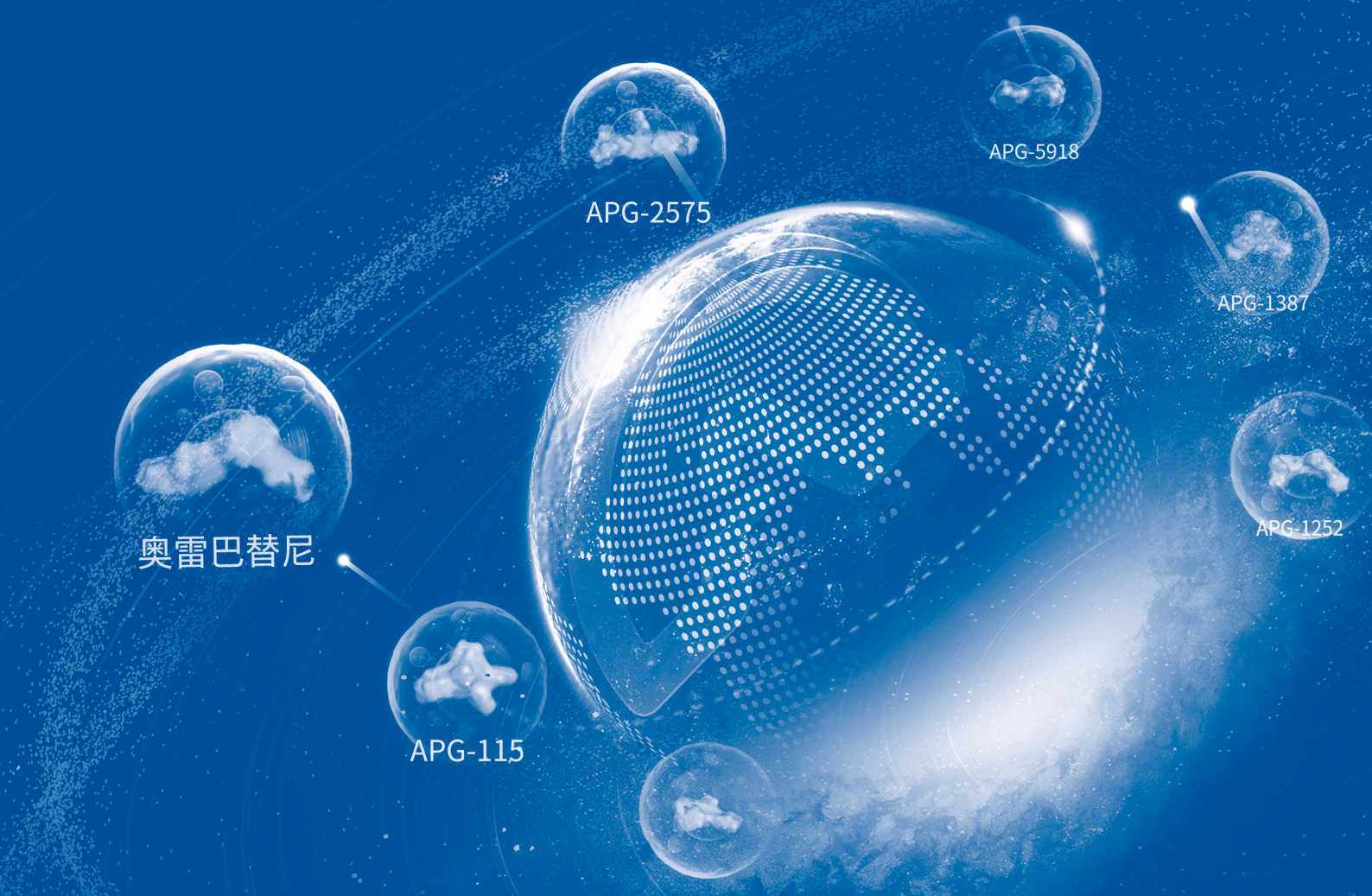
亞 盛 醫 藥
Ascentage Pharma

Ascentage Pharma Group International
亞盛醫藥集團

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

2023 INTERIM REPORT

CONTENTS



Definitions

In this interim 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 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 approved by the Board on February 2, 2021 (as amended from time to time)
"2022 RSU Scheme"	the restricted share unit scheme approved by the Board on June 23, 2022 (as amended from time to time)
"2021 Warrants"	the unlisted warrants issued by the Company to Innovent pursuant to the Warrant Subscription Deed
"AACR"	American Association for Cancer Research
"ALK"	anaplastic lymphoma kinase
"ALL"	acute lymphoblastic leukemia
"ALL (Ph + ALL)"	acute lymphoblastic leukemia; a type of cancer of the lymphoid line of blood cells characterized by the development of large numbers of immature lymphocytes (Philadelphia positive acute lymphoblastic leukemia)
"AML"	acute myelogenous leukemia
"APG-115"	our novel, orally active small molecule MDM2-p53 inhibitor
"APG-1252"	our novel, highly potent, small molecule drug designed to restore apoptosis, or programmed cell death, through selective inhibition of the Bcl-2/Bcl-xL proteins

"APG-1387"	our novel, small molecule inhibitor of the IAP
"APG-2449"	our third-generation inhibitor of the FAK, ROS1 and ALK kinases
"lisaftoclax (APG-2575)"	our novel, orally administered Bcl-2 inhibitor
"APG-265"	a MDM2 protein degrader
"APG-2575"	our novel, orally administered Bcl-2 inhibitor
"APG-5918"	our potent, orally available, and selective EED inhibitor
"ASCO"	American Society of Clinical Oncology
"AstraZeneca"	AstraZeneca PLC, a UK-Swedish multinational pharmaceutical and biopharmaceutical company headquartered in the United Kingdom, an Independent Third Party
"Audit Committee"	the audit committee of the Board
"Ba/F3"	murine interleukin-3 dependent pro-B cell line
"Bcl-2"	B-cell lymphoma 2
"Bcl-2/Bcl-xL"	B-cell lymphoma 2/B-cell lymphoma extra-large; a member of the Bcl-2 family proteins, and acts as an anti-apoptotic protein by preventing the release of mitochondrial contents such as cytochrome c, which leads to caspase activation and ultimately, programmed cell death
"BCR"	breakpoint cluster region
"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"	the board of directors of the Company
"Board Committees"	the Audit Committee, the Remuneration Committee and the Nomination Committee
"BTK"	Bruton's tyrosine kinase inhibitor
"BVI"	the British Virgin Islands
"CDE"	the center of drug evaluation of China

Definitions

"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"CHB"	chronic hepatitis B
"CIT"	corporate income tax
"CLL"	chronic lymphocytic leukemia; a slowly progressing, liquid form of tumor that causes an excess of white blood cells in the bone marrow, blood, liver, and spleen
"CML"	chronic myeloid/myelogenous leukemia; a type of cancer that affects the blood and bone marrow
"CMML"	chronic myelomonocytic leukemia
"Company" or "Ascentage Pharma"	Ascentage Pharma Group International (亞盛醫藥集團), 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
"Directors"	the director(s) of the Company, including all executive, non-executive and independent non-executive directors
"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 a Substantial Shareholder
"Dr. Yang"	Dr. Yang Dajun, our Chairman, chief executive officer, a 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, a 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
"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%, and as at the date of this interim report, a Substantial Shareholder
"FVTPL"	fair value through profit or loss
"GC"	gastric cancer
"GIST"	gastrointestinal stromal tumor
"Global Offering"	the Hong Kong public offering and international offering as described in the Prospectus
"Group", "we", "our" or "us"	the Company and its subsidiaries from time to time
"Guo Family Trust"	Ming Edward Guo Dynasty Trust, a discretionary family trust established by Dr. Guo as settlor for the benefits of Dr. Guo's family members, of which South Dakota Trust is a trustee
"HBV"	hepatitis B virus
"Healthquest Pharma"	Guangzhou Healthquest Pharma Co., Ltd. (廣州順健生物醫藥科技有限公司), a limited liability company incorporated in the PRC on July 3, 2012, our indirectly wholly-owned subsidiary

Definitions

"HK$" or "Hong Kong dollars"	Hong Kong dollars, 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, as issued from time to time by the International Accounting Standards Board
"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
"IPO"	the initial public offering of the Company, having become unconditional in all aspects on October 28, 2019
"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, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"MDM2"	Murine Double Minute 2
"MDS"	myelodysplastic syndrome; group of cancers in which immature blood cells in the bone marrow do not mature and therefore do not become healthy blood cells
"MM"	multiple myeloma

"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Mr. Ren"	Mr. Ren Wei, an independent non-executive Director
"Mr. Ye"	Mr. Ye Changqing, an independent non-executive Director
"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 on September 28, 2019 as amended from time to time
"PRC" or "China" or "Mainland China"	the People's Republic of China and for the purposes of this interim 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 on July 13, 2018 as amended from time to time
"Prospectus"	the prospectus of the Company dated October 16, 2019
"R&D"	research and development
"relapse/refractory" or "r/r"	disease or condition which become progressive after treatment (relapsed) or does not respond to the initial treatment (refractory)
"Remuneration Committee"	the remuneration committee of the Board

Definitions

"Reporting Period"	the six-month period from January 1, 2023 to June 30, 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)
"RSU Holdco"	Best Elevation Limited, a business company incorporated in the BVI with limited liability which holds the Shares of the Company on trust for the benefits of selected future employees of the Company
"SCLC"	small cell lung cancer
"SDH-"	succinate dehydrogenase
"Selected Person(s)"	eligible person(s) selected by the Board to be granted RSUs under the 2018 and 2021 RSU Scheme at its discretion
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shares"	ordinary share(s) of US$0.0001 par value each in the share capital of the Company
"Shareholders"	holder(s) of Share(s)
"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 2022 RSU Scheme

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

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

Corporate Information

BOARD OF DIRECTORS

Executive Director

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

Non-executive Directors

Dr. Wang Shaomeng
Dr. 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

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

- Revenue for the six months ended June 30, 2023 increased to RMB142.7 million, as compared to RMB95.8 million for the six months ended June 30, 2022, representing an increase of RMB46.9 million, or 49.0%. The increase was mainly attributable to the growth of sales of olverembatinib, which increased by 36.7% over the same period of time. For the six months ended June 30, 2023, revenue was generated from the sales of pharmaceutical products, commercialization license fee income of patented IP and service income from customers.

- Other income and gains for the six months ended June 30, 2023 decreased to RMB17.0 million, as compared to RMB37.0 million for the six months ended June 30, 2022, representing a decrease of RMB20.0 million, or 54.1%, which was primarily attributable to (i) the decrease in fair value gain on derivative financial instruments to RMB2.8 million for the six months ended June 30, 2023, which arose from the Warrants subscribed by Innovent on July 14, 2021, as compared with RMB16.6 million for the six months ended June 30, 2022; and (ii) the decrease in government grants related to income to RMB7.5 million for the six months ended June 30, 2023, as compared with RMB12.9 million for the six months ended June 30, 2022.

- Selling and distribution expenses increased by RMB12.0 million, or 16.8%, to RMB83.3 million for the six months ended June 30, 2023, as compared to RMB71.3 million for the six months ended June 30, 2022. The increase was attributable to the increase in selling and distribution expenses incurred in the commercialization of olverembatinib and other products.

- Research and development expenses decreased by RMB31.6 million, or 9.3%, to RMB309.8 million for the six months ended June 30, 2023, as compared to RMB341.4 million for the six months ended June 30, 2022, primarily due to decreased outsourced services and labor cost.

- Administrative expenses increased by RMB9.0 million, or 10.9%, to RMB91.3 million for the six months ended June 30, 2023, as compared to RMB82.3 million for the six months ended June 30, 2022, primarily due to the increased operation and depreciation expenses of the Suzhou facility.

- For the six months ended June 30, 2023, the Group reported other expenses of RMB4.2 million, as compared to other expenses of RMB15.9 million for the six months ended June 30, 2022, which represented an decrease of RMB11.7 million, or 73.6%. The decrease was primarily attributable to (i) the realized and unrealized losses from foreign exchange being RMB0.5 million for the six months ended June 30, 2023, as compared to RMB7.4 million for the six months ended June 30, 2022; and (ii) fair value loss on financial assets at FVTPL being RMB0.2 million for the six months ended June 30, 2023, as compared to RMB7.1 million for the six months ended June 30, 2022.

- As a result of the foregoing, net loss for the six months ended June 30, 2023 decrease to RMB402.3 million, as compared to RMB406.7 million for the six months ended June 30, 2022, representing a decrease in loss of RMB4.4 million.

- As at June 30, 2023, the Group's cash and bank balances were RMB1,581.6 million, which increased by RMB89.4 million, or 6.0% when compared with RMB1,492.2 million as at December 31, 2022.

- As of June 30, 2023, our core product olverembatinib (HQP1351), a third generation BCR-ABL inhibitor, has realized an accumulated invoiced sales revenue amount of RMB303.9 million (inclusive of value added tax) since its launch in November 2021. In terms of global development and commercialization, olverembatinib has been included into the China 2022 National Reimbursement Drug List (the "**NRDL**") in January 2023.

- In July 2023, a Phase III 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 Center for Drug Evaluation (CDE) of China National Medical Products Administration (NMPA). In addition, olverembatinib has been recommended by the CDE for a Breakthrough Therapy Designation (BTD) for the treatment of patients with succinate dehydrogenase (SDH)-deficient gastrointestinal stromal tumor (GIST) who had received first-line treatment. The positive clinical data of olverembatinib on SDH-deficient GIST patients were presented at the 2023 ASCO annual meeting, which showed that in a Phase Ib/II study in China, olverembatinib was well-tolerated and showed antitumor activity in patients with TKI-resistant SDH-deficient GIST.

- In August 2023, we received clearance from U.S. FDA to initiate global registrational Phase 3 clinical trial for our key clinical asset, lisaftoclax (APG-2575) in previously treated patients with chronic lymphocytic leukemia/small lymphocytic lymphoma(CLL/SLL). Clinical data of lisaftoclax (APG-2575) in patients with hematological malignances and solid tumors has also been presented in various international conferences in 2023. We released preliminary data of a phase 1b/2 study of lisaftoclax (APG-2575) alone or combined with ibrutinib or rituximab in patients (pts) with Waldenström macroglobulinemia (WM) at the ASCO annual meeting. In addition, we released preclinical results of the combination of olverembatinib (HQP1351) with lisaftoclax (APG-2575) which overcomes resistance in gastrointestinal stromal tumors (GISTs) at the AACR annual meeting.

- We have presented 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 progressed on immuno-oncologic (IO) drugs at the 2023 ASCO annual meeting. Also, we presented the latest result of a phase 2 study of alrizomadlin (APG-115) in combination with pembrolizumab in patients with malignant peripheral nerve sheath tumor (MPNST) at 2023 ASCO. At 2023 AACR, we presented the results of preclinical studies showing that alrizomadlin (APG-115) promotes antitumor activity of mitogen-activated protein kinase (MAPK) inhibitors in uveal melanoma.

- In addition, we have presented the latest result of a phase I study of APG-2449 which could overcome resistance in NSCLC patients who are resistant to second-generation ALK inhibitors at the ASCO annual meeting.

- Another high-potential assets, the EED inhibitor APG-5918, was cleared to enter a clinical study in advanced solid tumors and hematologic malignancies in both China and the US. Meanwhile, the clinical trial of APG-5918 in anemia diseases was also approved in China, potentially providing a new therapeutic area for the drug.

- As of the date of this interim report, Ascentage Pharma has obtained 2 Fast Track Designations, 2 Rare Pediatric Disease (RPD) designations and a total of 17 Orphan Drug Designations (ODDs) from the US Food and Drug Administration (FDA) and the European Commission (EC), continuing to set the record for the number of ODDs granted to a Chinese biopharmaceutical 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 European Union (EU). This successful audit indicates that the Company's Global Manufacturing Center and quality management system implemented at the site are now 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.

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

OVERVIEW

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

Leveraging our technical expertise in structure-based drug design and our innovative drug discovery engine, we have developed a robust pipeline of nine clinical stage small molecule drug candidates, including novel, highly potent Bcl-2 and dual Bcl-2/Bcl-xL inhibitors, 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 interim report, the only company in the world with active clinical programs targeting all three known classes of key apoptosis regulators. The Company is conducting more than 40 Phase I/II clinical trials in China, the United States, Australia and Europe. Our core product, olverembatinib, has been approved for marketing in China and has entered the commercialization stage.

Leveraging its robust research and development capabilities, Ascentage Pharma has built a portfolio of global intellectual property rights and entered into global partnerships with numerous leading biotechnology and pharmaceutical companies and research institutes such as MD Anderson Cancer Center, Mayo Clinic, Dana-Farber Cancer Institute, Merck & Co., AstraZeneca, 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 June 30, 2023:

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

● POC ● POC in progress

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

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

The current progress of olverembatinib in the first half of 2023 is as follows:

- In July 2023, the Phase III 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 CDE, which may potentially make olverembatinib the first TKI for the first-line treatment of Ph+ ALL in China.

- In June 2023, the positive clinical data of olverembatinib in GIST was presented at the 2023 ASCO annual meeting. In a Phase Ib/II study in China, Olverembatinib was well-tolerated and showed potent antitumor activity in patients with TKI-resistant SDH-deficient GIST.

- In May 2023, olverembatinib has been recommended by CDE, for a Breakthrough Therapy Designation (BTD) for the treatment of patients with SDH-deficient GIST who had received first-line treatment.

- In April 2023, we presented the results of preclinical studies showing that olverembatinib enhances antitumor effects of immunotherapy in renal cell carcinoma (RCC) at 2023 AACR. This novel combination may provide an alternative approach to enhance treatment effects with CPIs (checkpoint inhibitors) in renal cancers.

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

- In addition, a Phase Ib bridging clinical trial with olverembatinib for the treatment of patients with CML and Ph+ ALL who are/or are not TKI resistant is being conducted in the United States, Europe and Canada and encouraging data has been presented at 2022 ASH Annual Meeting.

The expected progress of olverembatinib in 2023 is as follows:

- In 2023, we will continue to explore a wider range of new indications in addition to the approved indications and begin our phase III pivotal study on Ph+ ALL in China.
- Also, we will actively engage FDA for the discussion of the global pivotal registrational study.
- In addition, we are expected to receive the full approval by CDE of the NDA for olverembatinib for the treatment of patients with CML-CP who are resistant/intolerant to 1st and 2nd generation TKIs in 2023.

Key Product Candidates

Lisaftoclax (APG-2575)

Lisaftoclax (APG-2575) is a novel, oral Bcl-2 inhibitor developed to treat a variety of hematologic malignancies and solid tumors by selectively blocking Bcl-2 to restore the normal apoptosis process in cancer cells. Lisaftoclax (APG-2575) is the first domestic Bcl-2 selective inhibitor to enter clinical trials in China. Lisaftoclax (APG-2575) is also the second Bcl-2 selective inhibitor entering pivotal registration clinical trial globally. Currently, lisaftoclax (APG-2575) has received clearances and approvals for 19 Phase Ib/II clinical studies in China, the United States, Australia and Europe, with indications including chronic lymphocytic leukemia (CLL), non-Hodgkin's lymphoma (NHL), acute myeloid leukemia (AML), multiple myeloma (MM), Waldenstrom macroglobulinemia (WM) and solid tumors. More than 600 patients have been treated so far with lisaftoclax (APG-2575), including more than 300 patients with CLL/SLL. Furthermore, FDA has granted five ODDs to lisaftoclax (APG-2575) for treatment of patients with follicular lymphoma (FL), WM, CLL, MM, and AML.

The clinical development of lisaftoclax (APG-2575) in the first half of 2023 is as follows:

- In August 2023, we received clearance from U.S. FDA to initiate global registrational Phase 3 clinical trial for lisaftoclax (APG-2575) in previously treated patients with CLL/SLL.
- In June 2023, we released preliminary data of a phase Ib/II study of BCL-2 inhibitor 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 of the combination of olverembatinib (HQP1351) with lisaftoclax (APG-2575) overcomes resistance in gastrointestinal stromal tumors (GISTs) at the AACR annual meeting. Our results demonstrate that olverembatinib and lisaftoclax (APG-2575) have synergistic antitumor effects in imatinib-resistant GIST.
- The Phase Ib/II studies of lisaftoclax (APG-2575) as a single agent or in combinations for the treatment of patients with AML/MDS are ongoing in China.
- The Phase Ib/II studies of lisaftoclax (APG-2575) in combinations for the treatment of patients with AML/MDS are ongoing in the United States.
- The Phase Ib/II study of lisaftoclax (APG-2575) in combination for the treatment of patients with MM is ongoing in China.
- The Phase Ib/II study of lisaftoclax (APG-2575) in combination for the treatment of patients with MM is ongoing in the United States.

- A global Phase Ib/II 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.

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

- We expect to complete the enrollment for the single-arm, Phase II pivotal clinical study on R/R CLL/SLL patients in 2023 and submit the NDA in China in the first half of 2024.

- We expect to commence our global registrational Phase 3 clinical trial for lisaftoclax (APG-2575) in previously treated patients with CLL/SLL.

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

Alrizomadlin (APG-115)

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

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

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

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

- A Phase Ib/II study of alrizomadlin (APG-115) alone or in combination with azacytidine in patients with r/r AML, chronic myelomonocytic leukemia (CMML) or MDS.

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

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

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

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

- A phase I clinical study of alrizomadlin (APG-115) alone or in combination with lisaftoclax (APG-2575) in children with recurrent or refractory neuroblastoma or solid tumors.

The congress presentations for the alrizomadlin (APG-115) program in the first half of 2023 are listed below:

- 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 II study of alrizomadlin (APG-115) in combination with pembrolizumab in patients with malignant peripheral nerve sheath tumor (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) in AACR. Our 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, and small molecule drug designed to restore apoptosis through dual inhibition of the Bcl-2 and Bcl-xL proteins for the treatment of small cell lung cancer (SCLC), non-small-cell lung cancer (NSCLC), neuroendocrine tumor (NET), and non-hodgkin's lymphoma (NHL). It was granted an ODD by FDA for the treatment of SCLC.

As of June 30, 2023, a total of 205 patients have been treated with pelcitoclax (APG-1252) as a monotherapy or in combination with other anti-tumor agents. Three phase I dose-escalation/dose expansion trials in patients with SCLC and other advanced solid tumors were conducted in the United States, Australia and China, respectively. Pelcitoclax (APG-1252) was well tolerated with either weekly or biweekly intermittent dosing schedules. Preliminary anti-tumor activity was observed as a single agent in heavily pretreated patients.

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

- A Phase Ib study of pelcitoclax (APG-1252) plus osimertinib in patients with EGFR mutant NSCLC in China;

- A Phase Ib study of pelcitoclax (APG-1252) as a monotherapy in neuroendocrine tumors from pancreas or other parts of the gastrointestinal tract in China; and

- A Phase Ib/II study of pelcitoclax (APG-1252) as a single agent or in combination with other therapeutic agents in patients with r/r NHL in China.

In October 2023, we will release the updated study results of pelcitoclax (APG-1252) in combination with osimertinib in patients with EGFR-mutant NSCLC at ESMO.

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

Other Clinical or IND-stage Candidates

APG-1387

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

As of June 30, 2023, a total of 260 patients were enrolled and treated in the whole APG-1387 program. The current progress of APG-1387 in the first half of 2023 is as follows:

As for the two HBV studies:

- We have already completed a phase I study of APG-1387 monotherapy in treatment – naïve CHB patients.

- Phase II clinical trial of APG-1387 combined with entecavir in the treatment of CHB patients is under progress. The Phase I safety assessment has been completed. Based on the well-tolerated safety data, and the study entered Phase II, which is the efficacy evaluation of APG-1387 in combination with entecavir compared to entecavir monotherapy.

The other APG-1387 studies are as follows:

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

- In China, a phase Ib/II clinical trial of APG-1387 in combination with toripalimab (拓益) (another anti-PD-1 monoclonal antibody) in solid tumors is currently being conducted. The phase Ib patient enrollment has been completed and the trial has entered into phase II and nasopharyngeal carcinoma (NPC) cohort is open. Among 10 efficacy-evaluable patients in PD-1 naïve and previous treatment failed NPC, four achieved objective response, including 1 CR and 3 PRs, per Ricist 1.1.

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

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APG-2449

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

The progress of APG-2449 in the first half of 2023 is as follows:

- Updated data results from the APG-2449 Phase I study were presented in a poster discussion session at the 2023 ASCO meeting:
    - o Updated data continued demonstrating good safety and tolerability and preliminary efficacy in ALK-positive NSCLC patients both TKI treatment naïve and second-generation TKI treatment resistant patients. In addition, initial efficacy was also observed in ROS1 positive NSCLC patient.
    - o Biomarker exploring research indicated that FAK inhibition could provide a novel treatment strategy for NSCLC patients who are resistant to second-generation ALK inhibitors.
- The Phase Ib/II study of APG-2449 in combination with liposomal doxorubicin hydrochloride in platinum-resistant ovarian cancer has been initiated to enroll patients.

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

The current progress of APG-5918 in the first half of 2023 is as follows:

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

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.

Discovery Programs

Bcl-2 selective inhibitor

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

RESEARCH AND DEVELOPMENT

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

For the six months ended June 30, 2022 and 2023, our research and development expenses were RMB341.4 million and RMB309.8 million, respectively.

INTELLECTUAL PROPERTIES

Intellectual property rights are fundamental to our business. Through our robust research and development, we have strategically developed a global intellectual property portfolio with exclusive rights to issued patents or patent applications worldwide with respect to our product candidates. As of June 30, 2023, we had 468 issued patents globally, among which 336 issued patents were issued outside of China.

COMMERCIALIZATION

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

As of June 30, 2023, our core product olverembatinib achieved RMB303.9 million invoiced sales revenue since its launch (unaudited, inclusive of value added tax). We have established a fully functional commercialization team consisting of approximately 100 staff. Our team together with Innovent Biologics, Inc. (1801.HK) had covered 117 distributors to deliver olverembatinib to over 260 direct to pharmacy (DTP) pharmacies and over 800 hospitals.

In the first half of 2023, Ascentage Pharma's commercial team organized a variety of online and offline promotional activities. They also educated the health care professionals (HCP) of olverembatinib's outstanding clinical benefits and safety, which dramatically increased the brand awareness of olverembatinib among HCPs and patients.

Furthermore, in January 2023, olverembatinib has been successfully included in the 2022 NRDL, for the indication of T315I-mutant chronic-phase chronic myeloid leukemia (CML-CP) and accelerated-phase CML (CML-AP). The new version of the NRDL took effect on March 1, 2023. The inclusion will bolster the accessibility of olverembatinib, allowing more CML patients to easily and affordably access olverembatinib. We will collaborate with Innovent to accelerate the target hospital listings and medical insurance pharmacies. Furthermore, the NRDL listing may help expand the comprehensive coverage of olverembatinib to the lower-tier markets in addition to the core market and lay a solid foundation for accessibility of our products in the future for new approved indications.

CHEMISTRY, MANUFACTURING AND CONTROL

We have established our own Suzhou facility as the headquarters of Ascentage Pharma, which is a 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 the manufacturing capability for injectable drug products including lyophilized formulation at the Suzhou center. In the fourth quarter of 2022, the Company was issued a Drug Manufacturing License (Certificate A). This license will allow us to produce innovative drugs with global patents and global market potential in Suzhou and supply the drugs to the global market. Ascentage Pharma's global manufacturing 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 European Union (EU). This successful audit indicates that the Company's Global Manufacturing Center and quality management system implemented at the site are now 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 addition, we leased a facility with a size of approximately 4,500 square meters for R&D and manufacturing in China Medical City, Taizhou, Jiangsu Province, China, where we produce and supply pre-clinical test articles and clinical trial materials for some of our drug candidates.

EXPECTED COVID-19 IMPACT

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

Our financial and liquidity positions maintained a normal status during the first half of 2023 despite the impact of COVID-19.

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

FINANCIAL REVIEW

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Revenue	**142,701**	95,763
Other income and gains	**17,021**	37,047
Selling and distribution expenses	**(83,319)**	(71,336)
Research and development expenses	**(309,814)**	(341,409)
Administrative expenses	**(91,340)**	(82,349)
Finance costs	**(52,719)**	(19,072)
Other expenses	**(4,175)**	(15,875)
Loss for the period	**(402,349)**	(406,734)
Total comprehensive loss for the period	**(362,569)**	(363,472)

Overview

For the six months ended June 30, 2023, the Group recorded revenue of RMB142.7 million, as compared with RMB95.8 million for the six months ended June 30, 2022, and the total comprehensive loss of RMB362.6 million, as compared with RMB363.5 million for the six months ended June 30, 2022. The loss of the Group was RMB402.3 million for the six months ended June 30, 2023, as compared with RMB406.7 million for the six months ended June 30, 2022. The selling and distribution expenses of the Group was RMB83.3 million for the six months ended June 30, 2023, as compared with RMB71.3 million for the six months ended June 30, 2022. The research and development expenses of the Group was RMB309.8 million for the six months ended June 30, 2023, as compared with RMB341.4 million for the six months ended June 30, 2022. The administrative expenses of the Group was RMB91.3 million for the six months ended June 30, 2023, as compared with RMB82.3 million for the six months ended June 30, 2022.

Revenue

For the six months ended June 30, 2023, the Group generated revenue of RMB142.7 million from the sales of pharmaceutical products, commercialization license fee income from Innovent Suzhou and service income, as compared to RMB95.8 million for the six months ended June 30, 2022, representing an increase of RMB46.9 million, or 49.0%, which was primarily attributable to the rise in sales of our core product olverembatinib, which increased by 36.7% over the same period.

Other Income and Gains

The Group's other income and gains primarily consist 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 development of new drugs. 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 six months ended June 30, 2023 was RMB17.0 million, as compared to RMB37.0 million for the six months ended June 30, 2022, representing a decrease of RMB20.0 million, or 54.1%, which was primarily attributable to (i) the decrease in fair value gain on derivative financial instruments to RMB2.8 million for the six months ended June 30, 2023, which arose from the Warrants subscribed by Innovent on July 14, 2021, as compared with RMB16.6 million for the six months ended June 30, 2022; and (ii) the decrease in government grants related to income to RMB7.5 million for the six months ended June 30, 2023, as compared with RMB12.9 million for the six months ended June 30, 2022.

Selling and Distribution Expenses

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

For the six months ended June 30, 2023, the selling and distribution expenses of the Group increased by RMB12.0 million, or 16.8%, to RMB83.3 million, as compared to RMB71.3 million for the six months ended June 30, 2022. The increase was attributable to the increase in selling and distribution expenses incurred in the commercialization of olverembatinib and other products.

Research and Development Expenses

The Group's research and development expenses primarily consist 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 six months ended June 30, 2023, the research and development expenses of the Group decreased by RMB31.6 million, or 9.3% to RMB309.8 million from RMB341.4 million for the six months ended June 30, 2022. The decrease was primarily attributable to decreased outsourced services and labor cost.

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

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Internal research and development expenses	**76,028**	83,059
External research and development expenses	**43,763**	71,871
Staff costs	**134,380**	148,418
IP expenses	**5,378**	2,452
Materials	**5,780**	11,023
Depreciation and amortization	**14,721**	8,418
Share option and RSU expenses of R&D staff	**14,301**	3,020
Others	**15,463**	13,148
Total	**309,814**	341,409

Administrative Expenses

For the six months ended June 30, 2023, the administrative expenses of the Group increased by RMB9.0 million, or 10.9% to RMB91.3 million from RMB82.3 million for the six months ended June 30, 2022. The increase was primarily attributable to the increased operation and depreciation expenses of the Suzhou facility. The following table sets forth the components of our administrative expenses for the periods indicated.

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Share option and RSU expenses	**2,850**	1,715
Staff costs	**34,034**	36,876
Depreciation and amortization	**26,861**	18,972
Others	**27,595**	24,786
Total	**91,340**	82,349

Finance Costs

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

For the six months ended June 30, 2023, the finance costs of the Group increased by RMB33.6 million, or 175.9% to RMB52.7 million from RMB19.1 million for the six months ended June 30, 2022. The increase was primarily attributable to additional interest incurred in relation to bank borrowings.

Other Expenses

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

For the six months ended June 30, 2023, the Group reported other expenses of RMB4.2 million, as compared to other expenses of RMB15.9 million for the six months ended June 30, 2022, which represented an decrease of RMB11.7 million, or 73.6%. The decrease was primarily attributable to (i) the realized and unrealized losses from foreign exchange being RMB0.5 million for the six months ended June 30, 2023, as compared to RMB7.4 million for the six months ended June 30, 2022; and (ii) fair value loss on financial assets at FVTPL being RMB0.2 million for the six months ended June 30, 2023, as compared to RMB7.1 million for the six months ended June 30, 2022.

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

Loss for the Reporting Period

As a result of the above factors, the loss of the Company decreased by RMB4.4 million, to RMB402.3 million for the six months ended June 30, 2023 from RMB406.7 million for the six months ended June 30, 2022.

Cash Flows

For the six months ended June 30, 2023, net cash outflows used in operating activities of the Group amounted to RMB368.5 million, as compared to that of RMB335.2 million for the six months ended June 30, 2022, mainly due to the decrease in trade payables and other payables, partially offset by the expansion of our cash inflow from the sales of olverembatinib.

For the six months ended June 30, 2023, net cash outflows used in investing activities of the Group amounted to RMB64.8 million, which consisted of (i) the net increase in property, plant and equipment and other intangible assets of RMB34.8 million; and (ii) the net increase in time deposits of RMB30.0 million. For the six months ended June 30, 2022, net cash outflow from investing activities amounted to RMB142.6 million, which consisted of the net increase in property, plant and equipment and other intangible assets of RMB142.6 million.

For the six months ended June 30, 2023, net cash inflows from financing activities of the Group amounted to RMB455.6 million, which mainly consisted of (i) net proceeds of RMB470.1 million* from the issuance of shares through the 2023 Placing; (ii) net borrowing of RMB34.2 million and (iii) interest paid which amounted to RMB54.4 million. For the six months ended June 30, 2022, net cash inflows from financing activities amounted to RMB447.8 million, which mainly consisted of net borrowings of RMB473.7 million from banks.

* representing proceeds from issue of shares minus cash payment of share issue expenses recorded as a deduction of share premium for the six months ended June 30, 2023.

Key Financial Ratios

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

	As at June 30, 2023	As at December 31, 2022
Current ratio[(1)]	**2.7**	1.9
Quick ratio[(2)]	**2.7**	1.8
Gearing ratio[(3)]	**15.7%**	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 bank and other borrowings less cash and cash equivalents divided by total equity and multiplied by 100%.

Significant Investments

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

Foreign Exchange Risk

Our financial statements are expressed in RMB, but certain of our cash and bank balances, other receivables and other assets, other investments classified as financial assets measured at FVTPL, derivative financial instrument and trade and other payables are denominated in foreign currencies, and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities, associated companies or joint ventures for the six months ended June 30, 2023.

Bank Loans and Other Borrowings

As at June 30, 2023, we had bank loans of RMB1,654.9 million denominated in RMB and lease liabilities of RMB21.2 million.

As at June 30, 2023, RMB534.9 million of the Group's borrowings was at fixed interest rates.

June 30, 2023

	Effective interest rate per annum (%)	Maturity	RMB'000
Current			
Short-term borrowing – unsecured	**4.30**	**2023**	**100,000**
Current portion of long term bank loans – unsecured	**3.40-4.75**	**2024**	**107,000**
Current portion of long term bank loans – unsecured	**1 year – LPR+0.55 to 0.9**	**2024**	**180,030**
Current portion of long term bank loans – secured*	**5 year – LPR-0.85-4.35**	**2024**	**8,970**
Lease liabilities	**4.00-4.35**	**2024**	**9,305**
			405,305
Non-current			
Bank loans – unsecured	**1 year – LPR+0.55 to 0.9**	**2024-2027**	**361,555**
Bank loans – unsecured	**3.40-4.70**	**2024-2026**	**306,750**
Bank loans – secured*	**5 year – LPR-0.85-4.35**	**2024-2038**	**590,641**
Lease liabilities	**4.00-4.35**	**2024-2028**	**11,876**
			1,270,822
			1,676,127

Note: LPR represents the Loan Prime Rate.

* The bank loans amounting to RMB599,611,000 (December 31, 2022: RMB561,510,000) were secured by the pledge of the Group's buildings with a net carrying amount of approximately RMB442,138,000 (December 31, 2022: buildings with a net carrying amount of RMB454,131,000 and construction in progress with a carrying amount of RMB17,833,000), investment properties with a net carrying amount of approximately RMB346,762,000 (December 31, 2022: RMB355,425,000) and right-of-use assets with a net carrying amounts of approximately RMB28,162,000 (December 31, 2022: RMB28,728,000) as at June 30, 2023. Such loans were also guaranteed by two of the Group's subsidiaries.

The unsecured bank loans amounting to RMB252,855,000 (December 31, 2022: RMB257,120,000) were guaranteed by one of the Group's subsidiaries as at June 30, 2023.

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

	June 30, 2023 RMB'000	December 31, 2022 RMB'000
Analysed into:		
Within one year	**405,305**	518,383
In the second year	**522,733**	384,479
In the third to fifth years, inclusive	**229,213**	788,355
Beyond five years	**518,876**	101,510
	1,676,127	1,792,727

Charges on Group Assets

As at June 30, 2023, the Group had pledged the Group's right-of-use assets with a carrying amount of approximately RMB28.2 million, the buildings with a carrying amount of approximately RMB442.1 million and investment property with a carrying amount of approximately RMB346.8 million to bank facilities.

Contingent Liabilities

As at June 30, 2023, the Group did not have any material contingent liabilities.

Liquidity and Financial Resources

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

As at June 30, 2023, the Group's cash and bank balances was RMB1,581.6 million, which remained relatively constant when compared with RMB1,492.2 million as at December 31, 2022.

As at June 30, 2023, the Group's cash and bank balances were held mainly in U.S. dollars, Hong Kong dollars and RMB.

As at June 30, 2023, the Group had not used any financial instruments for hedging purposes.

As at June 30, 2023, the current assets of the Group were RMB1,760.8 million, including cash and bank balances of RMB1,581.6 million, inventory balances of RMB5.0 million, trade receivable balances of RMB81.6 million and other current assets of RMB92.6 million. As at June 30, 2023, the current liabilities of the Group were RMB642.9 million, including trade payables of RMB47.7 million, other payables and accrued expenses of RMB165.5 million, borrowings of RMB405.3 million and contract liabilities of RMB24.4 million. As at June 30, 2023, the non-current liabilities of the Group were RMB1,675.0 million, including long term borrowings and other non-current liabilities of RMB1,419.6 million, contract liabilities of RMB171.5 million, other long term payables and deferred income of RMB72.5 million and deferred tax liability of RMB11.4 million.

Employees and Remuneration Policies

The following table sets forth a breakdown of our employees as at June 30, 2023 by function:

Function	Number	%
Research and Development	384	68.0
Commercial	108	19.1
Administrative and others	73	12.9
Total	565	100.0

As at June 30, 2023, we had 565 full-time employees, including a total of 41 employees with M.D. or Ph.D. degrees. Of these, 384 are engaged in full-time research and development and laboratory operations and 181 are engaged in full-time general and administrative and commercial functions, and business development function. Our research and development personnel includes 40 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 contributed to driving the success of our business. As at June 30, 2023, we had 152 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 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 six months ended June 30, 2022 and 2023, employee benefit expense amounted to RMB215.3 million and RMB201.2 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.

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.

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 of the Company dated October 16, 2019 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 as well as the circular of the Company dated August 31, 2021. For further details of the 2022 RSU Scheme and the grant of RSUs thereunder, please refer to the relevant announcements of the Company dated June 23, 2022, July 14, 2022, October 21, 2022, October 25, 2022, October 26, 2022, October 27, 2022, October 28, 2022, October 31, 2022, May 8, 2023 and May 29, 2023.

FUTURE AND OUTLOOK

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

We will invest more resources to support our key product development through accelerating clinical trial sites development, boosting clinical trial recruitment and increasing 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 awareness and seek global collaboration opportunities.

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

Additionally, we expect to expand our intellectual property portfolio by actively seeking patent rights for our product candidates. As of June 30, 2023, we had 468 issued patents globally, among which, 336 were issued outside of China. We will further enhance our comprehensive and growing global intellectual property portfolio in the future.

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

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the six months ended June 30, 2023 and up to the date of this interim report, no important events affecting the Company has taken place that is required to be disclosed.

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2023.

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 June 30, 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions 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 were as follows:

Name of Director or chief executive	Nature of Interest	Number of Ordinary Shares	Approximate percentage of shareholding interest
Dr. Yang	Interest of controlled corporation[4] Interests held jointly with other persons[2] Interest of spouse[3] Settlor of a discretionary trust[4] Beneficial owner[12]	64,638,531	22.30%
Dr. Wang	Interest of controlled corporation[4] Interests held jointly with other persons[2] Settlor of a discretionary trust[4]	64,638,531	22.30%
Dr. Zhai	Interest of controlled corporation[5] Interest held jointly with other persons[2] Interest of spouse[3] Settlor of a discretionary trust[5] Beneficial owner[11]	64,638,531	22.30%
Dr. Lu Dazhong Simon	Beneficial owner[6]	41,457	0.01%
Mr. Ye Changqing	Beneficial owner[7]	8,964	0.01%
Dr. Yin Zheng	Beneficial owner[8]	8,964	0.01%
Mr. Ren Wei	Beneficial owner[9]	8,964	0.01%
Dr. David Sidransky	Beneficial owner[10]	10,641	0.01%

Notes:

1. All interests stated are long position.

2. Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV are parties to the Concert Party Confirmation Deed, according to which they have been actively cooperating, communicating and acting in concert with each other with respect to their interests in or the business of the relevant members of our Group since December 5, 2016 and will continue to act in concert after Listing. Accordingly, each of Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV is deemed to be interested in an aggregate of 22.30% shareholding interest in our Company.

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

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

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

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

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

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

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

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

11. Dr. Zhai is interested in RSUs granted to her under the 2018 RSU Scheme and 2022 RSU Scheme entitling her to receive 126,000 shares and 100,000 shares, respectively.

12. Dr. Yang is interested in RSUs granted to him under the 2018 RSU Scheme entitling him to receive 46,972 shares.

13. All interests are calculated based on the total Shares in issue as at June 30, 2023, being 289,808,127.

Save as disclosed above, as at June 30, 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.

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

As at June 30, 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]	64,638,531 (L)	22.30%
Dr. Guo	Interest of controlled corporation Interest held jointly with other persons[3, 5] Settlor of discretionary trust	64,638,531 (L)	22.30%
Gao Sharon Xia	Interest of spouse[4]	64,638,531 (L)	22.30%
Founders SPV	Beneficial owner Interest held jointly with other persons[3]	64,638,531 (L)	22.30%
Dr. Zhai SPV	Beneficial owner Interest held jointly with other persons[3]	64,638,531 (L)	22.30%
South Dakota Trust	Trustee[5,6]	54,652,465 (L)	18.86%

Notes:

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

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

3. Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV are parties to the Concert Party Confirmation Deed, according to which they have been and will be actively cooperating, communicating and acting in concert with each other with respect to their interests in or the business of the relevant members of our Group since December 5, 2016 and will continue to act in concert after Listing. Accordingly, each of Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV is deemed to be interested in an aggregate of 22.30% shareholding interest in our Company.

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

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

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

7. All interests are calculated based on the total Shares in issue as at June 30, 2023, being 289,808,127.

EQUITY PLANS

1. Pre-IPO Share Option Scheme

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

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

Eligible Participants

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

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

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

The overall limit on the number of underlying shares which may be delivered pursuant to share options granted under the Pre-IPO Share Option Scheme is 12,307,533 Shares, representing 4.25% of the issued capital of the Company, with a par value of US$0.0001 each as at June 30, 2023 and 4.25% of the issued capital of the Company as at the date of this interim report. As the overall limit of the Pre-IPO Share Option Scheme has been fully utilized, no further options are available for grant during the Reporting Period.

Consideration

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

Determination of Exercise Price

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

Life of the Pre-IPO Share Option Scheme

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

Outstanding Share Options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as at June 30, 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 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 during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2023
Directors of the Company							
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
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
Other grantees							
45 administrative and other staff	1,376,454	Between August 15, 2018 to September 16, 2019	348,546	59,107	–	–	289,439
316 research and development staff	10,263,455		3,161,591	463,522	–	–	2,698,069
Total			4,174,710	522,629	–	–	3,652,081

Notes:

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

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$21.10.

2. Post-IPO Share Option Scheme

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

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

Eligible Participants

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

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

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

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

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

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

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

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

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

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

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

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

As at June 30, 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 7.81%, 7.15% and 7.14% of the issued share capital of the Company as at January 1, 2023, June 30, 2023 and as at the date of this interim report, respectively.

Maximum entitlement of Each Participant

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

Life of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. The remaining life of the Post-IPO Share Option Scheme is approximately six years.

Exercise Price

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

Minimum holding period, versing and performance target

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

Subscription price

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

3. 2018 RSU Scheme

The purpose of the 2018 RSU Scheme is to incentivize the existing and incoming Directors, senior management and employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

Eligible Participants

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

Maximum Number of Shares pursuant to RSUs

The maximum number of RSUs that may be granted under the 2018 RSU Scheme in aggregate shall be 5,274,657 ordinary shares representing 1.82% of the issued shares of the Company as at June 30, 2023 and 1.82% of the issued capital of the Company as at the date of this interim 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 2,084,978 Shares as at the end of the Reporting Period.

The vesting period of RSUs granted under the 2018 RSU Scheme

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

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 four years and ten months.

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 interim 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 June 30, 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.

Further details of the 2018 RSU Scheme are set out in the Prospectus.

No awards under the 2018 RSU Scheme were cancelled during the year ended December 31, 2022. The figures disclosed under the column headed "Cancelled/Lapsed during the Reporting Period" on page 60 of the Company's 2022 Annual Report relate only to awards which lapsed during year ended December 31, 2022.

Set out below are details of the movements of the outstanding RSUs granted under the 2018 RSU Scheme as at June 30, 2023:

	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 June 30, 2023
Dr. Yang	–	46,972	46,972	–	–	–
Dr. Zhai	–	126,000	126,000	–	–	–
Staff	401,663	1,064,912	1,064,912	–	44,632	357,031

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$19.82.

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 the 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 June 30, 2023 and 1.08% of the issued capital of the Company as at the date of this 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 1,232,159 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, 2022, the total number of shares available for issue under the 2021 RSU Scheme is 4,434 Shares, representing approximately 0.0017% of the issues shares of the Company as at December 31, 2022 and 0.0015% of the issued shares of the Company as at the date of the Company's 2022 Annual Report.

As at June 30, 2023, the total number of shares available for issue under the 2021 RSU Scheme is 7,981 Shares, representing approximately 0.0028% of the issues shares of the Company as at June 30, 2023 and 0.0028% of the issued shares of the Company as at the date of this interim report.

The vesting period of RSUs granted under the 2021 RSU Scheme

The Board may determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the grant letter. The vesting period of the RSUs granted under the 2021 RSU Scheme ranges from the date of grant to approximately 49 months. Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Board shall send the vesting notice to each of the relevant Eligible Participants.

Life of the 2021 RSU Scheme

The 2021 RSU Scheme will be valid and effective for a period of ten years, commencing on February 2, 2021. As at June 30, 2023, the remaining life of the RSU Scheme was approximately seven years and four months.

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.

No awards under the 2021 RSU Scheme were cancelled during the year ended December 31, 2022. The figures disclosed under the column headed "Cancelled/Lapsed during the Reporting Period" on page 62 of the Company's 2022 Annual Report relate only to awards which lapsed during year ended December 31, 2022.

Set out below are details of the movements of the outstanding RSUs granted under the 2021 RSU Scheme as at June 30, 2023:

	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 June 30, 2023
Dr. Sidransky	10,641	–	–	–	–	10,641
Mr. Ye	6,723	–	2,241	–	–	4,482
Dr. Yin	6,723	–	2,241	–	–	4,482
Mr. Ren	6,723	–	2,241	–	–	4,482
Staff	188,934	1,528,514	1,592,825	–	7,032	117,591

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.

5. 2022 RSU Scheme

The purpose of the 2022 RSU Scheme is to incentivize the existing and incoming Directors, senior management and employees for their contribution to the Group, and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

Eligible Participants

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

Maximum Number of Shares pursuant to RSUs

The maximum number of RSUs that may be granted under the 2022 RSU Scheme in aggregate (excluding RSUs that have lapsed or been canceled in accordance with the rules of the 2022 RSU Scheme) shall be 5,272,695 ordinary shares, representing 1.99% of the issued shares of the Company as at the beginning of the Reporting Period and 1.82% of the issued capital of the Company as at the date of this interim report. The number of RSUs available for grant under the overall limit of the 2022 RSU Scheme is 4,137,292 Shares as at the beginning of the Reporting Period and 2,802,029 Shares as at the end of the Reporting Period. The maximum number of shares of the Company which may be issued upon exercise of all outstanding RSUs granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company shall not exceed 30% of the total number of shares of the Company in issue from time to time.

Maximum entitlement of each Eligible Participant

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

The vesting period of RSUs granted under the 2022 RSU Scheme

The Board may determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the grant letter. The vesting period of the RSUs granted under the 2022 RSU Scheme during the Reporting Period ranges from approximately three and a half 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 June 30, 2023, the remaining life of the RSU Scheme was less than nine years.

Voting Rights

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

Grant of RSUs under the 2022 RSU Scheme

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

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.

No awards under the 2022 RSU Scheme were cancelled during the year ended December 31, 2022. The figures disclosed under the column headed "Cancelled/Lapsed during the Reporting Period" on page 64 of the Company's 2022 Annual Report relate only to awards which lapsed during year ended December 31, 2022.

Set out below are details of the movements of the outstanding RSUs granted under the 2022 RSU Scheme as at June 30, 2023:

	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 June 30, 2023
Dr. Zhai	100,000	–	30,000	–	–	70,000
Staff	1,020,873	1,379,094	284,269	–	43,831	2,071,867

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 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 0.006.

CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Save as disclosed herein, there are no changes in information of Directors and chief executives, 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(1) of 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 six months ended June 30, 2023.

The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the six months ended June 30, 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 June 30, 2023, the Company has fully utilized the net proceeds in accordance with such intended purpose. The planned applications of the net proceeds are set out as follows:

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

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

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

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

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

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

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

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

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

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

Use of proceeds		**Planned allocation of Net Proceeds** (HK$ million)	**Planned allocation of Net Proceeds** (RMB million)	**Utilized amount (as at June 30, 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.

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 June 30, 2023 the Company has fully utilized the net proceeds in accordance with such intended purpose.

The table below sets out the planned applications of the net proceeds from the 2020 Placing and the actual usage up to June 30, 2023:

Use of proceeds		**Planned allocation of net proceeds** (HK$ million)	**Planned allocation of net proceeds** (RMB million)	**Utilized amount (as at June 30, 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 FROM THE 2021 PLACING

On February 3, 2021, the Company entered into the placing and subscription agreement with Ascentage Limited (the "**Vendor**") and J.P. Morgan Securities (Asia Pacific) Limited and China International Capital Corporation Hong Kong Securities Limited (the "**2021 Placing Agents**"), pursuant to which (i) the Vendor agreed to appoint the 2021 Placing Agents, and the 2021 Placing Agents agreed to act as agents of the Vendor to procure not less than six placees (being professional, institutional, and/or other investors) (the "**2021 Placees**"), on a best effort basis, to purchase up to 26,500,000 shares of the Company (the "**Placing Shares**") at the price of HK$44.2 per 2021 Placing Share (the "**2021 Placing**"); and (ii) the Vendor agreed to subscribe for, and the Company agreed to issue to the Vendor up to 26,500,000 new shares of the Company (the "**Subscription Shares**") at the price of HK$44.2 per Subscription Share (the "**2021 Subscription**"). The closing of the 2021 Placing took place on February 8, 2021 and the closing of the 2021 Subscription took place on February 11, 2021. A total of 26,500,000 Placing Shares have been successfully placed by the 2021 Placing Agents to the 2021 Placees. A total of 26,500,000 Subscription Shares had been allotted and issued to the Vendor pursuant to the general mandate granted to the Directors at the Company's annual general meeting held on June 19, 2020. The aggregate nominal value of the Subscription Shares is US$2,650. The closing price of the Shares on February 3, 2021, being the date on which the terms of the 2021 Placing was fixed, was HK$48.80. The net proceeds (after the deduction of all applicable costs and expenses) raised from the 2021 Placing were approximately HK$1,153.64 million. On this basis, the net price per Placing Share will be approximately HK$43.53. There was no change in the intended use of the net proceeds as previously disclosed in the relevant announcement of the Company dated February 3, 2021 and as at June 30, 2023, the Company has fully utilized the net proceeds in accordance with such intended purposes.

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 set out the utilized amount of the net proceeds from the 2021 Placing during the year ended December 31, 2022 and as at December 31, 2022, respectively.

Use of proceeds	**Utilized amount (during the year ended December 31, 2022)** (RMB million)	**Unutilized amount (as at December 31, 2022)** (RMB million)
Clinical development of the key product candidate, APG-2575	185.6	50.0
Registrational trials for full approval and the commercialization of the Core Product, HQP1351	72.2	20.0
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)	77.2	20.0
General corporate purposes	46.1	5.0
Total	381.1	95.0

The table below sets out the planned applications of the net proceeds from the 2021 Placing and the actual usage up to June 30, 2023.

Use of proceeds		**Planned allocation of net proceeds** (HK$ million)	**Planned allocation of net proceeds** (RMB million)	**Utilized amount (during the Reporting Period)** (RMB million)	**Utilized amount (as at June 30, 2023)** (RMB million)	**Unutilized amount (as at June 30, 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	100.0%	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 FROM 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 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 June 30, 2023.

Use of proceeds		Planned allocation of net proceeds (HK$ million)	Planned allocation of net proceeds (RMB million)	Utilized amount (as at June 30, 2023) (RMB million)	Unutilized amount (as at June 30, 2023) (RMB million)	Expected timeline for utilizing the remaining balance of net proceeds from the 2023 Placing
Clinical trials of the key product candidate APG-2575	50%	272.0	235.1	0	235.1	December 31, 2024
Clinical trials of the core product HQP-1351	20%	108.8	94.0	0	94.0	December 31, 2024
Clinical development of other key product candidates	20%	108.8	94.0	0	94.0	December 31, 2024
General Corporate purposes	10%	54.4	47.0	0	47.0	December 31, 2024
Total	100.0%	543.9	470.1	0	470.1	

Notes:

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

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

(3) Net proceeds from the 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 2023 Placing.

USE OF NET PROCEEDS FROM THE SUBSCRIPTION OF SHARES BY INNOVENT

Innovent has subscribed for 8,823,863 Shares at a total consideration of HK$388.25 million (being approximately US$50 million) and at the subscription price of HK$44.0 per Share. The completion of the subscription of Shares by Innovent took place on July 23, 2021. The net proceeds (after the deduction of all applicable costs and expenses) raised from the subscription of Shares by Innovent were approximately HK$388.06 million (being approximately US$49.98 million). On this basis, the net price per Share subscribed by Innovent is approximately HK$43.98. The closing price of the Shares on July 14, 2021, being the date on which the terms of the subscription of Shares by Innovent was fixed, was HK$52.95. The aggregate nominal value of the Shares subscribed by Innovent is US$882.3863. The Company has not yet started to utilize the net proceeds and 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. The Company will gradually utilize the net proceeds in accordance with such intended purposes depending on actual business needs.

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

The table below set out the utilized amount of the net proceeds from the subscription of Shares by Innovent during the year ended December 31, 2022 and as at December 31, 2022, respectively.

Use of proceeds	**Utilized amount (during the year ended December 31, 2022)** (RMB million)	**Unutilized amount (as at December 31, 2022)** (RMB million)
Development and commercialization of the Company's Core Product, HQP1351	10.00	87.10
Development of the Company's key product candidate, APG-2575	23.50	202.90
Total	33.50	290.00

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

Use of proceeds		**Planned allocation of net proceeds** (HK$ million)	**Planned allocation of net proceeds** (RMB million)	**Utilized amount (during the Reporting Period)** (RMB million)	**Utilized amount (as at June 30, 2023)** (RMB million)	**Unutilized amount (as at June 30, 2023)** (RMB million)	**Expected timeline for utilizing the remaining balance of net proceeds from the subscription of Shares by Innovent**
Development and commercialization of the Company's Core Product, HQP1351	30%	116.42	97.10	0	10.00	87.10	December 31, 2023
Development of the Company's key product candidate, APG-2575	70%	271.64	226.40	0	23.50	202.90	December 31, 2023
Total	100%	388.06	323.50	0	33.50	290.00	

Notes:

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

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

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

USE OF NET PROCEEDS FROM THE ISSUANCE OF THE 2021 WARRANTS

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

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

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

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

Effect on shareholding structure of the Company

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

Shareholder	**As at the date of this interim report**		**Immediately following the full exercise of the 2021 Warrants**	
	Number of Shares held	Approximate percentage of total Shares in issue	Number of Shares held	Approximate percentage of total Shares in issue
Each of the Founders, Dr. Zhai, the Founders SPV and the Dr. Zhai SPV	64,638,531	22.30%	64,638,531	21.79%
Innovent	8,823,863	3.04%	15,611,450	5.26%
Other Shareholders	216,379,777	74.66%	216,379,777	72.95%
Total	289,842,171	100.00%	296,629,758	100.00%

Note:

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

Notes:

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

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

(3) Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, Founders SPV and Dr. Zhai SPV are parties to the Concert Party Confirmation Deed, according to which they have been and will be actively cooperating, communicating and acting in concert with each other with respect to their interests in or the business of the relevant members of the Group since December 5, 2016 and will continue to act in concert after Listing. Accordingly, each of them is deemed to be interested in an aggregate of approximately 22.30% shareholding interest in the Company as at the date of this interim report and an aggregate of approximately 21.79% shareholding interest in the Company immediately following the full exercise of the 2021 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.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the Listing Rules. The Audit Committee comprises two independent non-executive Directors, namely, Mr. Ye Changqing and Dr. Yin Zheng, and one non-executive Director Dr. Lu Simon Dazhong. Mr. Ye Changqing is the chairman of the Audit Committee.

The unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2023 and this interim report have been reviewed by the Group's external auditor, Ernst & Young, in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, and by the Audit Committee. The Audit Committee concluded that such financial statements and this interim report had been prepared in accordance with applicable accounting standards and relevant requirements, and had made adequate disclosure. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

OTHER BOARD COMMITTEES

In addition to the Audit Committee, the Company has also established the Nomination Committee and the Remuneration Committee.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this interim report, as at the date of this interim report, there were no future plans regarding material investment or capital assets.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. 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. The Company does 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) decisions to be made by the Board require approval by at least a majority of the Directors and that the Board comprises four independent non-executive Directors out of seven Directors, which represents more than half of the Board composition and satisfies the relevant requirement under the Listing Rules, 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 the Company and will make decisions for the 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 the 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 the Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

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 Reporting Period.

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

Suzhou, PRC, August 21, 2023

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Independent review report
To the board of directors of Ascentage Pharma Group International
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 56 to 74, which comprises the condensed consolidated statement of financial position of Ascentage Pharma Group International (the "**Company**") and its subsidiaries (the "**Group**") as at June 30, 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
August 21, 2023

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	5	**142,701**	95,763
Cost of sales		**(18,154)**	(5,021)
Gross profit		**124,547**	90,742
Other income and gains	6	**17,021**	37,047
Selling and distribution expenses		**(83,319)**	(71,336)
Administrative expenses		**(91,340)**	(82,349)
Research and development expenses		**(309,814)**	(341,409)
Other expenses		**(4,175)**	(15,875)
Finance costs		**(52,719)**	(19,072)
Share of income of a joint venture		**196**	–
LOSS BEFORE TAX	7	**(399,603)**	(402,252)
Income tax expense	8	**(2,746)**	(4,482)
LOSS FOR THE PERIOD		**(402,349)**	(406,734)
Attributable to:			
Owners of the parent		**(402,351)**	(406,734)
Non-controlling interests		**2**	–
		(402,349)	(406,734)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic and diluted			
– For loss for the period (RMB)		**(1.47)**	(1.54)

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
LOSS FOR THE PERIOD	**(402,349)**	(406,734)
OTHER COMPREHENSIVE LOSS		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(699)**	9,966
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of non-foreign operations	**40,479**	33,296
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**39,780**	43,262
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(362,569)**	(363,472)
Attributable to:		
Owners of the parent	**(362,571)**	(363,472)
Non-controlling interests	**2**	–
	(362,569)	(363,472)

Interim Condensed Consolidated Statement of Financial Position

June 30, 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**583,678**	602,086
Investment properties		**346,762**	355,425
Right-of-use assets		**49,378**	46,636
Goodwill		**24,694**	24,694
Other intangible assets		**80,107**	84,304
Investment in a joint venture		**16,118**	15,922
Financial assets at fair value through profit or loss ("**FVTPL**")		**2,539**	2,609
Deferred tax assets		**50,747**	54,294
Other non-current assets		**3,221**	7,803
Total non-current assets		**1,157,244**	1,193,773
CURRENT ASSETS			
Inventories		**5,023**	9,448
Trade receivables	12	**81,613**	54,356
Prepayments, other receivables and other assets		**92,603**	80,444
Cash and bank balances		**1,581,600**	1,492,240
Total current assets		**1,760,839**	1,636,488
CURRENT LIABILITIES			
Trade payables	13	**47,719**	95,559
Other payables and accruals		**165,498**	240,034
Contract liabilities		**24,354**	24,354
Interest-bearing bank and other borrowings	14	**405,305**	518,383
Derivative financial instruments		**–**	2,822
Total current liabilities		**642,876**	881,152
NET CURRENT ASSETS		**1,117,963**	755,336
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,275,207**	1,949,109

	Notes	**30 June 2023 (Unaudited) RMB'000**	31 December 2022 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Contract liabilities		**171,547**	183,625
Interest-bearing bank and other borrowings	14	**1,270,822**	1,274,344
Deferred tax liabilities		**11,350**	12,151
Long-term payables		**36,480**	35,331
Deferred income		**36,000**	35,000
Other non-current liabilities	15	**148,830**	–
Total non-current liabilities		**1,675,029**	1,540,451
Net assets		**600,178**	408,658
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	**196**	180
Treasury shares		**(21,645)**	(26,552)
Capital and reserves		**611,335**	435,030
		589,886	408,658
Non-controlling interests		**10,292**	–
Total equity		**600,178**	408,658

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023

	Attributable to owners of the parent								
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital and reserves RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2023 (audited)	180	(26,552)	5,393,029	(359,235)	(159,279)	(4,439,485)	408,658	–	408,658
Loss for the period	–	–	–	–	–	(402,351)	(402,351)	2	(402,349)
Other comprehensive income for the period:									
Exchange differences on translation of operations	–	–	–	–	39,780	–	39,780	–	39,780
Total comprehensive loss for the period	–	–	–	–	39,780	(402,351)	(362,571)	2	(362,569)
Capital contribution from non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	10,290	10,290
Issue ordinary shares	15	–	470,066	–	–	–	470,081	–	470,081
Equity-settled share-based payments									
– Pre-IPO share option expenses	–	–	–	3,399	–	–	3,399	–	3,399
– Restricted share unit ("**RSU**") expenses	–	–	–	70,315	–	–	70,315	–	70,315
– Exercise of pre-IPO share options	–	–	10,223	(10,219)	–	–	4	–	4
– Exercise of restricted share units	1	4,907	58,985	(63,893)	–	–	–	–	–
At June 30, 2023 (unaudited)	196	(21,645)	5,932,303	(359,633)	(119,499)	(4,841,836)	589,886	10,292	600,178

	Attributable to owners of the parent								
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital and reserves RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2022 (audited)	178	(3)	5,342,072	(330,173)	(220,776)	(3,556,561)	1,234,737	–	1,234,737
Loss for the period	–	–	–	–	–	(406,734)	(406,734)	–	(406,734)
Other comprehensive income for the period:									
Exchange differences on translation of operations	–	–	–	–	43,262	–	43,262	–	43,262
Total comprehensive loss for the period	–	–	–	–	43,262	(406,734)	(363,472)	–	(363,472)
Equity-settled share-based payments									
– Pre-IPO share option expenses	–	–	–	4,257	–	–	4,257	–	4,257
– RSU expenses	–	–	–	1,320	–	–	1,320	–	1,320
– Exercise of pre-IPO share options	1	–	12,284	(12,279)	–	–	6	–	6
– Exercise of restricted share units	–	–	3,537	(3,537)	–	–	–	–	–
At June 30, 2022 (unaudited)	179	(3)	5,357,893	(340,412)	(177,514)	(3,963,295)	876,848	–	876,848

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows used in operating activities	**(368,464)**	(335,201)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(33,975)**	(111,443)
Proceeds from disposal of items of property, plant and equipment	**8**	2,351
Purchases of items of other intangible assets	**(807)**	(33,509)
Increase in time deposits with original maturity of more than three months	**(30,000)**	–
Net cash flows used in investing activities	**(64,774)**	(142,601)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**476,467**	–
Share issue expenses	**(6,386)**	–
Proceeds from exercise of pre-IPO share options	**4**	6
Interest paid	**(54,376)**	(19,441)
New bank loans	**710,000**	487,570
Repayment of bank loans	**(825,801)**	(13,899)
Principal portion of lease payments	**(4,564)**	(6,479)
Other financing receipts	**150,000**	–
Capital contribution from non-controlling shareholders of a subsidiary	**10,290**	–
Net cash flows from financing activities	**455,634**	447,757
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**22,396**	(30,045)
Cash and cash equivalents at beginning of period	**1,345,639**	1,706,886
Effect of foreign exchange rate changes, net	**21,956**	13,828
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,389,991**	1,690,669
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	**1,389,991**	1,690,669
Restricted bank balances	**31,609**	8,039
Time deposits with original maturity of more than three months	**160,000**	–
Cash and bank balances as stated in the interim condensed consolidated statement of cash flows	**1,581,600**	1,698,708

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 Cayman Corporate Centre, 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 was principally engaged in developing novel small-molecule therapies for cancers, chronic hepatitis B, or hepatitis B virus, and certain age-related diseases.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2022.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The application of the amendments to IFRSs in the current interim period has no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the development and sale of novel small-molecule 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

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	**142,701**	95,759
United States	**–**	4
	142,701	95,763

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

(b) Non-current assets

	June 30, 2023	December 31, 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Mainland China	**1,100,481**	1,133,439
United States	**3,448**	3,393
Others	**29**	38
	1,103,958	1,136,870

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from a customer amounting to over 10% of the total revenue of the Group for the reporting period is as follows:

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	**93,363**	83,958

5. REVENUE

An analysis of revenue is as follows:

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of goods or services		
Sales of pharmaceutical products	**129,534**	79,452
Licence fee income	**12,077**	12,081
Service income	**1,090**	4,230
	142,701	95,763
Timing of revenue recognition		
At a point in time		
Sales of pharmaceutical products	**129,534**	79,452
Service income	**1,090**	4,230
Over time		
Commercialisation licence fee income	**12,077**	12,077
Compounds library licence fee income	**–**	4
	142,701	95,763

5. REVENUE *(Continued)*

Disaggregated revenue information for revenue from contracts with customers *(Continued)*

The following table shows the amounts of revenue recognized in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognized from performance obligations satisfied in previous periods:

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Type of goods and services		
Commercialization licence fee income	**12,077**	12,077
Compounds library licence fee income	**–**	4
	12,077	12,081

6. OTHER INCOME AND GAINS

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants related to income	**7,510**	12,906
Bank interest income	**6,031**	5,040
Fair value gain on derivative financial instruments	**2,822**	16,612
Gain on disposal of items of property, plant and equipment	**–**	2,073
Others	**658**	416
	17,021	37,047

7. LOSS BEFORE TAX

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

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**18,154**	5,021
Depreciation of property, plant and equipment *	**26,113**	18,432
Depreciation of investment property*	**8,663**	–
Depreciation of right-of-use assets*	**5,797**	7,760
Amortization of intangible assets*	**5,003**	4,852
Research and development costs	**309,814**	341,409
Fair value (gains)/losses, net:		
Derivative financial instruments	**(2,822)**	(16,612)
Financial assets at FVTPL	**161**	7,111
Foreign exchange loss, net	**524**	7,435
Equity-settled share-based payment expenses*	**18,249**	5,577
Loss/(gain) on disposal of items of property, plant and equipment	**947**	(2,073)
Bank interest income	**(6,031)**	(5,040)
Government grants related to income	**(7,510)**	(12,906)
Donations	**2,492**	406

* The depreciation of property, plant and equipment, the depreciation of investment property, the depreciation of right-of-use assets, the amortization of intangible assets and the equity-settled share-based payment expenses for the period are included in "Cost of sales", "Research and development expenses", "Selling and distribution expenses" and "Administrative expenses" in the consolidated statement of profit or loss.

8. 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

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

Hong Kong

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the reporting period.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Mainland China are subject to corporate income tax ("**CIT**") at a rate of 25% (2022: 25%) on the taxable income, except for a certain high and new technology enterprise of the Group in Mainland China, which is taxed at a preferential rate of 15% (2022: 15%). No provision for CIT has been made as the Group had no taxable profits in Mainland China during the reporting period.

8. INCOME TAX *(Continued)*

United States

Pursuant to the tax law and regulations in the United States, the subsidiary operating in the United States is subject to income tax at a rate of 21% (2022: 21%). No provision for income tax has been made as the Group had no assessable profit earned in the United States during the reporting period.

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current	**–**	249
Deferred	**2,746**	4,233
Total income tax expense for the period	**2,746**	4,482

9. DIVIDENDS

The board of directors resolved not to declare any interim dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: Nil).

No dividends were paid during the six months ended June 30, 2023 (six months ended June 30, 2022: Nil).

10. 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 six months ended June 30, 2023 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 274,552,986 (six months ended June 30, 2022: 263,673,369) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the periods ended June 30, 2023 and 2022 in respect of a dilution as the impact of the options 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
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(402,349)**	(406,734)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**274,552,986**	263,673,369

11. PROPERTY, PLANT AND EQUIPMENT

	RMB'000 (Unaudited)
Carrying value at January 1, 2023	**602,086**
Additions	**8,658**
Disposals	**(955)**
Depreciation charge for the period	**(26,113)**
Exchange realignment	**2**
Carrying value at June 30, 2023	**583,678**

At June 30, 2023, the buildings with a net carrying amount of approximately RMB442,138,000 (December 31,2022: buildings with net carrying amounts of approximately RMB454,131,000 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.

During the six months ended June 30, 2023, no impairment loss (June 30, 2022: Nil) was recognized for property, plant and equipment.

12. TRADE RECEIVABLES

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

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Within 1 month	**78,657**	30,043
1 to 2 months	**1,866**	–
Over 3 months	**1,090**	24,313
	81,613	54,356

13. TRADE PAYABLES

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

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Within 1 month	**26,672**	64,859
1 to 3 months	**6,981**	3,327
3 to 6 months	**3,172**	27,373
6 to 12 months	**10,894**	–
	47,719	95,559

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

June 30, 2023

	Effective interest rate per annum (%)	**Maturity**	**RMB'000**
Current			
Short-term borrowing – unsecured	**4.30**	**2023**	**100,000**
Current portion of long term bank loans – unsecured	**3.40-4.75**	**2024**	**107,000**
Current portion of long term bank loans – unsecured	**1 year-LPR+0.55 to 0.9**	**2024**	**180,030**
Current portion of long-term bank loans – secured*	**5 year-LPR-0.85-4.35**	**2024**	**8,970**
Lease liabilities	**4.00-4.35**	**2024**	**9,305**
			405,305
Non-current			
Bank loans – unsecured	**1 year-LPR+0.55 to 0.9**	**2024-2027**	**361,555**
Bank loans – unsecured	**3.40-4.70**	**2024-2026**	**306,750**
Bank loans – secured*	**5 year-LPR-0.85-4.35**	**2024-2038**	**590,641**
Lease liabilities	**4.00-4.35**	**2024-2028**	**11,876**
			1,270,822
			1,676,127

14. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

December 31, 2022

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

Note: LPR stands for the Loan Prime Rate

* The bank loans amounting to RMB599,611,000 (December 31, 2022: RMB561,510,000) were secured by the pledge of the Group's buildings with a net carrying amount of approximately RMB442,138,000 (December 31, 2022: buildings with a net carrying amount of RMB454,131,000 and construction in progress with a carrying amount of RMB17,833,000),investment properties with a net carrying amount of approximately RMB346,762,000 (December 31, 2022: RMB355,425,000) and right-of-use assets with a net carrying amounts of approximately RMB28,162,000 (December 31, 2022: RMB28,728,000) as at June 30, 2023. Such loans were also guaranteed by two of the Group's subsidiaries.

The unsecured bank loans amounting to RMB252,855,000 (December 31, 2022: RMB257,120,000) were guaranteed by one of the Group's subsidiaries as at June 30, 2023.

	30 June 2023 RMB'000	31 December 2022 RMB'000
Analysed into:		
Within one year	**405,305**	518,383
In the second year	**522,733**	384,479
In the third to fifth years, inclusive	**229,213**	788,355
Beyond five years	**518,876**	101,510
	1,676,127	1,792,727

15. OTHER NON-CURRENT LIABIILITIES

In January 2023, Suzhou Ascentage Pharma Co., Ltd.("**Suzhou Ascentage**") and several investors entered into an agreement to establish a partnership enterprise. According to the agreement, these investors agreed to make a total investment of RMB150,000,000 for 37.67% of the total equity interests in the partnership enterprise. As at June 30, 2023, all of the investments have been received by the partnership enterprise.

According to the agreement, in certain circumstances, these investors have the right to require Suzhou Ascentage to repurchase all of the equity interests in the partnership enterprise held by the investors. As the Suzhou Ascentage had an obligation to purchase its own equity instruments for cash, a financial liability is recognized.

16. SHARE CAPITAL

Approximately 522,629 share options relating to the Pre-IPO share option scheme were exercised at the price of HK$0.01 per share, resulting in the issue of 522,629 shares for a total cash consideration, before expenses, of RMB4,000. An amount of RMB10,219,000 was transferred out from the capital and other reserves to share capital and share premium upon the exercise of the share options.

The Company issued a total of 22,500,000 placing shares at a price of HK$24.45 per share on January 18, 2023. The net proceeds arising from the placing were approximately HK$543.9 million (RMB470.1 million).

In June 2023, the Company issued 1,599,548 ordinary shares with respect to the exercised restricted share units granted under the 2021 RSU Scheme to selected persons. An amount of RMB1,000 has been recorded as share capital.

17. COMMITMENTS

As at June 30, 2023, the Group had capital commitments of RMB2,175,000 relating to furniture and equipment (December 31, 2022: RMB2,269,000).

18. RELATED PARTY TRANSACTIONS

(a) Apart from the transactions detailed elsewhere in this financial information, the Group had no transactions with related parties during the reporting period.

(b) Outstanding balance with a related party:

The value of the cash consideration payable to Dr. Zhai Yifan for the acquisition of Guangzhou Healthquest Pharma Co., Ltd. ("**Healthquest Pharma**") was RMB56,056,000 as at June 30, 2023 (December 31, 2022: RMB54,412,000).

(c) Compensation of key management personnel of the Group:

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**11,463**	15,237
Equity-settled share-based payment expenses	**2,424**	2,494
Post-employment benefits	**658**	807
Total compensation paid to key management personnel	**14,545**	18,538

19. 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	
	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)	**June 30, 2023 RMB'000 (Unaudited)**	December 31, 2022 RMB'000 (Audited)
Financial assets				
Financial assets at FVTPL	**2,539**	2,609	**2,539**	2,609
Financial assets included in other non-current assets	**3,000**	6,500	**2,698**	5,930
	5,539	9,109	**5,237**	8,539
Financial liabilities				
Derivative financial instruments	**–**	2,822	**–**	2,822
Other non-current liabilities	**148,830**	–	**154,880**	–
Non-current portion of long-term payables	**36,480**	35,331	**36,480**	35,331
Non-current portion of interest-bearing bank and other borrowings (other than lease liabilities)	**1,258,946**	1,265,200	**1,221,046**	1,215,510
	1,444,256	1,303,353	**1,412,406**	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 included in other non-current assets, other non-current liabilities, non-current portion of long-term payables, and 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, other non-current liabilities, long-term payables and interest-bearing bank and other borrowings as at June 30, 2023 was assessed to be insignificant.

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair value of a 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 the discount rate and possibility of payment. The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial assets in Level 3.

Unobservable inputs and sensitivity analysis of Level 3 liability

Set out below is a summary of significant unobservable input to the valuation of financial instruments together with a quantitative sensitivity analysis as at June 30, 2023 and December 31, 2022:

	Valuation technique	Significant unobservable input	Rate	Sensitivity of fair value to the input
Derivative financial instruments	Black-Scholes method	Volatility rate	As at June 30, 2023:84.73% (2022: 68.07%)	As at June 30, 2023: 1% (December 31, 2022: 1%) increase/decrease in volatility rate would result in decrease/increase in fair value by 0% (2022: 6%)

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 June 30, 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	**Significant observable inputs (Level 2) RMB'000 (Unaudited)**	**Significant unobservable inputs (Level 3) RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Financial assets at FVTPL	**2,539**	**–**	**–**	**2,539**

As at December 31, 2022

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

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities measured at fair value

As at June 30, 2023

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

As at December 31, 2022

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

During the period, 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 for the six months ended June 30, 2023 (2022: Nil).

The movement in the fair value measurements within Level 3 during the reporting period is as follows:

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Derivative financial instruments:		
Carrying amount at January 1	**2,822**	22,256
Changes in fair value during the period	**(2,822)**	(16,612)
At June 30	**–**	5,644

20. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the end of the reporting period.

21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information of the Group for the six months ended June 30, 2023 was approved and authorized for issue by the board of directors on August 21, 2023.