962 |

Notes to the Consolidated Financial Statements

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21. DEFERRED TAX (Continued)

Deferred tax assets

| | Lease liabilities RMB'000 | Contract liabilities RMB'000 | Losses available for offsetting against future taxable profits RMB'000 | Total RMB'000 |
|---------------------------------------------------------------------------------------------|---------------------------------|------------------------------------|---------------------------------------------------------------------------------------|------------------|
| At January 1, 2022 | – | 27,751 | 23,897 | 51,648 |
| Effect of adoption of amendments to IAS 12 | 4,126 | – | – | 4,126 |
| Deferred tax assets at January 1, 2022 (restated) | 4,126 | 27,751 | 23,897 | 55,774 |
| Deferred tax charge/(credited) to the statement of profit or loss during the year (note 11) | 1,202 | 3,446 | (800) | 3,848 |
| Deferred tax assets at December 31, 2022 and January 1, 2023 (restated) | 5,328 | 31,197 | 23,097 | 59,622 |
| Deferred tax charge/(credited) to the statement of profit or loss during the year (note 11) | 85 | 12,243 | (6,695) | 5,633 |
| Deferred tax assets at December 31, 2023 | 5,413 | 43,440 | 16,402 | 65,255 |

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

| | 2023 RMB'000 | 2022 RMB'000 |
|-------------------------------------------------------------------------------------------|-----------------|-----------------|
| Deferred tax offset in the consolidated statement of financial position | 5,413 | 5,328 |
| Net deferred tax assets recognized in the consolidated statement of financial position | 59,842 | 54,294 |
| Net deferred tax liability recognized in the consolidated statement of financial position | 10,549 | 12,151 |

Deferred tax assets have not been recognized in respect of the following items:

| | 2023 RMB'000 | 2022 RMB'000 |
|----------------------------------|------------------|-----------------|
| Taxes losses | 5,624,835 | 4,723,253 |
| Deductible temporary differences | 324,444 | 419,266 |
| Total | 5,949,279 | 5,142,519 |

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21. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

| | 2023 RMB'000 | 2022 RMB'000 |
|---------------------|------------------|-----------------|
| Less than ten years | 3,050,821 | 2,553,656 |
| Without limitation | 2,574,014 | 2,169,597 |
| Total | 5,624,835 | 4,723,253 |

The Group has tax losses arising in Chinese Mainland of RMB3,050,821,000 that will expire in one to ten years for offsetting against future taxable profits as at December 31, 2023 (December 31, 2022: RMB2,553,656,000). Tax losses arising in locations other than Chinese Mainland 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 utilized.

22. OTHER NON-CURRENT ASSETS

| | 2023 RMB'000 | 2022 RMB'000 |
|----------------------------------------------|-----------------|-----------------|
| Value added tax recoverable | 7,052 | – |
| Deposit | 3,000 | 6,500 |
| Prepayment for property, plant and equipment | 165 | 1,303 |
| Total | 10,217 | 7,803 |

23. INVENTORIES

| | 2023 RMB'000 | 2022 RMB'000 |
|------------------|-----------------|-----------------|
| Work in progress | 5,089 | 5,038 |
| Finished goods | 11,078 | 4,410 |
| Total | 16,167 | 9,448 |

24. TRADE RECEIVABLES

| | 2023 RMB'000 | 2022 RMB'000 |
|-------------------|-----------------|-----------------|
| Trade receivables | 145,893 | 54,356 |

Notes to the Consolidated Financial Statements

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24. TRADE RECEIVABLES *(Continued)*

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 minimize 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 and licence fee income, 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, 2023, 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:

| | 2023 RMB'000 | 2022 RMB'000 |
|----------------|-------------------------------|-----------------|
| Within 45 days | 145,893 | 54,356 |

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | 2023 RMB'000 | 2022 RMB'000 |
|-----------------------------|-------------------------------|-----------------|
| Prepayments | 64,081 | 61,406 |
| Deposits | 6,557 | 11,905 |
| Value added tax recoverable | 11,010 | 6,484 |
| Other receivables | 6,637 | 649 |
| Total | 88,285 | 80,444 |

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, 2023 and 2022, the loss allowance was assessed to be minimal.

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26. CASH AND BANK BALANCES

| | 2023 | 2022 |
|--------------------------------------------------------------------------------------|------------------|-----------|
| | RMB'000 | RMB'000 |
| Cash and current deposits as stated in the consolidated statement of cash flows | 1,038,048 | 1,345,639 |
| Restricted cash* | 24,537 | 16,601 |
| Time deposits with original maturity of more than three months | 31,248 | 130,000 |
| | 1,093,833 | 1,492,240 |
| Cash and bank balances as stated in the consolidated statement of financial position | 1,093,833 | 1,492,240 |
| Denominated in: | | |
| RMB | 711,252 | 986,267 |
| US\$ | 376,534 | 172,600 |
| HK\$ | 3,724 | 329,456 |
| Others | 2,323 | 3,917 |
| Total | 1,093,833 | 1,492,240 |

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB711,252,000 (2022: RMB986,267,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and 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 pledged as security for payment of bank loans and interest expense and the deposits granted by the government for specific research and development projects, which can only be used for the payments of bank loans and interest expense and 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:

| | 2023 | 2022 |
|----------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Within 1 month | 56,549 | 64,859 |
| 1 to 3 months | 3,005 | 3,327 |
| 3 to 6 months | 12,891 | 27,373 |
| Total | 72,445 | 95,559 |

The trade payables are non-interest-bearing and are normally settled in less than six months.

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28. OTHER PAYABLES AND ACCRUALS

| | 2023 | 2022 |
|-----------------------------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Payroll payables | 69,208 | 77,581 |
| Payables for construction cost and intangible asset | 49,542 | 76,509 |
| Other accrued expenses | 47,036 | 35,502 |
| Long-term payables – current portion (note 32) | 19,159 | 19,081 |
| Other payables | 12,534 | 23,799 |
| Tax payables other than income tax | 8,389 | 7,179 |
| Accrued interests | 1,046 | 383 |
| | <hr/> | <hr/> |
| Total | 206,914 | 240,034 |

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, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|------------------------------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| <i>Short-term advances recognized from customers</i> | | |
| Commercial license fee income | 38,410 | 24,354 |
| | <hr/> | <hr/> |
| <i>Long-term advances recognized from customers</i> | | |
| Commercial license fee income | 251,189 | 183,625 |
| | <hr/> | <hr/> |
| Total | 289,599 | 207,979 |

Contract liabilities include long-term and short-term advances received to grant customers the commercialization 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 has licensed 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 customers receive and consume the benefits during the commercialization stage of the respective products.

In accordance with the agreement, the Group recognized RMB349.5 million as upfront fee and milestone payments from 2021 to 2023, among which, RMB107.7 million was recognized in November 2023 as the second NDA of HQP1351 was approved. The Group recognized RMB26.0 million as revenue during the year ended December 31, 2023 (2022: RMB24.4 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.

Notes to the Consolidated Financial Statements

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30. INTEREST-BEARING BANK AND OTHER BORROWINGS

2023

| | Effective interest rate per annum (%) | Maturity | RMB'000 |
|-----------------------------------------------------|------------------------------------------------------|-------------|-----------|
| Current | | | |
| Short-term borrowing | 3.15 | 2024 | 120,000 |
| Current portion of long term bank loans – unsecured | 1 year LPR-0.15 to 0.65 or 1 year LPR+0.55 to 0.7 | 2024 | 322,500 |
| Current portion of long term bank loans – unsecured | 2.95-4.75 | 2024 | 155,050 |
| Current portion of long-term bank loans – secured* | 5 years LPR-0.85 | 2024 | 9,097 |
| Lease liabilities (note 16(b)) | 4.00-4.35 | 2024 | 9,757 |
| Total – current | | | 616,404 |
| Non-current | | | |
| Bank loans – unsecured | 1 year LPR-0.15 to 0.65 or 1 year LPR+0.65 | 2025 – 2026 | 147,000 |
| Bank loans – unsecured | 3.00-4.55 | 2025 – 2028 | 425,570 |
| Bank loans – secured* | 5 years LPR-0.85 | 2025 – 2038 | 593,697 |
| Lease liabilities (note 16(b)) | 4.00-4.35 | 2025 – 2028 | 12,924 |
| Total – non-current | | | 1,179,191 |
| Total | | | 1,795,595 |

Note: LPR represents the Loan Prime Rate.

* The bank loans amounting to RMB602,794,000 (December 31, 2022: RMB561,510,000) were secured by the pledge of the Group's buildings with a net carrying amount of approximately RMB769,776,000 (December 31, 2022: buildings with a net carrying amount of RMB454,131,000, construction in progress with a carrying amount of RMB17,833,000 and investment property with a net carrying amount of approximately RMB355,425,000) and right-of-use assets with a net carrying amount of approximately RMB27,598,000 (December 31, 2022: RMB28,728,000) as at December 31, 2023. Such loans were also guaranteed by two of the Group's subsidiaries.

The unsecured bank loans amounting to RMB377,620,000 (2022: RMB257,120,000) were guaranteed by the Group's subsidiaries as at December 31, 2023.

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30. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

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 years LPR+0.15 | 2023 | 10,000 |
| Lease liabilities (note 16(b)) | 4.00-4.35 | 2023 | 8,078 |
| Total – current | | | 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 years LPR+0.15 | 2024 – 2030 | 551,510 |
| Lease liabilities (note 16(b)) | 4.00-4.35 | 2024 – 2026 | 9,144 |
| Total – non-current | | | 1,274,344 |
| Total | | | 1,792,727 |

| | 2023 RMB'000 | 2022 RMB'000 |
|----------------------------------------|-----------------|-----------------|
| Analysed into: | | |
| Within one year | 616,404 | 518,383 |
| In the second year | 428,783 | 384,479 |
| In the third to fifth years, inclusive | 238,580 | 788,355 |
| Beyond five years | 511,828 | 101,510 |
| Total | 1,795,595 | 1,792,727 |

31. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2023 RMB'000 | 2022 RMB'000 |
|----------|-----------------|-----------------|
| Warrants | – | 2,822 |

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 warrants have expired in July 2023 and not been exercised.

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32. LONG-TERM PAYABLES

| | 2023 | 2022 |
|---------------------------------------------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Contingent cash consideration for acquisition of Healthquest Pharma | 37,458 | 54,412 |
| Portion classified as current liabilities (note 28) | 19,159 | 19,081 |
| Non-current portion | 18,299 | 35,331 |

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 2023.

33. DEFERRED INCOME

| | 2023 | 2022 |
|-------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Government grants | 36,360 | 35,000 |

The movements in government grants during the reporting period are as follows:

| | 2023 | 2022 |
|--------------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| At beginning of the year | 35,000 | 35,300 |
| Received during the year | 1,360 | – |
| Recognized as income during the year | – | (300) |
| At end of the year | 36,360 | 35,000 |

34. SHARE CAPITAL AND TREASURY SHARES

Issued and fully paid

| | As at December 31, 2023 | | |
|------------------------------------|--------------------------------------|-----------------------------------|---------------------------------------|
| | Number of shares in issue | Share capital US\$ | RMB equivalent RMB'000 |
| Ordinary shares of US\$0.0001 each | 290,196,560 | 29,020 | 197 |

| | 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 |

Notes to the Consolidated Financial Statements

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34. SHARE CAPITAL AND TREASURY SHARES (Continued)

Issued and fully paid (Continued)

Movements in the issued share capital and treasury Share from January 1, 2022 to December 31, 2023 were as follows:

| | Number of shares | Share capital RMB'000 | Treasury Shares RMB'000 | Total RMB'000 |
|-----------------------------------------------------------|---------------------|--------------------------|-------------------------------|------------------|
| At January 1, 2022 | 262,880,613 | 178 | (3) | 175 |
| Issue of shares under the pre-IPO share option scheme (a) | 2,213,404 | 2 | - | 2 |
| Issue of shares under the 2021 RSU scheme (b) | 91,933 | - | - | - |
| Repurchase of ordinary shares (c) | - | - | (26,776) | (26,776) |
| Exercise of restricted share units (d) | - | - | 227 | 227 |
| At December 31, 2022 and January 1, 2023 | 265,185,950 | 180 | (26,552) | (26,372) |
| Issue of ordinary shares (e) | 22,500,000 | 15 | - | 15 |
| Issue of shares under the pre-IPO share option scheme (f) | 911,062 | 1 | - | 1 |
| Issue of shares under the 2021 RSU scheme (g) | 71,034 | - | - | - |
| Equity-settled bonus (h) | 1,528,514 | 1 | 1 | 2 |
| Repurchase of ordinary shares (i) | - | - | (5,923) | (5,923) |
| Exercise of restricted share units (j) | - | - | 11,123 | 11,123 |
| At December 31, 2023 | 290,196,560 | 197 | (21,351) | (21,154) |

Notes:

- (a) 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.
- (b) In June 2022, the Company issued ordinary shares with respect to the restricted share units 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 share units, 91,933 new shares of the Company were issued, and an amount of RMB62 was credited as share capital.
- (c) From July to October 2022, the Company instructed the trustee to purchase 1,715,000 of its shares on the Hong Kong Stock Exchange at a total consideration of RMB26,776,000 for the purpose of the 2022 RSU scheme.
- (d) In connection with the exercise of restricted share units granted under the 2018 and 2022 RSU Scheme, 416,208 treasury shares were allotted to the employees during the year ended December 31, 2022.
- (e) In connection with the 2023 Placing, 22,500,000 placing shares of the Company were issued and allotted at a price of HK\$24.45 per share in February 1, 2023, an amount of RMB15,210 was credited as share capital.
- (f) During the year ended December 31, 2023, 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, 2023 to those grantees. In connection with the exercised share options, 911,062 new shares of the Company were issued with weighted average exercise price of HK\$0.01, and an amount of RMB646 was credited as share capital.

Notes to the Consolidated Financial Statements

December 31, 2023

34. SHARE CAPITAL AND TREASURY SHARES *(Continued)*

Issued and fully paid *(Continued)*

- (g) In June 2023, the Company issued ordinary shares with respect to the restricted share units under the 2021 RSU Scheme exercised by certain selected persons of the Company before December 31, 2023 to those selected persons. In connection with the exercised restricted share units, 71,034 new shares of the Company were issued, and an amount of RMB51 was credited as share capital.
- (h) In June 2023, 1,528,514 ordinary shares and 1,237,884 treasury shares, being underlying shares of the restricted share units granted under the 2021 RSU scheme and the 2018 RSU scheme, were allotted to the employees to settle the bonus due to employees, amount of RMB1,088 and RMB821 were credited as share capital and treasury shares, respectively.
- (i) In November 2023, the Company instructed the trustee to purchase 250,000 of its shares on the Hong Kong Stock Exchange at a total consideration of RMB5,923,000 for the purpose of the 2022 RSU scheme.
- (j) In connection with the exercise of restricted share units granted under the 2018 and 2022 RSU Scheme, 1,069,461 treasury shares were allotted to the employees during the year ended December 31, 2023.

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 93 to 94 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 RMB31,503,000 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, RMB32,593,000 was credited to share premium and RMB43,709,000 was transferred out from capital and reserves.

In connection with the equity-settled bonus, the Company settled the bonus of RMB55,468,000 by issuing the shares (1,528,514 newly issued shares and 1,237,884 treasury shares) at a price of HK\$23 to employees, among which, RMB55,466,000 was credited to share premium.

Notes to the Consolidated Financial Statements

December 31, 2023

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.

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%.

Notes to the Consolidated Financial Statements

December 31, 2023

36. SHARE-BASED PAYMENTS (Continued)

(a) Share option scheme (Continued)

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:

| | 2023 | | 2022 | |
|-------------------------------|-------------------------------------|------------------------------|-------------------------------------|------------------------------|
| | 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 | 4,175 | 0.01 | 6,699 |
| Forfeited during the year | 0.01 | – | 0.01 | (311) |
| Exercised during the year | 0.01 | (911) | 0.01 | (2,213) |
| Outstanding as of December 31 | 0.01 | 3,264 | 0.01 | 4,175 |

The number of share options exercisable was 3,264,184 as at December 31, 2023 (2022: 3,342,691).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2023

| Number of options '000 per share | Exercise price HK\$ | Exercise period |
|-------------------------------------------|------------------------|-------------------------------|
| 2,825 | 0.01 | Jan 28, 2020 – Aug 15, 2028 |
| 424 | 0.01 | May 15, 2020 – May 15, 2029 |
| 15 | 0.01 | Sept 16, 2020 – Sept 16, 2029 |
| 3,264 | | |

Notes to the Consolidated Financial Statements

December 31, 2023

36. SHARE-BASED PAYMENTS *(Continued)*

(a) Share option scheme *(Continued)*

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 |
| <u>4,175</u> | | |

The Group has not granted any share options during the year ended December 31, 2023(2022: Nil), of which the Group recognized a share option expense of RMB3,750,000 (2022: RMB10,645,000) during the year ended December 31, 2023.

The 911,062 share options exercised during the year resulted in the issue of 911,062 ordinary shares of the Company and new share capital of RMB646 (before issue expenses), as further detailed in note 34 to the financial statements.

As at December 31, 2023, the Company had 3,264,000 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 3,264,000 additional Ordinary Shares of the Company and additional share capital and share premium of US\$7,517,000, equivalent to RMB52,971,000 (before issue expenses) transferred from capital and other reserves.

At the date of approval of these financial statements, the Company had 3,264,000 share options outstanding under the Scheme, which represented approximately 1.12% of the Company's shares in issue as at that date.

Notes to the Consolidated Financial Statements

December 31, 2023

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:

| | 2023 | | 2022 | |
|-------------------------------|------------------------------------------|---------------------------|------------------------------------------|---------------------------|
| | 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 | 402 | 28.35 | 1,085 |
| Granted during the year | - | - | - | - |
| Forfeited during the year | 28.35 | (45) | 28.35 | (282) |
| Exercised during the year | 28.35 | (357) | 28.35 | (401) |
| Outstanding as of December 31 | - | - | 28.35 | 402 |

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 Company recognized a share grant expense of RMB3,169,000 for the year ended December 31, 2023.

As at December 31, 2023, all RSUs under the 2018 RSU Scheme had been exercised.

Notes to the Consolidated Financial Statements

December 31, 2023

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.

Notes to the Consolidated Financial Statements

December 31, 2023

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:

| | 2023 | 2022 |
|-------------------------------------|----------------|---------|
| | Number | Number |
| | of RSUs | of RSUs |
| | '000 | '000 |
| Outstanding as of January 1, 2023 | 220 | 367 |
| Granted during the year | - | - |
| Forfeited during the year | (40) | (56) |
| Exercised during the year | (71) | (91) |
| | <hr/> | <hr/> |
| Outstanding as of December 31, 2023 | 109 | 220 |

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.

The Company recognized a share grant expense of RMB1,589,000 for the year ended December 31, 2023.

As at December 31, 2023, the Company had 109,000 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\$4,937,000, equivalent to RMB4,444,000, 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.

Notes to the Consolidated Financial Statements

December 31, 2023

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% |

Pursuant to the 2022 RSU Scheme, on May 4, 2023, the Company granted 1,379,094 RSUs under the 2022 RSU Scheme, representing 1,379,094 shares to 172 selected persons (the “**2022 Further Grant**”), who are employees of the Group. The RSUs granted were categorized in two types based on the vesting period and the proportion of shares that can be unlocked upon each vesting date.

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 | 21.80 | 100% | August 1, 2023-2024 | 40%, 60% |
| 2 | 21.80 | 100% | August 1, 2023-2025 | 30%, 30%, 40% |

As for the restricted shares granted to employees and senior management under the 2022 RSU Scheme, 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.

Notes to the Consolidated Financial Statements

December 31, 2023

36. SHARE-BASED PAYMENTS *(Continued)*

(b) RSUs granted to employees *(Continued)*

The 2022 RSU Scheme *(Continued)*

The following restricted shares were outstanding under the 2022 RSU Scheme during the year:

| | 2023 | 2022 |
|-------------------------------------|----------------|---------|
| | Number | Number |
| | of RSUs | of RSUs |
| | '000 | '000 |
| Outstanding as of January 1, 2023 | 1,121 | – |
| Granted during the year | 1,379 | 1,634 |
| Forfeited during the year | (146) | (499) |
| Exercised during the year | (713) | (14) |
| | <hr/> | <hr/> |
| Outstanding as of December 31, 2023 | 1,641 | 1,121 |

The fair value of each RSU under the 2022 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 2022 RSU Scheme, the fair value of the RSUs granted during the year ended December 31, 2023 amounted to RMB27,063,000.

The Company recognized a share grant expense of RMB22,995,000 for the year ended December 31, 2023.

As at December 31, 2023, the Company had 1,641,000 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\$34,573,000, equivalent to RMB31,122,000, transferred from capital and other reserves.

Notes to the Consolidated Financial Statements

December 31, 2023

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

- i. During the year, the Company granted 1,379,094 RSUs under the 2022 RSU scheme to 172 grantees. In 2022, the Company granted 1,634,426 RSUs under the 2022 RSU Scheme to 80 grantees.
- ii. During the year, the Company paid 2,766,398 shares (1,528,514 newly issued shares and 1,237,884 treasury shares) to employees as settlement of bonus of RMB55,468,000.
- iii. During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB16,194,000 and RMB16,194,000, respectively, in respect of lease arrangements for buildings (2022: RMB17,782,000 and RMB17,782,000).

(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, 2023 | 383 | 1,775,505 | 17,222 |
| Changes from financing cash flows | (91,027) | (2,591) | (10,766) |
| New leases | - | - | 16,194 |
| Interest expenses | 91,690 | - | 1,321 |
| Interest paid classified as financing cash flows | - | - | (1,321) |
| Effect of change in foreign exchange rates | - | - | 31 |
| | 1,046 | 1,772,914 | 22,681 |
| 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) |
| | 383 | 1,775,505 | 17,222 |

Notes to the Consolidated Financial Statements

December 31, 2023

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:

| | 2023 | 2022 |
|-----------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Within operating activities | 181 | 124 |
| Within financing activities | 12,087 | 14,347 |
| | 12,268 | 14,471 |

38. COMMITMENTS

- (a) As at December 31, 2023, the Group had capital commitments of RMB2,534,000 relating to furniture and equipment. (December 31, 2022: RMB2,269,000).
- (b) The Group has no lease contracts that have not yet commenced as at December 31, 2023.

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, 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:

| | 2023 | 2022 |
|---------------------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Short term employee benefits | 20,118 | 21,168 |
| Equity-settled share-based payment expenses | 1,763 | 3,690 |
| Post-employment benefits | 986 | 911 |
| Total | 22,867 | 25,769 |

Further details of directors' emoluments are included in note 9 to the financial statements.

Notes to the Consolidated Financial Statements

December 31, 2023

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:

2023

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, other receivables and other assets | – | 10,352 | 10,352 |
| Cash and bank balances | – | 1,093,833 | 1,093,833 |
| Trade receivables | – | 145,893 | 145,893 |
| Financial assets at FVTPL | 1,951 | – | 1,951 |
| Financial assets included in other non-current assets | – | 3,000 | 3,000 |
| Total | 1,951 | 1,253,078 | 1,255,029 |

Financial liabilities

| | Financial liabilities at amortized cost RMB'000 |
|------------------------------------------------------------------------------|------------------------------------------------------------|
| Interest-bearing bank and other borrowings (current and non-current portion) | 1,795,595 |
| Trade payables | 72,445 |
| Financial liabilities included in other payables and accruals | 63,122 |
| Long-term payables (current and non-current portion) | 37,458 |
| Total | 1,968,620 |

Notes to the Consolidated Financial Statements

December 31, 2023

42. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2022

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, other receivables and other assets | – | 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 |
| Total | 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 |
| Total | 2,822 | 2,043,389 | 2,046,211 |

Notes to the Consolidated Financial Statements

December 31, 2023

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 | |
|--------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| | 2023 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | 2022 RMB'000 |
| Financial assets | | | | |
| Financial assets at FVTPL | 1,951 | 2,609 | 1,951 | 2,609 |
| Financial assets included in other non-current assets | 3,000 | 6,500 | 2,758 | 5,930 |
| Total | 4,951 | 9,109 | 4,709 | 8,539 |
| Financial liabilities | | | | |
| Non-current portion of long-term payables | 18,299 | 35,331 | 18,299 | 35,331 |
| Derivative financial instruments | - | 2,822 | - | 2,822 |
| Non-current portion of interest-bearing bank and other borrowings (other than lease liabilities) | 1,166,267 | 1,265,200 | 1,155,556 | 1,215,510 |
| Total | 1,184,566 | 1,303,353 | 1,173,855 | 1,253,663 |

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 being 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 the financial assets and liabilities included in other non-current assets, the non-current portion of long-term payables, and the non-current portion of interest-bearing bank and other borrowings 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, long-term payables and interest-bearing bank and other borrowings as at December 31, 2023 was assessed to be insignificant.

Notes to the Consolidated Financial Statements

December 31, 2023

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 liabilities

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. The warrants have expired in July 2023 and not been exercised.

| | Valuation technique | Significant unobservable input | Range | Sensitivity of fair value of the input |
|----------------------------------|----------------------|--------------------------------|--------------|------------------------------------------------------------------------------------------------------------------|
| Derivative financial instruments | Black-Scholes method | Volatility rate | 2022: 68.07% | December 31, 2022: 1% increase/decrease in volatility rate would result in decrease/increase in fair value by 7% |

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, 2023

| | Fair value measurement using | | | Total RMB'000 |
|---------------------------|------------------------------------------------------|----------------------------------------------------|------------------------------------------------------|------------------|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | |
| Financial assets at FVTPL | 1,951 | – | – | 1,951 |

Notes to the Consolidated Financial Statements

December 31, 2023

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, 2022

| | Fair value measurement using | | | Total RMB'000 |
|---------------------------|---------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|------------------|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | |
| Financial assets at FVTPL | 2,609 | – | – | 2,609 |

Liabilities measured at fair value

As at December 31, 2022

| | Fair value measurement using | | | Total RMB'000 |
|----------------------------------|---------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|------------------|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | |
| Derivative financial instruments | – | – | 2,822 | 2,822 |

The movements in the fair value measurements within Level 3 during the reporting period are as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|--------------------------------------|-------------------------------|-----------------|
| Derivative financial instruments: | | |
| Carrying amount at January 1 | 2,822 | 22,256 |
| Change in fair value during the year | (2,822) | (19,434) |
| At 31 December | – | 2,822 |

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 (2022: Nil).

Notes to the Consolidated Financial Statements

December 31, 2023

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, 2023, the total interest-bearing bank borrowings of RMB1,072,294,000 (December 31, 2022:RMB1,215,165,000) of the Group were with floating interest rates denominated in RMB.

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 |
|-------------|-----------------------------------------------------|------------------------------------------------------------------------|
| 2023 | | |
| RMB | 100 | 10,723 |
| RMB | (100) | (10,723) |
| 2022 | | |
| RMB | 100 | 6,782 |
| RMB | (100) | (6,782) |

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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, 2023 | | | |
| If RMB weakens against US\$ | 5 | (65) | 20,987 |
| If RMB strengthens against US\$ | (5) | 65 | (20,987) |

| | | | |
|---------------------------------|-----|---------|----------|
| December 31, 2022 | | | |
| If RMB weakens against US\$ | 5 | (1,736) | 28,911 |
| If RMB strengthens against US\$ | (5) | 1,736 | (28,911) |

| | 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, 2023 | | | |
| If RMB weakens against HK\$ | 5 | (165) | - |
| If RMB strengthens against HK\$ | (5) | 165 | - |

| | | | |
|---------------------------------|-----|----------|---|
| December 31, 2022 | | | |
| If RMB weakens against HK\$ | 5 | (16,418) | - |
| If RMB strengthens against HK\$ | (5) | 16,418 | - |

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.

Notes to the Consolidated Financial Statements

December 31, 2023

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (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, 2023 | 12-month ECLs | | Lifetime ECLs | | Simplified approach RMB'000 | Total RMB'000 |
|---------------------------------------------------------------------------------|--------------------|--------------------|--------------------|----------------|--------------------------------|------------------|
| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | | | |
| Financial assets included in prepayments, other receivables and other assets | | | | | | |
| – Normal** | 10,352 | – | – | – | – | 10,352 |
| Cash and bank balances | | | | | | |
| – Not yet past due | 1,093,833 | – | – | – | – | 1,093,833 |
| Trade receivables* | – | – | – | 145,893 | 145,893 | 145,893 |
| Financial assets included in other non-current assets | | | | | | |
| – Normal** | 3,000 | – | – | – | – | 3,000 |
| Total | 1,107,185 | – | – | 145,893 | 145,893 | 1,253,078 |

| December 31, 2022 | 12-month ECLs | | Lifetime ECLs | | Simplified approach RMB'000 | Total RMB'000 |
|---------------------------------------------------------------------------------|--------------------|--------------------|--------------------|---------------|--------------------------------|------------------|
| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 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 | 54,356 |
| Financial assets included in other non-current assets | | | | | | |
| – Normal** | 6,500 | – | – | – | – | 6,500 |
| Total | 1,511,294 | – | – | 54,356 | 54,356 | 1,565,650 |

* 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”.

Notes to the Consolidated Financial Statements

December 31, 2023

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, 2023

| | 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 | – | 72,445 | – | – | 72,445 |
| Lease liabilities | – | 11,813 | 13,579 | – | 25,392 |
| Interest-bearing bank and other borrowings (excluding lease liabilities) | – | 671,206 | 747,848 | 656,457 | 2,075,511 |
| Financial liabilities included in other payables and accruals | 63,122 | – | – | – | 63,122 |
| Long-term payables | – | 20,000 | 20,000 | – | 40,000 |
| Total | 63,122 | 775,464 | 781,427 | 656,457 | 2,276,470 |

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 |
| Total | 103,513 | 710,640 | 1,337,435 | 104,076 | 2,255,664 |

Notes to the Consolidated Financial Statements

December 31, 2023

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 financial assets at FVTPL (note 20) as at December 31, 2023. The Group's listed investments are listed on NASDAQ and are valued at the 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, 2023 | High/low 2023 | December 31, 2022 | High/low 2022 |
|------------------------------|------------------------------|---------------------------|----------------------|-------------------|
| United States – NASDAQ index | 15,011 | 15,150/ 10,265 | 10,466 | 15,852/ 10,088 |

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 |
|----------------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------------|
| 2023 | | |
| Investments listed in: | | |
| NASDAQ – Financial assets at fair value through profit or loss | 1,951 | 98 (98) |
| 2022 | | |
| Investments listed in: | | |
| NASDAQ – Financial assets at fair value through profit or loss | 2,609 | 130 (130) |

Notes to the Consolidated Financial Statements

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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, 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:

| | 2023 | 2022 |
|---------------------------------------------------------------|--------------------|-------------|
| | RMB'000 | RMB'000 |
| Interest-bearing bank and other borrowings | 1,795,595 | 1,792,727 |
| Trade payables | 72,445 | 95,559 |
| Financial liabilities included in other payables and accruals | 63,122 | 100,691 |
| Long-term payables | 37,458 | 54,412 |
| Less: Cash and bank balances | (1,093,833) | (1,492,240) |
| Net debt | 874,787 | 551,149 |
| Equity attributable to owners of the parent | 60,417 | 408,658 |
| Adjusted capital | 60,417 | 408,658 |
| Capital and net debt | 935,204 | 959,807 |
| Gearing ratio | 94% | 57% |

Notes to the Consolidated Financial Statements

December 31, 2023

45. EVENT AFTER THE REPORTING PERIOD

As at the date of approval of these financial statements, there have been no significant events after the end of the reporting period.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2023 RMB'000 | 2022 RMB'000 |
|-------------------------------------------------|------------------|-----------------|
| NON-CURRENT ASSETS | | |
| Investments in subsidiaries | 305,916 | 217,312 |
| Total non-current assets | 305,916 | 217,312 |
| CURRENT ASSETS | | |
| Prepayments, other receivables and other assets | 3,612,208 | 3,022,224 |
| Cash and bank balances | 272,240 | 332,161 |
| Total current assets | 3,884,448 | 3,354,385 |
| CURRENT LIABILITIES | | |
| Other payables and accruals | 3,674 | 3,689 |
| Derivative financial instruments | - | 2,822 |
| Total current liabilities | 3,674 | 6,511 |
| NET CURRENT ASSETS | 3,880,774 | 3,347,874 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 4,186,690 | 3,565,186 |
| Net assets | 4,186,690 | 3,565,186 |
| EQUITY | | |
| Share capital | 197 | 180 |
| Treasury shares | (21,351) | (26,552) |
| Capital and reserves | 4,207,844 | 3,591,558 |
| Total equity | 4,186,690 | 3,565,186 |

Notes to the Consolidated Financial Statements

December 31, 2023

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, 2022 | 2,296,772 | 2,207,429 | (331,742) | (803,994) | 3,368,465 |
| Profit for the year | - | - | - | 9,600 | 9,600 |
| Other comprehensive loss 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 and January 1, 2023 | 2,347,729 | 2,178,367 | (140,144) | (794,394) | 3,591,558 |
| Loss for the year | - | - | - | (14,262) | (14,262) |
| Other comprehensive income for the year: | | | | | |
| Exchange differences on translation of foreign operations | - | - | 84,629 | - | 84,629 |
| Total comprehensive income for the year | - | - | 84,629 | (14,262) | 70,367 |
| Issue of ordinary shares | 470,066 | - | - | - | 470,066 |
| Employees share-based compensation scheme | | | | | |
| Pre-IPO share option expenses | - | 3,750 | - | - | 3,750 |
| Restricted share unit expenses | - | 27,753 | - | - | 27,753 |
| Exercise of pre-IPO share options | 18,354 | (18,347) | - | - | 7 |
| Exercise of RSUs | 14,239 | (25,362) | - | - | (11,123) |
| Equity-settled bonus | 55,466 | - | - | - | 55,466 |
| At December 31, 2023 | 2,905,854 | 2,166,161 | (55,515) | (808,656) | 4,207,844 |

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on March 27, 2024.