Ascletis Pharma Inc.
歌禮製藥有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1672)

ANNUAL RESULTS OF ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

The Board hereby announces the audited condensed consolidated annual results of the Group for the year ended December 31, 2022, together with the comparative figures for the year ended December 31, 2021 as follows.

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2022	2021	Changes
	RMB '000	*RMB '000*	*%*
Revenue			
Promotion service revenue	**40,440**	70,918	(43.0)
HCV product revenue	**8,798**	33	26,560.6
Ritonavir revenue	**4,826**	–	100.0
Collaboration revenue	**26**	5,925	(99.6)
Total	**54,090**	76,876	(29.6)
Gross (loss)/profit	**(24,692)**	39,173	(163.0)
Loss before tax	**(314,843)**	(199,017)	(58.2)
Loss for the year	**(314,843)**	(199,017)	(58.2)
Loss attributable to owners of the Group	**(314,843)**	(199,017)	(58.2)
Net loss margin	**(582.1)%**	(258.9)%	–
Loss per share			
	RMB	*RMB*	
Basic and diluted	**(28.96) cents**	(18.13) cents	–

CORPORATE PROFILE

Our Vision

Ascletis' vision is to become the most innovative world-class biomedical company addressing global unmet medical needs in the areas of viral diseases, NASH and oncology.

Overview

The total revenue of the Group decreased by 29.6% from approximately RMB76.9 million for the year ended December 31, 2021 to approximately RMB54.1 million for the year ended December 31, 2022 due to the termination of promotion service for Pegasys® in Mainland China with Roche Pharma China.

As at December 31, 2022, the Group had cash and cash equivalents of approximately RMB2,470.8 million, which is expected to be sufficient to support its R&D activities and operations until 2027.

The research and development expenses of the Group increased by 25.2% from approximately RMB213.3 million for the year ended December 31, 2021 to approximately RMB267.1 million for the year ended December 31, 2022, primarily because the Group's multiple drug candidates have been advanced into Phase II or Phase III clinical trials and the Group's ongoing investment on the research and development.

The Group has established a broad pipeline of assets with a focus on viral disease, NASH/PBC and oncology. During the Reporting Period and up to the date of this announcement, the Group successfully obtained 13 IND approvals from both China NMPA and the U.S. FDA, advanced two new candidates into Phase II and supported the clinical development of six ongoing candidates at Phase II or Phase III. This R&D efficiency once again demonstrated operational excellence of the Group when compared with its peers in China biotech industry.

The gross profit of the Group decreased from approximately RMB39.2 million for the year ended December 31, 2021 to gross loss of approximately RMB24.7 million for the year ended December 31, 2022. The decreased gross profit was primarily due to the impairment of inventories in relation to HCV product. If the impairment of HCV product related inventories was excluded, the gross profit would be approximately RMB23.9 million for the year ended December 31, 2022, representing a gross profit margin of 44.1% in 2022, which would be comparable of gross profit margin of 61.0% in 2021.

The loss of the Group increased from RMB199.0 million for the year ended December 31, 2021 to RMB314.8 million for the year ended December 31, 2022. The increased loss was mainly due to (i) the impairment of inventories in relation to HCV product; and (ii) the impairment of intangible assets in relation to HCV product. Excluding HCV product related impairments, the loss for the year ended December 31, 2022 would be RMB211.5 million, which would be comparable to the loss of RMB191.3 million for the year ended December 31, 2021.

During the Reporting Period and up to the date of this announcement, the Group has made the following progress:

(i) successfully entered into commercial supply agreements of ritonavir with both domestic and multi-national pharmaceutical companies including Pfizer Investment Co., Ltd. (輝瑞投資有限公司) ("**Pfizer China**"), Hainan Simcere Pharmaceutical Co., Ltd. (海南先聲藥業有限公司), a subsidiary of Simcere Pharmaceutical Group Limited (HKEX stock code: 2096, "**Simcere**") and an undisclosed pharmaceutical company in China;

(ii) completed 180 patients enrollment for Phase II clinical trial of FASN inhibitor ASC40 for acne. Clinical efficacy observed in patients who had completed 12-week treatment of ASC40 or placebo was comparable to that from two U.S. FDA approved acne drugs – WINLEVI® and TWYNEO®. The Phase II results are expected to be published in the second quarter of 2023;

(iii) presented Phase IIb clinical trial results of subcutaneous PD-L1 antibody ASC22 (Envafolimab) for functional cure of chronic hepatitis B (CHB) at oral session of the International Liver Congress™ 2022 by the European Association for the Study of the Liver (EASL). 42.9% patients with baseline hepatitis B surface antigen (HBsAg) ≤ 100 IU/mL (n=7) obtained sustained HBsAg loss, which indicates functional cure of CHB. After the pre-Phase III clinical trial meeting with Center for Drug Evaluation (CDE) of China NMPA in June 2022, the pathway to the registration, including patient population, dose and treatment duration, etc. of ASC22 (Envafolimab) for functional cure of CHB has been agreed. Based on this meeting, the enrollment of 50 CHB patients with HBsAg ≤ 100 IU/mL in the expansion cohort of Phase IIb clinical trial of ASC22 (Envafolimab) for functional cure of CHB has been initiated. Topline interim results of this expansion cohort are expected to be published in the third quarter of 2023;

(iv) completed the first patient dosing in Phase II clinical trial of THRβ agonist ASC41 in biopsy-confirmed NASH patients in China with 52-week treatment. Topline interim results of liver fat reduction, LDL-C reduction, liver enzymes and biomarkers of approximately 40 NASH patients after 12-week treatment are expected to be obtained in the third quarter of 2023;

(v) achieved positive interim results from Phase IIb clinical trial of FASN inhibitor ASC40 (denifanstat) in biopsy-confirmed NASH patients with 52 weeks of treatment. ASC40 showed statistically significant improvements across key disease markers after 26 weeks of treatment. Topline biopsy results after 52 weeks of treatment are expected to be published in the fourth quarter of 2023;

(vi) of 180 planned patients, 77 patients with recurrent glioblastoma (rGBM) were enrolled as of the date of this announcement in the Phase III clinical trial of FASN inhibitor ASC40. The enrollment of approximately 120 rGBM patients, which is needed for the planned interim analysis, is expected to be enrolled in the third quarter of 2023;

(vii) announced positive Phase I clinical results of broad-spectrum antiviral double prodrug ASC10; obtained U.S. FDA approval of conducting Phase IIa clinical trial for ASC10 to treat respiratory syncytial virus (RSV) infection and completion of Phase IIa clinical trial for RSV in the U.S. or China is expected in the fourth quarter of 2023; and

(viii) included in MSCI China Small Cap Index and Hang Seng Hong Kong-Listed Biotech Index.

Viral Disease Pipeline

Product (Modality)	Target	Indication	Commercial Rights	Pre-IND	IND	Phase I	Phase II	Phase III	NDA	Marketed
Ritonavir (Oral small molecule)	Cytochrome P450	Booster for COVID-19 etc	Global							
Ravidasvir (Oral small molecule)	NS5A	HCV	Greater China							
Danoprevir (Oral small molecule)	NS3/4A	HCV	Greater China							
ASC22 (Subcutaneous mAb)	PD-L1	CHB functional cure	Global[1]							
ASC42 (Oral small molecule)	FXR	CHB functional cure	Global							
ASC22 (Subcutaneous mAb)	PD-L1	HIV functional cure	Global[1]							
ASC22 (Subcutaneous mAb) +Chidamide	PD-L1	HIV functional cure	Global[1]							
ASC10 (Oral small molecule)	RdRp	COVID-19	Global							
ASC10 (Oral small molecule)	Viral polymerase	Monkeypox	Global							
ASC10 (Oral small molecule)	Viral polymerase	Respiratory syncytial virus	Global							
ASC11 (Oral small molecule)	3CLpro	COVID-19	Global							

Note:

1. ASC22 is licensed from Suzhou Alphamab Co., Ltd. ("**Suzhou Alphamab**") for the worldwide exclusive rights.

Abbreviations:

NS5A: Non-structure protein 5A; NS3/4A: Non-structure protein 3/4A; PD-L1:Programmed death ligand 1; FXR: Farnesoid X receptor; RdRp: RNA-dependent RNA polymerase; 3CLPro: 3-chymotrypsin like protease; COVID-19: Coronavirus Disease 2019; HCV: Hepatitis C virus; CHB: Chronic hepatitis B; HIV: Human immunodeficiency virus.

NASH/PBC Pipeline[1]

Product (Modality)	Target	Indication	Commercial Rights	Pre-IND	IND	Phase I	Phase II	Phase III
ASC40 (Oral small molecule)	FASN	NASH	Greater China[2]		*U.S. FDA Fast Track*			
ASC41 Oral small molecule)	THRβ	NASH	Global					
ASC42 Oral small molecule)	FXR	NASH	Global		*U.S. FDA Fast Track*			
ASC43F FDC (Oral small molecule)	THRβ＋FXR	NASH	Global					
ASC44F FDC (Oral small molecule)	FASN＋FXR	NASH	Global					
ASC45F FDC (Oral small molecule)	FASN＋THRβ	NASH	Global					
ASC42 (Oral small molecule)	FXR	PBC	Global					

Notes:

1. NASH/PBC pipeline is owned by Gannex Pharma.

2. ASC40 is licensed from Sagimet Biosciences Inc. ("**Sagimet Biosciences**") (formerly known as 3-V Biosciences, Inc.) for the exclusive rights in the Greater China.

Abbreviations:

FASN: Fatty acid synthase; THRβ: Thyroid hormone receptor beta; FXR: Farnesoid X receptor; NASH: Non-alcoholic steatohepatitis; PBC: Primary biliary cholangitis.

Oncology Pipeline (Lipid Metabolism and Oral Checkpoint Inhibitors)

Product (Modality)	Target	Indication	Commercial Rights	Pre-IND	IND	Phase I	POC	Pivotal
ASC40 (Oral small molecule) +Bevacizumab	FASN + VEGF	Recurrent glioblastoma	Greater China[1]					
ASC40 (Oral small molecule)	FASN	Drug resistant Breast Cancer	Greater China[1]					
ASC40 (Oral small molecule)	FASN	KRAS mutant NSCLC	Greater China[1]					
ASC61 (Oral small molecule)	PD-L1	Advanced solid tumors	Global					
ASC60 (Oral small molecule)	FASN	Advanced solid tumors	Greater China[1]					
ASC60 (Oral small molecule)	FASN	Solid tumor 2	Greater China[1]					
ASC63 (Oral small molecule)	PD-L1	Advanced solid tumors	Global					

Note:

1. ASC40 and ASC60 are licensed from Sagimet Biosciences for the exclusive rights in the Greater China.

Abbreviations:

FASN: Fatty acid synthase; VEGF: Vascular endothelial growth factor; PD-L1: Programmed death ligand 1; NSCLC: Non-small cell lung cancer.

Exploratory Indication Pipeline

Product (Modality)	Target	Indication	Commercial Rights	Pre-IND	IND	Phase I	Phase II	Phase III
ASC40 (Oral small molecule)	FASN	ACNE	Greater China[1]					

Note:

1. ASC40 is licensed from Sagimet Biosciences for the exclusive rights in the Greater China.

Abbreviation:

FASN: Fatty acid synthase.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Reporting Period and up to the date of this announcement, the Group has made the following progresses with respect to its business.

Viral Diseases

Ritonavir for COVID-19

During the Reporting Period and up to the date of this announcement, the Group has successfully entered into commercial supply agreements of ritonavir with both domestic and multi-national pharmaceutical companies including Pfizer China, Simcere and an undisclosed pharmaceutical company in China. The Group believes these supply agreements will contribute significantly to the total revenue in 2023. However, the Group remains cautious for the sustainability of revenue generating from ritonavir due to the uncertainties of COVID-19 pandemic and demand for COVID-19 pills in Mainland China.

Ritonavir oral tablet is a pharmacokinetic booster of multiple oral antiviral drugs targeting viral proteases and a component of the approved oral antiviral drug PAXLOVID™ (Nirmatrelvir 300 mg tablet + ritonavir 100 mg tablet co-administration package).

During the Reporting Period, the Group has expanded its ritonavir oral tablet production capacity to approximately 530 million tablets per year.

ASC22 for CHB Functional Cure

During the Reporting Period, the Group dosed the first patient in the Phase IIb expansion cohort (the "**Expansion Cohort**") of subcutaneously administered PD-L1 antibody ASC22 (Envafolimab) for functional cure of CHB.

In June 2022, the Group announced oral presentation on updates from Phase IIb clinical trial of ASC22, a subcutaneous PD-L1 antibody for functional cure of CHB at the International Liver Congress™ 2022 (ILC 2022) held by EASL. The interim report for Phase IIb clinical trial results is based on a randomized, single-blind, multicenter Phase IIb clinical trial to assess the efficacy and safety of ASC22 in treatment of CHB patients (ClinicalTrials.gov Identifier: NCT04465890). In 1.0 mg/kg ASC22 cohort, 75 CHB patients were randomized to be treated with 1.0 mg/kg ASC22 (n=60) or placebo (PBO, n=15) once every 2 weeks (Q2W) plus Nucleot(s)ide analogues (NAs) for 24-week and then followed for another 24 weeks.

CHB remains to be a significantly unmet medical need globally, with approximately 86 million people in China and 1.59 million people in the U.S. infected with hepatitis B virus (HBV)[1]. NAs inhibit only reverse transcription of HBV RNA into HBV DNA and do not inhibit the transcription of HBV cccDNA into HBV RNA, thus have no inhibitory effect on HBsAg. ASC22 is the most advanced clinical stage immunotherapy in the world for CHB functional cure, i.e. HBsAg loss, through blocking PD-1/PD-L1 pathway.

1. Lim J K, Nguyen M H, Kim W R, et al. Prevalence of Chronic Hepatitis B Virus Infection in the United States [J]. The American journal of gastroenterology 2020, 115(9): 1429-38.

Pre-Phase III meeting of ASC22 was held in June 2022 with the CDE of China NMPA. The pathway moving forward to the registration was agreed by China NMPA. The dose of 1.0 mg/kg ASC22+NAs and the patient population with the baseline HBsAg≤ 100 IU/mL were agreed and the current Phase IIb study will be expanded to further confirm the rate of functional cure in such patient population and at such dose.

Anticipated 2023 Milestone: Topline interim results from Phase IIb Expansion Cohort of subcutaneously administered PD-L1 antibody ASC22 (Envafolimab) for functional cure of CHB in patients with the baseline HBsAg≤ 100 IU/mL are expected to be published in the third quarter of 2023.

ASC10 for Respiratory Syncytial Virus (RSV)

The Group has obtained U.S. FDA approval of conducting Phase IIa clinical trial for ASC10 to treat RSV infection and has submitted an application of the Phase IIa clinical trial for RSV indication in China.

RSV is the most common cause of bronchiolitis (inflammation of the small airways in the lung) and pneumonia (infection of the lungs) in children younger than 1 year of age in the U.S.[1] and causes approximately 58,000 hospitalizations among children under five annually[2]. RSV infection is estimated to cause about 14,000 annual deaths in U.S. adults over age 65. Globally, RSV affects an estimated 64 million people and causes 160,000 deaths each year[2]. RSV infection treatment remains huge unmet medical needs and there is no effective drug for treatment so far. According to the report from Astute Analytica, the global market of RSV therapies is expected to grow at CAGR of 14.9% from 2022-2027 and reach revenue of US$4.2 billion by 2027[3].

Preclinical research[4] showed that ASC10-A (NHC) is a potent inhibitor with EC_{50} of 0.51 to 0.6 uM against two RSV clinical isolates using *in vitro* infection assay in HEp-2 cells. Furthermore, preclinical research[4] also demonstrated that ASC10-A (NHC) is efficacious in a mouse RSV infection model.

Anticipated 2023 Milestone: Completion of Phase IIa clinical trial of ASC10 for RSV in the U.S. or China is expected in the fourth quarter of 2023.

1 https://www.cdc.gov/rsv/index.html
2 https://www.niaid.nih.gov/diseases-conditions/respiratory-syncytial-virus-rsv
3 https://www.astuteanalytica.com/industry-report/respiratory-syncytial-virus-market
4 Jeong-Joong Yoon, Mart Toots, Sujin Lee, et al. Orally Efficacious Broad-Spectrum Ribonucleoside Analog Inhibitor of Influenza and Respiratory Syncytial Viruses. Antimicrob Agents Chemother. 2018;62(8):e00766-18.

NASH/PBC

ASC40 for NASH

During the Reporting Period, the Group's strategic partner Sagimet Biosciences has announced positive interim Phase IIb clinical trial data with ASC40 (denifanstat), a first-in-class fatty acid synthase inhibitor, in moderate-to-severe biopsy-confirmed NASH patients. ASC40 (denifanstat) showed statistically significant improvements across key disease markers in after 26 weeks of treatment.

The Phase IIb study is a randomized, double-blind, placebo-controlled trial of 168 NASH patients with moderate-to-severe fibrosis (Stage F2 or F3), as confirmed by liver biopsy. In the planned interim analysis, 52 patients were evaluated after 26 weeks of treatment with either 50 mg ASC40 (denifanstat) or placebo. There were no treatment-related serious adverse events, with the majority of adverse events mild to moderate in nature (Grade 1 and 2).

During the period from November 4 to November 8, 2022, the Group's strategic partner Sagimet Biosciences presented three abstracts at The Liver Meeting of the American Association for the Study of Liver Diseases (AASLD). The presentation focused on identifying non-invasive tests correlated with AI-based digital pathology to ultimately minimize unnecessary biopsies and serum profiling that reveals metabolic benefits of ASC40 (denifanstat).

Anticipated 2023 Milestone: Phase IIb topline clinical results from 168 biospy-confirmed NASH patients after 52 weeks of treatment are expected to be published in the fourth quarter of 2023.

ASC41 for NASH

During the Reporting Period, the Group initiated Phase II clinical trial of ASC41 for biopsy-confirmed NASH patients. The Phase II clinical trial will enroll approximately 180 liver biopsy-confirmed NASH patients to be randomized into two treatment arms and one placebo control arm at the ratio of 1:1:1 with oral administration of ASC41 (2 mg or 4 mg) or placebo once daily for 52 weeks. The primary endpoint of the Phase II clinical trial is non-alcoholic fatty liver disease (NAFLD) activity score (NAS) improvement ≥2 points (improvement in inflammation or ballooning) and no worsening of fibrosis.

ASC41 Phase II clinical trial is currently the most advanced 52-week Phase II clinical trial which is initiated by a China biotech company with enrollment of liver biopsy-confirmed NASH patients. ASC41 is ranking first in China and third in the world in terms of clinical progress as a thyroid hormone receptor β (THRβ) agonist drug candidate for NASH.

ASC41 is a small molecule liver-targeted prodrug which will be converted into an active metabolite ASC41-A, a selective THRβ agonist. In September 2021, the Group's wholly-owned subsidiary, Gannex Pharma announced positive topline results from the U.S. Phase I trial of drug-drug interactions (DDI) in healthy subjects and pharmacokinetics (PK) in patients with NAFLD for ASC41. ASC41 is mainly metabolized by CYP3A4 to form an active metabolite ASC41-A, a selective THRβ agonist. Subsequently, the Group dosed the first patient in the 52-week Phase II clinical trial of THRβ agonist ASC41 for treatment of liver biopsy-confirmed NASH patients.

Anticipated 2023 Milestone: Topline interim results of liver fat reduction, LDL-C reduction, liver enzymes and biomarkers of approximately 40 NASH patients after 12-week treatment are expected to be published in the third quarter of 2023.

Oncology Pipeline (Lipid Metabolism and Oral Checkpoint Inhibitors)

ASC40 for rGBM

The Group announced the dosing of the first patient in the Phase III clinical trial of ASC40 combined with bevacizumab for treatment of rGBM in 2022. ASC40 is an oral, selective inhibitor of FASN, a key enzyme which regulates de novo lipogenesis (DNL). ASC40 inhibits energy supply and disturbs membrane phospholipid composition of tumor cells by blocking DNL.

The Phase III registration study (ClinicalTrials.gov Identifier: NCT05118776) is a randomized, double-blind, placebo-controlled, multi-center clinical trial in China to evaluate progression-free survival (PFS), overall survival (OS) and safety of patients with rGBM. Approximately 180 patients are expected to be 1:1 randomized to Cohort 1 (oral ASC40 tablet once daily + Bevacizumab) and Cohort 2 (matching placebo tablet once daily + Bevacizumab). Of 180 planned patients, the Group has enrolled 77 patients with rGBM as of the date of this announcement in the Phase III clinical trial of FASN inhibitor ASC40.

The Phase II study, completed in the U.S., in patients with rGBM has shown that the objective response rate (ORR) for ASC40 plus Bevacizumab treatment was 65% including a complete response (CR) of 20% and a partial response (PR) of 45%.

Based on published data, in China, glioblastoma (GBM) represents 57% of gliomas and has an incidence rate of approximately 2.85 to 4.56 per 100,000 population per year, suggesting approximately 40,000 to 64,000 new cases of GBM per year. More than 90% GBM patients will relapse after surgery, radiation and chemotherapies. In the U.S., GBM represents 56.6% of gliomas and has an incidence rate of approximately 3.21 per 100,000 population per year.

Anticipated 2023 Milestone: Completion of enrollment of approximately 120 rGBM patients, which is needed for the planned interim analysis, is expected in the third quarter of 2023.

Exploratory Indications Pipeline

ASC40 for moderate to severe acne

During the Reporting Period, the Group has completed the enrollment of all 180 patients for the Phase II clinical trial of ASC40 (denifanstat) for treatment of moderate to severe acne. Clinical efficacy observed in patients who have completed 12-week treatment of ASC40 or placebo was comparable to that from two U.S. FDA approved acne drugs – WINLEVI® and TWYNEO®.

ASC40 is an oral, selective inhibitor of FASN, a key enzyme which regulates DNL. Human sebum production requires DNL, which is increased in acne and suppressed by the FASN inhibitor ASC40. Human sebum production requires DNL, which is increased in acne and can be suppressed by the FASN inhibitor ASC40. Previous Phase I study showed that ASC40 can significantly reduce palmitic acid fatty acid methyl ester (FAME) in sebum.

Acne is the eighth most prevalent disease in the world and affects more than 640 million people globally[1]. The onset of acne often coincides with pubertal hormonal changes, and the condition affects approximately 85% of adolescents and young adults aged 12 to 25 years[2]. However, acne can also persist into or develop during adulthood.

Current first-line treatments for acne include topical creams such as topical retinoids and androgen receptor inhibitor, oral isotretinoin, and antibiotics. A report published by Allied Market Research indicated that the global acne medication market size was US$11.86 billion in 2019, and is projected to reach US$13.35 billion by 2027.

1. Tan J K, Bhate K. A global perspective on the epidemiology of acne [J]. Br J Dermatol 2015, 172 Suppl 1(3-12. DOI: 10.1111/bjd.13462.

2. Krowchuk D P. Managing acne in adolescents [J]. Pediatric clinics of North America 2000, 47(4): 841-57. DOI: 10.1016/s0031-3955(05)70243-1.

Anticipated 2023 Milestone: Topline Phase II clinical results are expected to be published in the second quarter of 2023 and initiation of Phase III clinical trial is expected to be commenced in the fourth quarter of 2023.

Cautionary statement required by Rule 18A.05 of the Listing Rules: We cannot guarantee that we will be able to ultimately develop, market and/or commercialize the drug candidates in our pipeline successfully.

THE GROUP'S FACILITIES

The Group has manufacturing facilities located in Shaoxing, Zhejiang Province with a total gross floor area of 17,000 square meters. In 2022, the Group announced that it has further expanded its ritonavir oral tablet production capacity to approximately 530 million tablets per year, to meet the potential escalation in the domestic and global demands. The Group has taken multiple measures for expansion of the annual ritonavir production capacity, including adding additional key equipment. For our manufacturing facility, the Group has obtained the commercial drug production licenses of Ritonavir, ASCLEVIR® and GANOVO®. Our manufacturing facility is equipped with state-of-the-art production equipment with cutting-edge technology capabilities such as hot-melt extrusion and high-speed press to ensure the high quality of our products.

As at December 31, 2022, the Group had 11 wholly-owned subsidiaries. The Group's business was mainly conducted through three operating subsidiaries in China, namely Ascletis BioScience Co., Ltd. (歌禮生物科技(杭州)有限公司), Ascletis Pharmaceuticals Co., Ltd. (歌禮藥業有限公司) and Gannex Pharma.

OTHER UPDATES

Based on market forecasts, the Group will no longer proactively promote HCV products from 2023.

IMPACT OF COVID-19 PANDEMIC

During the Reporting Period, COVID-19 pandemic had limited impacts on the Group's operation, such as R&D and sales activities. The Group took various measures to minimize negative impacts of COVID-19 pandemic on the operations and business activities.

BUSINESS DEVELOPMENT

During the Reporting Period, the Group is dedicated to further enhancing its business development capabilities. The Group appointed Mr. John P. Gargiulo, the former North America President and Chief Executive Officer of Daiichi Sankyo Company, Limited, as Chief Business Officer. Together with the global collaborations, the appointment will further accelerate the Group's growth as it expects to launch multiple commercial products in the next three years. During the Reporting Period and up to the date of this announcement, the Group has successfully entered into commercial supply agreements of ritonavir with both domestic and multi-national pharmaceutical companies including Pfizer China, Simcere and an undisclosed pharmaceutical company in China.

FUTURE AND OUTLOOK

The Group has established a comprehensive pipeline with a focus on viral diseases, NASH/PBC and oncology. The following are strategies and outlook for 2023:

1. Accelerate Phase II or III clinical trials of ASC22 (PD-L1) for CHB functional cure, ASC40 (FASN) for acne, ASC40 (FASN) for NASH, ASC41 (THR-β) for NASH, ASC40 (FASN) for rGBM, ASC10 for RSV; and

2. Explore license-out opportunities of ASC10 (RdRp) and ASC11 (3CL) for COVID-19, ASC22 (PD-L1) for CHB functional cure, ASC40 (FASN) for acne, and ASC41 (THR-β) for NASH.

FINANCIAL REVIEW

Revenue

The total revenue of the Group decreased by 29.6% from approximately RMB76.9 million for the year ended December 31, 2021 to approximately RMB54.1 million for the year ended December 31, 2022 due to the termination of promotion service for Pegasys® in China with Roche Pharma China.

Cost of Sales

The cost of sales of the Group increased from approximately RMB37.7 million for the year ended December 31, 2021 to approximately RMB78.8 million for the year ended December 31, 2022, primarily due to the impairment of HCV product related inventories. Excluding negative impact of the impairment of HCV product related inventories, the cost of sales was approximately RMB30.2 million. Therefore, the gross profit would be approximately RMB23.9 million, representing a gross profit margin of 44.1% in 2022, which would be comparable to the gross profit margin of 61.0% in 2021.

The cost of sales of the Group consisted of direct labor costs, cost of raw materials, overheads, royalty fees to F. Hoffmann-La Roche AG ("**Roche**") and Presidio Pharmaceuticals, Inc. ("**Presidio**"), costs of rendering promotion services and the impairment of inventories.

Direct labor costs primarily consisted of salaries, bonus and social security costs for our employees.

Costs of raw materials represented the costs in relation to the purchase of raw materials for our drug candidates. We own technologies and intellectual properties to manufacture APIs for GANOVO® (Danoprevir) and ASCLEVIR® (Ravidasvir).

Overheads primarily consisted of depreciation charges of the facility and equipment and other manufacturing expenses.

The Company has agreed to pay Roche and Presidio tiered royalties in the mid-single digits based on net sales of GANOVO® (Danoprevir) and ASCLEVIR® (Ravidasvir) in any and all regimens in Greater China.

The cost of sales rendering promotion services primarily consisted of costs incurred for the direct promotion.

Gross Loss/Profit

The gross profit of the Group decreased from approximately RMB39.2 million for the year ended December 31, 2021 to gross loss of approximately RMB24.7 million for the year ended December 31, 2022. The decreased gross profit was primarily due to the impairment of inventories in relation to HCV product. If the impairment of HCV product related inventories was excluded, the gross profit would be approximately RMB23.9 million for the year ended December 31, 2022, representing a gross profit margin of 44.1% in 2022, which would be comparable of gross profit margin of 61.0% in 2021.

Other Income and Gains

Other income and gains of the Group increased by 70.0% from approximately RMB65.9 million for the year ended December 31, 2021 to approximately RMB112.0 million for the year ended December 31, 2022, primarily because (i) the Group recorded foreign exchange gain of approximately RMB60.2 million for the year ended December 31, 2022; and (ii) bank interest income increased by 96.2% from approximately RMB22.5 million for the year ended December 31, 2021 to approximately RMB44.2 million for the year ended December 31, 2022.

Government grants mainly represented the subsidies we received from the local governments for compensating our expenses from research activities and clinical trials, awarding our new drug development and capital expenditure incurred on certain projects.

The following table sets forth the components of our other income and gains for the years indicated:

	Year ended December 31,			
	2022		2021	
	RMB '000	***%***	*RMB '000*	*%*
Foreign exchange gain, net	**60,182**	**53.7**	–	–
Bank interest income	**44,162**	**39.4**	22,506	34.2
Government grants	**4,349**	**3.9**	40,883	62.0
Investment income from financial assets at fair value through profit or loss	**3,322**	**3.0**	2,484	3.8
Others	**1**	**0.0**	18	0.0
Total	**112,016**	**100.0**	65,891	100.0

Selling and Distribution Expenses

The selling and distribution expenses of the Group mainly consisted of staff cost for our sales personnel and the expenses for marketing promotion activities. It decreased by 18.6% from approximately RMB20.9 million for the year ended December 31, 2021 to approximately RMB17.0 million for the year ended December 31, 2022.

Administrative Expenses

The administrative expenses of the Group increased by 17.5% from approximately RMB29.9 million for the year ended December 31, 2021 to approximately RMB35.2 million for the year ended December 31, 2022.

Our administrative expenses primarily consisted of (i) staff salary and welfare costs for non-research and development personnel; (ii) utilities, rent and general office expenses; and (iii) agency and consulting fee.

The following table sets forth the components of our administrative expenses for the years indicated:

	Year ended December 31,			
	2022		2021	
	RMB '000	***%***	*RMB '000*	*%*
Staff salary and welfare	**19,770**	**56.2**	13,456	44.9
Utilities, rent and general office expenses	**11,227**	**31.9**	12,048	40.2
Agency and consulting fee	**4,114**	**11.7**	3,948	13.2
Others	**88**	**0.2**	495	1.7
Total	**35,199**	**100.0**	29,947	100.0

Research and Development Expenses

Our Group's research and development expenses primarily consisted of preclinical and clinical expenses, staff costs and depreciation and amortization costs.

The research and development expenses of the Group for developing our drug candidates increased by 25.2% from approximately RMB213.3 million for the year ended December 31, 2021 to approximately RMB267.1 million for the year ended December 31, 2022. This was primarily due to the Group's continuous investment on the research and development of antiviral drug candidates for COVID-19 and CHB functional cure.

The following table sets forth the components of our research and development costs for the years indicated:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Preclinical and clinical expenses	**139,567**	106,219
Staff costs	**84,081**	68,557
Depreciation and amortization	**25,475**	25,650
Others	**17,979**	12,894
Total	**267,102**	213,320

The following table sets forth the components of our research and development costs by product pipeline for the years indicated:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Viral diseases	**144,791**	67,261
NASH/PBC	**45,683**	80,212
Oncology	**36,311**	50,109
Exploratory indications	**23,286**	6,676
Others[1]	**17,031**	9,062
Total	**267,102**	213,320

[1] "Others" includes costs of pre-clinical programs other than viral diseases, NASH/PBC, oncology and exploratory indications.

Finance Costs

The Group recorded finance costs of approximately RMB0.2 million for the year ended December 31, 2022 due to the interest on the lease liabilities (December 31, 2021: RMB0.1 million).

The following table sets forth the components of our finance costs for the years indicated:

	Year ended December 31,			
	2022		2021	
	RMB '000	***%***	*RMB '000*	*%*
Interest on the lease liabilities	**157**	**100**	125	100
Total	**157**	**100**	125	100

Other Expenses

Other expenses of the Group increased significantly by 172.7% from approximately RMB21.9 million for the year ended December 31, 2021 to approximately RMB59.8 million for the year ended December 31, 2022, mainly due to the increased impairment of other intangible assets.

The following table sets forth the components of other expenses for the years indicated:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Impairment of other intangible assets	**54,748**	–
Donation	**4,627**	5,480
Impairment of property, plant and equipment	**443**	–
Others	**12**	23
Foreign exchange loss, net	**–**	16,439
Total	**59,830**	21,942

Income Tax

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated. The Group calculates the income tax expense by using the tax rate that would be applicable to the expected total annual earnings.

The Group did not incur any income tax expense as the Group did not generate taxable income for the year ended December 31, 2021 and 2022.

Inventories

The inventories of the Group consisted of raw materials used in the commercial manufacturing and research and development, work in progress and finished goods. Our inventories decreased from RMB56.2 million at year ended December 31, 2021 to RMB20.5 million at year ended December 31, 2022, mainly attributable to the increased impairment of inventories.

The following table sets forth the inventory balances as of the dates indicated:

	December 31,	
	2022	2021
	RMB'000	*RMB'000*
Raw materials	**9,116**	44,348
Work in progress	**9,766**	3,345
Finished goods	**1,637**	8,540
Total	**20,519**	56,233

Trade Receivables

The Group had approximately RMB53.6 million trade receivables as at December 31, 2021 and RMB23.9 million trade receivables as at December 31, 2022. The following table sets forth the trade receivables balances as of the dates indicated:

	December 31,	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**23,878**	53,622
Less: Impairment of trade receivables	**5**	16
Total	**23,873**	53,606

The Group's trading terms with its customers are mainly on credit. The credit period is generally from 30 days to 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are regularly reviewed by senior management. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the dates indicated, based on the invoice date and net of loss allowance, is as follows:

	December 31,	
	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**13,537**	38,676
3 to 6 months	**10,336**	14,930
	23,873	53,606

Prepayments, Other Receivables and Other Assets

The following table sets forth the components of prepayment, other receivables and other assets as at the dates indicated:

	December 31,	
	2022	2021
	RMB'000	*RMB'000*
Prepayments	**8,125**	2,340
Value-added tax recoverable	**5,399**	13,785
Deposits and other receivables	**2,648**	2,593
Prepaid expenses	**2,128**	2,298
Total	**18,300**	21,016

Our prepayments mainly included our purchase of services. Our prepayments increased by 247.2% from RMB2.3 million as at December 31, 2021 to RMB8.1 million as at December 31, 2022. Prepayments to suppliers as at December 31, 2022 are due within one year. None of the above assets is past due or impaired.

Our value-added tax recoverable represented the value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables. Our value-added tax recoverable decreased by 60.8% from approximately RMB13.8 million as at December 31, 2021 to approximately RMB5.4 million as at December 31, 2022, primarily because we received value-added tax rebates and credited against our value-added tax payables.

Other receivables and prepaid expenses are miscellaneous expenses including other administrative related expenses.

Fair Value and Fair Value Hierarchy of Financial Instruments

The financial assets at fair value through profit or loss of the Group increased from approximately RMB5.2 million as at December 31, 2021 to approximately RMB11.2 million as at December 31, 2022, which was primarily because the Group purchased certain financial products to improve the utilization of its cash on hand.

Cash and Cash Equivalents

The following table sets forth the components of the Group's cash and cash equivalents and time deposits as at the dates indicated:

	December 31,	
	2022	2021
	RMB'000	*RMB'000*
Time deposits	**2,067,066**	768,085
Cash and bank balances	**403,768**	1,727,411
Total	**2,470,834**	2,495,496

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on our immediate cash requirements, and earn interest at the respective time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

Trade Payables

Trade Payables of the Group primarily consisted of payments to raw materials suppliers. The following table sets forth the component of trade payables as at the dates indicated:

	December 31,	
	2022	2021
	RMB'000	*RMB'000*
Trade payables	**3,135**	1,054
Total	**3,135**	1,054

An aging analysis of the trade payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	December 31,	
	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**2,365**	648
3 to 12 months	**745**	406
1 to 2 years	**25**	–
	3,135	1,054

Other Payables and Accruals

The following table sets forth the components of other payables and accruals outstanding as at the dates indicated:

	December 31,	
	2022	2021
	RMB'000	*RMB'000*
Other payables	**42,688**	34,344
Accrued expenses	**30,472**	25,240
Payroll payable	**24,126**	23,095
Taxes other than income tax	**1,553**	3,959
Refund liabilities	**1,834**	123
Contract liabilities	**377**	–
Total	**101,050**	86,761

Our other payables increased by 24.3% from approximately RMB34.3 million as at December 31, 2021 to approximately RMB42.7 million as at December 31, 2022.

The accrued expenses as at December 31, 2022 mainly represented the accrued research and development expenses actually incurred but not yet invoiced, which are non-interest-bearing and due within one year.

The payroll payable represented the bonus of 2022 accrued and salary accrued from December 2022, which are due within one year.

Deferred Income

The deferred income of the Group represented government grants which have been awarded, but we have yet to meet the conditions of the grants as of the relevant dates. The following table sets forth the deferred income as of the dates indicated:

	December 31,	
	2022	2021
	RMB'000	*RMB'000*
Government grants		
Current	**1,588**	1,588
Non-current	**7,146**	8,734
Total	**8,734**	10,322

Liquidity and Capital Resources

The primary uses of cash of the Group are to fund research and development, purchase of equipment and raw materials and other recurring expenses. During the Reporting Period, the Group funded our working capital and other capital expenditure requirements through capital injections from Shareholders at the Listing.

The following table sets forth a condensed summary of our Group's consolidated statement of cash flows for the periods indicated and analysis of balances of cash and cash equivalents for the years indicated:

	December 31,	
	2022	2021
	RMB'000	*RMB'000*
Net cash used in operating activities	**(142,453)**	(146,930)
Net cash used in investing activities	**(1,297,387)**	(274,492)
Net cash used in financing activities	**(1,419)**	(31,098)
Net decrease in cash and cash equivalents	**(1,441,259)**	(452,520)
Cash and cash equivalents at the beginning of year	**1,727,411**	2,210,504
Effect of foreign exchange rate changes, net	**117,616**	(30,573)
Cash and cash equivalents at the end of year	**403,768**	1,727,411

As at December 31, 2022, our cash and cash equivalents were mainly denominated in Renminbi, USD and HKD.

Operating Activities

Our cash inflows from operating activities mainly consisted of trade receivables from customers, government grants and bank interests. Our cash outflows from operating activities mainly consisted of selling and distribution expenses, research and development costs, and administrative expenses.

For the year ended December 31, 2022, we had net cash flows used in operating activities of approximately RMB142.5 million, primarily as a result of operating loss before changes in working capital of approximately RMB201.8 million. The changes in working capital are mainly due to an decrease in trade receivables of approximately RMB29.7 million in relation to our promotion services.

Investing Activities

Our cash used in investing activities mainly consisted of cash in time deposits with original maturity of over three months, purchase of property, plant and equipment, purchase of intangible assets, and purchase of financial assets at fair value through profit or loss.

For the year ended December 31, 2022, our net cash used in investing activities was approximately RMB1,297.4 million, primarily attributable to an increase in time deposits with original maturity of over three months of approximately RMB1,280.4 million.

Financing Activities

Our cash used in financing activities primarily related to our corporate financings during the Reporting Period.

For the year ended December 31, 2022, our net cash flows used in financing activities was approximately RMB1.4 million, primarily attributable to principal portion of lease payments.

Capital Expenditures

The principal capital expenditures of the Group primarily consisted of plant and machinery, the purchase of office equipment and expenditures for construction in progress. The following table sets forth our net capital expenditures as at the dates indicated:

	December 31,	
	2022	2021
	RMB'000	*RMB'000*
Plant and machinery	**3,985**	2,764
Office equipment	**2,268**	1,758
Construction in progress	**14**	34
Total	**6,267**	4,556

Significant Investments, Material Acquisitions and Disposals

In 2019, AP11 Limited, a wholly-owned subsidiary of the Company, entered into a capital increase agreement with Sagimet Biosciences. On December 21, 2020, AP11 Limited increased investment into Sagimet Biosciences. As at December 31, 2022, AP11 Limited held approximately 9.84% of the equity interest in Sagimet Biosciences. The Group recognizes such investment as an investment in an associate to which the equity method is applied.

Indebtedness

Borrowings

As at December 31, 2022, the Group did not have any indebtedness.

As at December 31, 2022, the Group did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

Contingent Liabilities, Charges of Assets and Guarantees

On December 29, 2022, Viking Therapeutics, Inc. ("**Viking**"), a pharmaceutical company in the United States, filed certain complaints against the Company, its founder Jinzi Jason WU and certain subsidiaries of the Company in connection with the Group's drug candidates ASC41 and ASC43F. The Company believes that the allegations brought by Viking have no merit and will vigorously defend against the complaints. Accordingly, the Group has not made any provision for the allegations arising from the complaints filed by Viking as at December 31, 2022.

Contractual Commitments

The Group leased certain of its properties and warehouse under operating lease arrangements. Leases for properties and warehouse are negotiated for terms ranging mainly from one to three years.

The Group had nil operating lease commitments as at December 31, 2022 and 2021, respectively.

The Group had RMB1.9 million of capital commitment as at December 31, 2022 and RMB2.1 million of capital commitment as at December 31, 2021.

Key Financial Ratios

The following table sets forth our key financial ratios as of the dates indicated:

	December 31,	
	2022	2021
Current ratio[1]	**23.5**	28.9
Quick ratio[2]	**23.3**	28.3
Gearing ratio[3]	**4.4%**	3.6%

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

(2) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.

(3) Gearing ratio represents total liabilities divided by total assets as of the same date and multiplying by 100%.

Our current ratio decreased from 28.9 as at December 31, 2021 to 23.5 as at December 31, 2022, and our quick ratio decreased from 28.3 as at December 31, 2021 to 23.3 as at December 31, 2022, primarily due to a decrease in current asset. Our gearing ratio increased from 3.6% as at December 31, 2021 to 4.4% as at December 31, 2022.

Foreign Exchange

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between Renminbi and other currencies in which the Group conducts business may affect our financial condition and results of operation.

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from recognized assets and liabilities in foreign operations. The conversion of Renminbi from foreign currencies, including the USD, has been based on rates set by the People's Bank of China. The Group seeks to limit our exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. During the Reporting Period, the Group did not enter into any currency hedging transactions.

Employees and Remuneration Policies

As at December 31, 2022, the Group had a total of 278 employees, 274 of which were located in the PRC. Over 76% of our employees obtained a bachelor's degree or higher. The table below sets forth our Group's employees by function as disclosed:

	As at December 31, 2022	
	Number of employees	**% of total**
Management	5	2
Research and development	166	60
Commercialization	29	10
Manufacturing	25	9
Operations	53	19
Total	278	100

Our Group's total staff costs for the year ended December 31, 2022 was approximately RMB127.0 million, compared to approximately RMB110.6 million for the year ended December 31, 2021.

The Group recruits employees through recruitment websites, recruiters, internal referral and job fairs. The Group conducts new employee training, as well as professional and compliance training programs for employees of the commercialization team.

The Group enters into employment contracts with employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees includes salary and bonus, which are generally determined by the qualifications, industry experience, position and performance. The Group makes contributions to social insurance and housing provident funds for our employees as required by the PRC laws and regulations.

The Group also has adopted a restricted stock unit scheme, a restricted stock unit option incentive scheme and a share option scheme.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	**2022** ***RMB'000***	2021 *RMB'000*
REVENUE	*4*	**54,090**	76,876
Cost of sales		**(78,782)**	(37,703)
including royalties		***507***	*8*
Gross (loss)/profit		**(24,692)**	39,173
Other income and gains	*4*	**112,016**	65,891
Selling and distribution expenses		**(16,985)**	(20,872)
Research and development costs		**(267,102)**	(213,320)
Administrative expenses		**(35,199)**	(29,947)
Other expenses		**(59,830)**	(21,942)
Finance costs		**(157)**	(125)
Share of the loss of an associate		**(22,894)**	(17,875)
LOSS BEFORE TAX	*5*	**(314,843)**	(199,017)
Income tax	*6*	**–**	–
LOSS FOR THE YEAR		**(314,843)**	(199,017)
Attributable to:			
Owners of the parent		**(314,843)**	(199,017)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
		RMB	RMB
Basic and diluted	*8*	**(28.96) cents**	(18.13) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(314,843)**	(199,017)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**2,172**	(390)
Share of other comprehensive income/(loss) of an associate	**3,054**	(1,182)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements into the presentation currency	**116,277**	(30,430)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**121,503**	(32,002)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(193,340)**	(231,019)
Attributable to:		
Owners of the parent	**(193,340)**	(231,019)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 ***RMB'000***	2021 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**67,113**	74,237
Advance payments for property, plant and equipment		**1,215**	412
Right-of-use assets		**4,713**	3,272
Other intangible assets		**16,559**	78,213
Investment in an associate		**22,018**	41,858
Long-term deferred expenditure		**698**	416
Total non-current assets		**112,316**	198,408
CURRENT ASSETS			
Inventories	*9*	**20,519**	56,233
Trade receivables	*10*	**23,873**	53,606
Financial assets at fair value through profit or loss		**11,200**	5,200
Prepayments, other receivables and other assets	*11*	**18,300**	21,016
Cash and cash equivalents		**2,470,834**	2,495,496
Total current assets		**2,544,726**	2,631,551
CURRENT LIABILITIES			
Trade payables	*12*	**3,135**	1,054
Other payables and accruals		**101,050**	86,761
Lease liabilities		**2,416**	1,568
Deferred income	*13*	**1,588**	1,588
Total current liabilities		**108,189**	90,971
NET CURRENT ASSETS		**2,436,537**	2,540,580
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,548,853**	2,738,988

	Note	2022 ***RMB'000***	2021 *RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**1,821**	1,182
Deferred income	*13*	**7,146**	8,734
Total non-current liabilities		**8,967**	9,916
Net assets		**2,539,886**	2,729,072
EQUITY			
Equity attributable to owners of the parent			
Share capital		**742**	746
Reserves		**2,539,144**	2,728,326
Total equity		**2,539,886**	2,729,072

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2022

	Attributable to owners of the parent						
	Share capital *RMB'000*	Treasury shares* *RMB'000*	Share premium account* *RMB'000*	Capital reserve* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Accumulated losses* *RMB'000*	Total equity *RMB'000*
At 1 January 2021	750	(4,522)	2,898,056	657,540	(54,346)	(515,828)	2,981,650
Loss for the year	–	–	–	–	–	(199,017)	(199,017)
Other comprehensive loss for the year:							
Share of other comprehensive loss of an associate	–	–	–	–	(1,182)	–	(1,182)
Exchange differences	–	–	–	–	(30,820)	–	(30,820)
Total comprehensive loss for the year	–	–	–	–	(32,002)	(199,017)	(231,019)
Shares repurchased	–	(28,689)	–	–	–	–	(28,689)
Shares cancelled	(4)	14,502	(14,498)	–	–	–	–
Equity-settled share award and option arrangements	–	–	–	7,130	–	–	7,130
At 31 December 2021	746	(18,709)	2,883,558	664,670	(86,348)	(714,845)	2,729,072

	Attributable to owners of the parent						
	Share capital ***RMB'000***	**Treasury shares*** ***RMB'000***	**Share premium account*** ***RMB'000***	**Capital reserve*** ***RMB'000***	**Exchange fluctuation reserve*** ***RMB'000***	**Accumulated losses*** ***RMB'000***	**Total equity** ***RMB'000***
At 1 January 2022	**746**	**(18,709)**	**2,883,558**	**664,670**	**(86,348)**	**(714,845)**	**2,729,072**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(314,843)**	**(314,843)**
Other comprehensive income for the year:							
Share of other comprehensive income of an associate	**–**	**–**	**–**	**–**	**3,054**	**–**	**3,054**
Exchange differences	**–**	**50**	**–**	**–**	**118,399**	**–**	**118,449**
Total comprehensive loss for the year	**–**	**50**	**–**	**–**	**121,453**	**(314,843)**	**(193,340)**
Shares cancelled	**(5)**	**18,659**	**(18,654)**	**–**	**–**	**–**	**–**
Issue of shares	**1**	**–**	**960**	**–**	**–**	**–**	**961**
Transfer of capital reserve upon the exercise of share options	**–**	**–**	**967**	**(967)**	**–**	**–**	**–**
Equity-settled share award and option arrangements	**–**	**–**	**–**	**3,193**	**–**	**–**	**3,193**
At 31 December 2022	**742**	**–**	**2,866,831**	**666,896**	**35,105**	**(1,029,688)**	**2,539,886**

* These reserve accounts comprise the consolidated reserves of RMB2,539,144,000 (2021: RMB2,728,326,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(314,843)**	(199,017)
Adjustments for:			
Finance costs		**157**	125
Share of the loss of an associate		**22,894**	17,875
Bank interest income	*4*	**(44,162)**	(22,506)
Investment income from financial assets at fair value through profit or loss	*4*	**(3,322)**	(2,484)
Loss on disposal of items of property, plant and equipment	*5*	**4**	–
Depreciation of property, plant and equipment	*5*	**12,949**	12,875
Depreciation of right-of-use assets	*5*	**2,269**	2,198
Amortisation of intangible assets	*5*	**14,973**	14,472
Amortisation of long-term deferred expenditure		**314**	431
Write-down of inventories to net realisable value	*5*	**48,553**	7,729
(Reversal of impairment)/impairment of trade receivables	*5*	**(11)**	7
Impairment of other intangible assets		**54,748**	–
Impairment of property, plant and equipment		**443**	–
Equity-settled share award and option expense	*5*	**3,193**	7,130
		(201,841)	(161,165)
Increase in inventories		**(12,839)**	(5,068)
Increase in long-term deferred expenditure		**(596)**	(262)
Decrease/(increase) in trade receivables		**29,744**	(26,993)
Decrease in prepayments, other receivables and other assets		**2,716**	7,846
Increase in trade payables		**2,081**	124
Increase in other payables and accruals		**14,289**	16,787
Decrease in deferred income		**(1,588)**	(2,609)
Cash used in operations		**(168,034)**	(171,340)
Interest received		**25,581**	24,410
Net cash flows used in operating activities		**(142,453)**	(146,930)

continued/...

	2022 *RMB'000*	2021 *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment and construction in progress	**(7,070)**	(4,968)
Proceeds from disposal of intangible assets	**92**	–
Purchases of intangible assets	**(7,331)**	(2,230)
Purchases of financial assets at fair value through profit or loss	**(482,000)**	(337,400)
Proceeds from sale of financial assets at fair value through profit or loss	**476,000**	332,200
Investment income from financial assets at fair value through profit or loss	**3,322**	2,484
Increase in time deposits with original maturity of over three months	**(1,280,400)**	(264,578)
Net cash flows used in investing activities	**(1,297,387)**	(274,492)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal portion of lease payments	**(2,223)**	(2,284)
Shares repurchased	**–**	(28,689)
Proceeds from issue of shares	**961**	–
Interest paid for lease liabilities	**(157)**	(125)
Net cash flows used in financing activities	**(1,419)**	(31,098)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,441,259)**	(452,520)
Cash and cash equivalents at beginning of year	**1,727,411**	2,210,504
Effect of foreign exchange rate changes, net	**117,616**	(30,573)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**403,768**	1,727,411
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the consolidated statement of financial position	**2,470,834**	2,495,496
Non-pledged time deposits with original maturity of over three months when acquired	**(2,067,066)**	(768,085)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**403,768**	1,727,411

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 25 February 2014. The registered office address of the Company is located at 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The principal place of business in Hong Kong of the Company is located at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the research and development, production, marketing and sale of pharmaceutical products.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 1 August 2018.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, 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.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1,5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

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

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

3. OPERATING SEGMENT INFORMATION

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.

Geographical information

(a) Revenue from external customers

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**54,064**	70,951
Other country	**26**	5,925
Total	**54,090**	76,876

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

(b) Non-current assets

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**90,238**	146,770
British Virgin Islands	**22,018**	41,858
Cayman Islands	**15**	9,714
United States	**45**	66
Total	**112,316**	198,408

The non-current asset information above is based on the locations of assets.

Information about a major customer

Revenue of RMB40,440,000 (2021: RMB70,918,000) was derived from the rendering of promotion services to a single customer during the year.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**54,090**	76,876

Revenue from contracts with customers

(i) Disaggregation of revenue information

	2022	2021
	RMB'000	*RMB'000*
Types of goods or services		
– Sale of products	**12,451**	33
– Promotion service revenue	**40,440**	70,918
– Collaboration revenue	**26**	5,925
– Others	**1,173**	–
Total revenue from contracts with customers	**54,090**	76,876

	2022	2021
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point in time		
– Sale of products	**12,451**	33
– Promotion service revenue	**40,440**	70,918
– Collaboration revenue	**26**	5,925
– Others	**1,173**	–
Total revenue from contracts with customers	**54,090**	76,876

	2022	2021
	RMB'000	*RMB'000*
Geographical markets		
Mainland China		
– Sale of products	**12,451**	33
– Promotion service revenue	**40,440**	70,918
– Others	**1,173**	–
Other country		
– Collaboration revenue	**26**	5,925
Total revenue from contracts with customers	**54,090**	76,876

No revenue was recognised during the reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods.

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon acceptance of the products and payment is generally due within 30 to 90 days from acceptance.

Promotion services

The performance obligation is satisfied at a point in time when the customer's sales occur and payment is generally due within 60 days from the date of billing.

Collaboration revenue

The performance obligation is satisfied at a point in time as output generated from the development activities is accepted by the collaboration partner, and payment is generally due within 30 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and 2022 are as follows:

	2022	2021
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**377**	–

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2022	2021
	RMB'000	*RMB'000*
Other income and gains		
Government grants*	**4,349**	40,883
Bank interest income	**44,162**	22,506
Investment income from financial assets at fair value through profit or loss	**3,322**	2,484
Exchange gain	**60,182**	–
Others	**1**	18
	112,016	65,891

* The government grants mainly represent subsidies received from the local governments for the purpose of compensation for expenses arising from research activities and clinical trials, awards for new drug development and capital expenditure incurred on certain projects.

5. LOSS BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**58,024**	7,931
Cost of services provided	**20,758**	29,772
Depreciation of property, plant and equipment	**12,949**	12,875
Depreciation of right-of-use assets	**2,269**	2,198
Amortisation of intangible assets*	**14,973**	14,472
Write-down of inventories to net realisable value**	**48,553**	7,729
Lease payments not included in the measurement of lease liabilities	**107**	64
Auditor's remuneration	**2,390**	2,290
Research and development costs	**267,102**	213,320
Government grants	**(4,349)**	(40,883)
Foreign exchange differences, net	**(60,182)**	16,439
Impairment of other intangible assets	**54,748**	–
Impairment of property, plant and equipment	**443**	–
(Reversal of impairment)/impairment of trade receivables, net	**(11)**	7
Loss on disposal of items of property, plant and equipment	**4**	–
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	**78,508**	63,973
Pension scheme contributions	**16,863**	14,388
Staff welfare expenses	**3,229**	2,644
Equity-settled share award and option expense	**3,193**	7,130
	101,793	88,135

* The amortisation of intangible assets is included in "Administrative expenses" and "Research and development costs" in the consolidated statement of profit or loss.

** The write-down of inventories to net realisable value of RMB48,553,000 for the year ended 31 December 2022 (2021: RMB7,729,000) is included in "Cost of sales" in the consolidated statement of profit or loss.

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

British Virgin Islands

Under the current laws of the British Virgin Islands ("**BVI**"), PowerTree is not subject to tax on income or capital gains. In addition, upon payments of dividends by PowerTree to its shareholder, no BVI withholding tax is imposed.

Hong Kong

Under the current laws of the Hong Kong, the subsidiary in Hong Kong is subject to profits tax at a rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong. During the year, no provision for profits tax has been made as the subsidiary did not generate any assessable profits in Hong Kong.

United States

Under the current laws of the United States, the subsidiary in the United States is subject to tax at a maximum of 21% (2021: 21%) federal corporate income tax rate and 2.5% (2021: 2.5%) North Carolina state tax rate. During the year, no provision for income tax has been made as the subsidiary did not generate any assessable income in United States.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "**CIT Law**"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% (2021: 25%) on the taxable income. Preferential tax treatment is available to Ascletis Pharmaceuticals since it was recognised as a High and New Technology Enterprise, and it was entitled to a preferential tax rate of 15% (2021: 15%) during the year. Gannex Pharma, Ascletis Biopharma and Ascletis XinNuo are qualified as Small and Micro Enterprises and were subject to a preferential tax rate of 2.5% (2021: 2.5%) during the year.

The income tax of the Group for the year is analysed as follows:

	2022	2021
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	**–**	–
Deferred tax (note 14)	**–**	–
Total tax for the year	**–**	–

A reconciliation of the tax applicable to loss before tax at the statutory rate in Mainland China to the tax at the effective tax rate is as follows:

	2022	2021
	RMB'000	*RMB'000*
Loss before tax	**(314,843)**	(199,017)
At the PRC's statutory income tax rate of 25%	**(78,711)**	(49,754)
Effect of tax rate differences in other countries	**5,427**	5,771
Preferential income tax rates enacted by local authority	**15,782**	18,660
Effect of tax concessions and allowances	**(46,819)**	(23,979)
Tax losses not recognised	**96,544**	45,151
Expenses not deductible for tax	**7,777**	4,151
Tax at the Group's effective rate	**–**	–

7. DIVIDENDS

The board does not recommend the payment of any dividend in respect for the year ended 31 December 2022 (2021: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of RMB314,843,000 (2021: RMB199,017,000), and the weighted average number of ordinary shares of 1,087,029,890 (2021: 1,097,608,054) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2022 in respect of a dilution as the impact of the share award had an anti-dilutive effect on the basic loss per share amounts presented.

9. INVENTORIES

	2022	2021
	RMB'000	*RMB'000*
Raw materials	**9,116**	44,348
Work in progress	**9,766**	3,345
Finished goods	**1,637**	8,540
	20,519	56,233

10. TRADE RECEIVABLES

	2022 *RMB'000*	2021 *RMB'000*
Trade receivables	**23,878**	53,622
Impairment	**(5)**	(16)
	23,873	53,606

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days to 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the before mentioned and the fact that the Group's trade receivables relate to large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Within 3 months	**13,537**	38,676
3 to 6 months	**10,336**	14,930
	23,873	53,606

The movement in the loss allowance for impairment of trade receivables is as follows:

	2022 *RMB'000*	2021 *RMB'000*
At beginning of year	**16**	9
(Reversal of impairment)/impairment losses, net (note 5)	**(11)**	7
At end of year	**5**	16

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 for groupings of various customer segments with similar loss patterns. 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.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

		Past due			
	Current	**Less than 3 months**	**3 to 6 months**	**Over 6 months**	**Total**
Expected credit loss rate	**0.02%**	**–**	**–**	**–**	**0.02%**
Gross carrying amount *(RMB'000)*	**23,878**	**–**	**–**	**–**	**23,878**
Expected credit losses *(RMB'000)*	**5**	**–**	**–**	**–**	**5**

As at 31 December 2021

		Past due			
	Current	Less than 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.03%	–	–	–	0.03%
Gross carrying amount *(RMB'000)*	53,622	–	–	–	53,622
Expected credit losses *(RMB'000)*	16	–	–	–	16

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
	RMB'000	*RMB'000*
Value-added tax recoverable	**5,399**	13,785
Deposits and other receivables	**2,648**	2,593
Prepayments	**8,125**	2,340
Prepaid expenses	**2,128**	2,298
	18,300	21,016

Other receivables mainly represent rental and other deposits. An impairment analysis is performed at each reporting date by applying an expected credit loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions. As at 31 December 2022 and 2021, the expected credit loss rate was close to zero.

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

12. TRADE PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**3,135**	1,054

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**2,365**	648
3 to 12 months	**745**	406
1 to 2 years	**25**	–
	3,135	1,054

The trade payables are non-interest-bearing and are normally settled within three months.

13. DEFERRED INCOME

	2022	2021
	RMB'000	*RMB'000*
Government grants		
Current	**1,588**	1,588
Non-current	**7,146**	8,734
	8,734	10,322

The movements in government grants during the year are as follows:

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**10,322**	12,931
Amount released	**(1,588)**	(2,609)
At end of year	**8,734**	10,322
Current	**1,588**	1,588
Non-current	**7,146**	8,734
	8,734	10,322

The grants are related to the subsidies received from the government for the purpose of compensation for expenses arising from research activities and clinical trials, awards for its new drug development and capital expenditure incurred on certain projects.

14. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

2022

Deferred tax liabilities

	Right-of-use assets	**Total**
	RMB'000	***RMB'000***
At 1 January 2022	**226**	**226**
Deferred tax charged to profit or loss during the year	**604**	**604**
Gross deferred tax liabilities at 31 December 2022	**830**	**830**

Deferred tax assets

	Lease liabilities	**Total**
	RMB'000	***RMB'000***
At 1 January 2022	**226**	**226**
Deferred tax credited to profit or loss during the year	**604**	**604**
Gross deferred tax assets at 31 December 2022	**830**	**830**

2021

Deferred tax liabilities

	Right-of-use assets	Total
	RMB'000	*RMB'000*
At 1 January 2021	396	396
Deferred tax credited to profit or loss during the year	(170)	(170)
Gross deferred tax liabilities at 31 December 2021	226	226

Deferred tax assets

	Lease liabilities	Total
	RMB'000	*RMB'000*
At 1 January 2021	396	396
Deferred tax charged to profit or loss during the year	(170)	(170)
Gross deferred tax assets at 31 December 2021	226	226

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:

	2022	2021
	RMB'000	*RMB'000*
Net deferred tax recognised in consolidated statement of financial position	**–**	–

The Group has tax losses arising in Mainland China of RMB1,473,213,000 (2021: RMB930,267,000) that will expire in one to ten years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions of the CG Code as its own code of corporate governance.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code during the Reporting Period, except for a deviation from the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company are not separate and are both performed by Dr. Wu. The Company is an investment holding company with a professional management team to monitor the operations of the subsidiaries. The Board considers that vesting the roles of chairman and chief executive officer in the same person is more efficient in the direction and management of the Company and does not impair the balance of power and authority of the Board and the management of the business of the Company. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Written Guidelines on no less exacting terms than the Model Code as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines throughout the Reporting Period and to the date of this announcement. No incident of non-compliance of the Written Guidelines by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

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

The Company did not repurchase any Shares on the Stock Exchange during the year ended December 31, 2022. During the Reporting Period, the Company cancelled the remaining amount of 7,714,000 Shares repurchased in 2021 and the total number of Shares in issue has been reduced accordingly as at the date of this announcement.

Save for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed Shares for the year ended December 31, 2022.

REVIEW OF ANNUAL RESULTS

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Jiong GU, Dr. Yizhen WEI, and Ms. Lin HUA. The chairman of the Audit Committee is Mr. Jiong GU.

The Audit Committee has reviewed the annual results of the Group for the year ended December 31, 2022 and has recommended for the Board's approval thereof.

The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2022. The Audit Committee considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

ANNUAL DIVIDEND

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Company will announce the date of the AGM and the period of closure of register of members in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.ascletis.com). The annual report for the year ended December 31, 2022 containing all the information in accordance with the requirements under the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

DEFINITION

"API"	Active pharmaceutical ingredient, the component of a drug product that is intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease, or to affect the structure or any function of the body
"Ascletis", "Company", "the Company" or "We"	Ascletis Pharma Inc. (歌禮製藥有限公司), an exempted company incorporated in the Cayman Islands with limited liability on February 25, 2014
"AGM"	annual general meeting of the Company

"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the Chairman of the Board
"China", "Mainland China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Wu, Mrs. Judy Hejingdao Wu, JJW12 Limited, Lakemont Holding LLC, the Lakemont Remainder Trust and Northridge Trust, as a group, or any member of them
"COVID-19"	An infectious disease caused by a newly discovered coronavirus (severe acute respiratory syndrome coronavirus)
"Director(s)"	the director(s) of the Company
"Dr. Wu"	Dr. Jinzi Jason WU (吳勁梓), our Founder and the spouse of Mrs. Judy Hejingdao Wu, chairman of the Board, chief executive officer, an executive Director of the Company, one of our Controlling Shareholders
"FASN"	fatty acid synthase
"FDA"	U.S. Food and Drug Administration
"FXR"	Farnesoid X receptor
"Gannex Pharma"	Gannex Pharma Co., Ltd. (甘萊製藥有限公司), a limited liability company incorporated under the laws of the PRC on September 3, 2019, a wholly-owned subsidiary of the Company
"Greater China"	Mainland China, Hong Kong, Macau and Taiwan
"Group", "our Group" or "the Group"	the Company and its subsidiaries
"HCV"	hepatitis C virus
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"IND(s)"	investigational new drug(s), (an) experimental drug for which a pharmaceutical company obtains permission to ship across jurisdictions (usually to clinical investigators) before a marketing application for the drug has been approved
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on August 1, 2018
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"NASH"	non-alcoholic steatohepatitis
"NDA"	new drug application
"NMPA"	China National Medical Products Administration (中國國家藥品監督管理局)
"NS3/4A"	a protease that plays an essential role in translation and polyprotein processing during the HCV viral replication process
"NS5A"	non-structural protein 5A, a zinc-binding and proline-rich hydrophilic phosphoprotein that plays a key role in HCV RNA replication
"PBC"	primary biliary cholangitis
"PD-L1"	programmed death ligand1, which is a protein on the surface of a normal cell or a cancer cell that attaches to certain proteins on the surface of the T-cell that causes the T-cell to turn off its ability to kill the cancer cell
"R&D"	research and development
"RdRp"	RNA-dependent RNA polymerase
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of the PRC
"Reporting Period"	the one-year period from January 1, 2022 to December 31, 2022

"Roche"	F. Hoffmann-La Roche AG, a Swiss multi-national healthcare company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary shares in the share capital of our Company of US$0.0001 each
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S."	United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)", "USD" or "US$"	United States dollars, the lawful currency of the United States of America
"Written Guidelines"	the Guidelines for Securities Transactions by Directors adopted by the Company

In this announcement, the terms "associate", "connected person", "controlling shareholder" and "subsidiary" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

By order of the Board
Ascletis Pharma Inc.
歌禮製藥有限公司
Jinzi Jason WU
Chairman

Hangzhou, the People's Republic of China, March 20, 2023

As at the date of this announcement, the Board comprises Dr. Jinzi Jason WU and Mrs. Judy Hejingdao WU, as executive Directors; and Dr. Yizhen WEI, Mr. Jiong GU and Ms. Lin HUA, as independent non-executive Directors.