This announcement contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical fact are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control, that may cause the actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Ascletis Pharma Inc.
歌禮製藥有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1672)

ANNUAL RESULTS OF ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

The Board hereby announces the audited condensed consolidated annual results of the Group for the year ended December 31, 2023, together with the comparative figures for the year ended December 31, 2022 as follows.

FINANCIAL HIGHLIGHTS

	2023	2022
	RMB'000	*RMB'000*
Revenue	**56,596**	54,090
Cost of sales	**(30,606)**	(78,782)
Gross profit/(loss)	**25,990**	(24,692)
Other income and gains	**184,650**	112,016
Selling and distribution expenses	**(387)**	(16,985)
Research and development costs	**(216,781)**	(267,102)
Administrative expenses	**(115,633)**	(35,199)
Other expenses	**(2,135)**	(59,830)
Finance costs	**(144)**	(157)
Share of the loss of an associate	**(20,275)**	(22,894)
Loss before tax	**(144,715)**	(314,843)
Income tax	**–**	–
Loss for the year	**(144,715)**	(314,843)
Attributable to:		
Equity shareholders of the Company	**(144,715)**	(314,843)
	RMB	*RMB*
Loss per share – Basic and diluted	**(13.47) cents**	(28.96) cents

CORPORATE PROFILE

Our Vision

Ascletis' vision is to become the most innovative world-class biomedical company addressing global unmet medical needs in the areas including but not limited to viral diseases, NASH and oncology.

Overview

The revenue of the Group increased by 4.6% from approximately RMB54.1 million for the year ended December 31, 2022 to approximately RMB56.6 million for the year ended December 31, 2023. Other income and gains increased by 64.8% from approximately RMB112.0 million for the year ended December 31, 2022 to approximately RMB184.7 million for the year ended December 31, 2023. The total income of the Group (including revenue and other income and gains) increased by 45.2% from approximately RMB166.1 million for the year ended December 31, 2022 to approximately RMB241.2 million for the year ended December 31, 2023.

As of December 31, 2023, the Group had cash and cash equivalent and time deposits of approximately RMB2,274.6 million, which is expected to be sufficient to support its R&D activities and operations until 2028.

The research and development costs of the Group decreased by 18.8% from approximately RMB267.1 million for the year ended December 31, 2022 to approximately RMB216.8 million for the year ended December 31, 2023, primarily due to (i) improved spending efficiency on both clinical and preclinical projects; and (ii) the decrease in depreciation and amortization costs of intangible assets.

The Group has established a broad pipeline of assets with a focus on viral disease, NASH/PBC and oncology. During the Reporting Period and up to the date of this announcement, the Group successfully obtained six IND approvals from FDA and/or NMPA, supported the ongoing clinical development of four drug candidates at Phase II or Phase III clinical trials, completed one Phase I and three Phase II clinical trials and initiated one Phase III clinical trial. This R&D efficiency once again demonstrated operational excellence of the Group when compared with its peers in China biotech industry.

The Group recorded a gross profit of approximately RMB26.0 million for the year ended December 31, 2023, compared to a gross loss of approximately RMB24.7 million for the year ended December 31, 2022, primarily due to (i) improved manufacturing cost control; (ii) the increase of approximately RMB2.5 million in revenue, which represented a 4.6% growth compared to the year of 2022; and (iii) the decrease of impairment on inventories compared to the year of 2022.

The loss for the year of the Group decreased from RMB314.8 million for the year ended December 31, 2022 to RMB144.7 million for the year ended December 31, 2023, mainly due to (i) the increase in revenue generated from sales of products; (ii) the decrease in cost of sales due to improved inventory management; and (iii) the increase in other income and gains of the Group mainly contributed by bank interest income and the gain on dilution of interest in Sagimet Biosciences as a result of its initial public offering on the Nasdaq Stock Market in 2023.

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

(i) announced positive interim results from the 52-week Phase II clinical trial of THRβ agonist ASC41 tablet for treatment of patients with biopsy-confirmed NASH;

(ii) strategic partner Sagimet Biosciences announced positive topline results from Phase 2b FASCINATE-2 clinical trial of ASC40 (denifanstat) in patients with biopsy-confirmed F2/F3 NASH;

(iii) announced positive results from the Phase II clinical trial of FASN inhibitor ASC40 (denifanstat) for treatment of patients with acne, with all primary and key secondary endpoints achieved;

(iv) completed the dosing of the first patient in the Phase III clinical trial of FASN inhibitor ASC40 (denifanstat) for treatment of moderate to severe acne vulgaris at Huashan Hospital, Fudan University;

(v) completed the enrollment of 120 patients in the Phase III registration clinical trial of FASN inhibitor ASC40 combined with bevacizumab for treatment of rGBM. Based on prespecified interim analysis condition, 120 patients are likely to lead sufficient events for interim analysis of PFS;

(vi) announced positive interim data from the Phase IIb expansion cohort of subcutaneously administered PD-L1 antibody ASC22 (Envafolimab) for functional cure of CHB. Topline results indicated that in ASC22 cohort, 4 patients (4/19, 21.1%) achieved HBsAg loss while no patients (0/6, 0%) achieving HBsAg loss at the end of 24-week treatment in the placebo cohort. ASC22 was generally safe and well tolerated; and

(vii) completed existing pipeline review and assessment and made a strategic optimization of resources on 12 clinical stage assets, most of which have potential to be first-in-class or best-in-class on a global basis. Please refer to the pipeline charts in this announcement for details.

Viral Disease Pipeline

Product (Modality)	Target	Indication	Commercial Rights	Pre-IND	IND	Phase I	Phase II	Phase III
ASC22 (Subcutaneous mAb)	PD-L1	CHB functional cure	Global[1]					
ASC22 (Subcutaneous mAb)	PD-L1	HIV functional cure	Global[1]					
ASC10 (Oral small molecule)	RdRp	COVID-19	Global					
ASC10 (Oral small molecule)	Viral polymerase	Respiratory syncytial virus	Global					
ASC11 (Oral small molecule)	3CLpro	COVID-19	Global					

Note:

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

Abbreviations:

mAb: Monoclonal antibody; PD-L1: Programmed death ligand 1; CHB: Chronic hepatitis B; HIV: Human immunodeficiency virus; RdRp: RNA-dependent RNA polymerase; COVID-19: Coronavirus Disease 2019; 3CLPro: 3-chymotrypsin like protease.

NASH/PBC Pipeline[1]

Product (Modality)	Target	Indication	Commercial Rights	Pre-IND	IND	Phase I	Phase II	Phase III
ASC40 (Oral small molecule)	FASN	NASH	Greater China[2]					
ASC41 (Oral small molecule)	THRβ	NASH	Global					
ASC43F FDC (Oral small molecule)	THRβ + FXR	NASH	Global					
ASC42 (Oral small molecule)	FXR	PBC	Global					

Notes:

1. NASH/PBC pipeline is owned by Gannex.

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

Abbreviations:

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

Oncology Pipeline (Lipid Metabolism and Oral Checkpoint Inhibitors)

Product (Modality)	Target	Indication	Commercial Rights	Pre-IND	IND	Phase I	POC	Pivotal
ASC40 (Oral small molecule) +Bevacizumab	FASN + VEGF	Recurrent glioblastoma	Greater China[1]					
ASC61 (Oral small molecule)	PD-L1	Advanced solid tumors	Global					

Note:

1. ASC40 is licensed from Sagimet Biosciences (previously known as 3-V Biosciences, Inc.) for the exclusive rights in the Greater China.

Abbreviations:

FASN: Fatty acid synthase; VEGF: Vascular endothelial growth factor; PD-L1: Programmed death ligand 1.

Exploratory Indication Pipeline

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

Note:

1. ASC40 is licensed from Sagimet Biosciences (previously known as 3-V Biosciences, Inc.) for the exclusive rights in the Greater China.

Abbreviations:

FASN: Fatty acid synthase.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Viral Diseases

ASC22 for CHB Functional Cure

During the Reporting Period, the Group has completed the enrollment of 49 patients with baseline HBsAg≤100 IU/mL in the Phase IIb expansion cohort of ASC22 (Envafolimab) for functional cure of CHB. The interim results of this expansion cohort were presented in the late-breaking abstract poster presentation section at The Liver Meeting® 2023 of the AASLD in November 2023.

ASC22 expansion cohort enrolled 49 patients with baseline HBsAg≤100 IU/mL. At a ratio of approximately 4:1, patients are subcutaneously administered with 1.0 mg/kg ASC22 once every two weeks (Q2W) (ASC22 cohort, n=40) or placebo (n=9) for a 24-week treatment in background NAs. After treatment, the follow-up period is 24 weeks. Patients who achieve HBsAg loss at completion of 24-week treatment of ASC22 are expected to discontinue background NAs for the follow-up. The primary efficacy endpoint is HBsAg reduction. Interim analysis was conducted when approximately 50% of enrolled patients completed 24-week treatment of ASC22 or placebo. ASC22 monotherapy with background NAs showed statistically significant HBsAg reduction and 21.1% (4/19) HBsAg loss after 24-week treatment. Together with the acceptable safety profile and convenient subcutaneous injections, ASC22 demonstrated potential as a promising immune-therapy for CHB.

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

Anticipated 2024 Milestone: Complete the 24-week treatment and 24-week follow-up of the Phase IIb expansion cohort of ASC22 for CHB functional cure and seek partnering opportunities for further clinical development in terms of combination of ASC22 with other agents for CHB functional cure.

Note:

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

ASC10 for RSV

The Group has obtained approval of conducting Phase IIa clinical trial for ASC10 to treat RSV infection from FDA and NMPA in January 2023 and May 2023, respectively.

ASC10 is an oral double prodrug. After oral administration, ASC10 is rapidly and completely converted *in vivo* into the active metabolite ASC10-A, also known as NHC or EIDD-1931. Preclinical research[1] showed that ASC10-A (NHC) is a potent inhibitor with EC_{50} of 0.51 to 0.6 uM against two RSV clinical isolates using *in vitro* infection assay in HEp-2 cells. Furthermore, preclinical research[1] also demonstrated that ASC10-A (NHC) is efficacious in a mouse RSV infection model.

Globally, RSV affects an estimated 64 million people and causes 160,000 deaths each year[2]. RSV infection treatment remains huge unmet medical needs and there is no effective drug for treatment so far. According to the report from Astute Analytica, the global market of RSV therapies is expected to grow at a compound annual growth rate of 14.9% from 2022 to 2027 and reach revenue of US$4.2 billion by 2027[3].

Anticipated 2024 Milestone: Continue to seek external partnering opportunities to advance Phase IIa clinical trial of ASC10 for RSV in the U.S. or China.

Notes:

1. Jeong-Joong Yoon, Mart Toots, Sujin Lee, et al. Orally Efficacious Broad-Spectrum Ribonucleoside Analog Inhibitor of Influenza and Respiratory Syncytial Viruses. Antimicrob Agents Chemother. 2018;62(8):e00766-18.

2. https://www.niaid.nih.gov/diseases-conditions/respiratory-syncytial-virus-rsv

3. https://www.astuteanalytica.com/industry-report/respiratory-syncytial-virus-market

ASC22 for HIV Functional Cure

On July 25, 2023, the Company announced that Shanghai Public Health Clinical Center presented clinical results of ASC22 (Envafolimab) in combination with Chidamide for functional cure of HIV infection at the 12th International AIDS Society (IAS) Conference on HIV Science in Brisbane, Australia, and virtually. This Phase II study (ClinicalTrials.gov: NCT05129189) enrolled 15 subjects in total living with HIV who had achieved virological suppression to receive a subcutaneous injection of ASC22 (1 mg/kg) once every four weeks in combination with 10 mg Chidamide administered orally twice a week during the 12-week treatment while maintaining ART. This Phase II study showed that combination treatment with ASC22 and Chidamide is well tolerated and effectively activated latent HIV reservoirs. There was a significant increase in CA HIV RNA at week 8 and week 12 compared to the baseline, with an average rise of 4.27-fold and 3.41-fold, respectively (P = 0.001, P = 0.006) in the subjects. The CA HIV RNA to total DNA ratios also showed the same trend (P = 0.038, P = 0.017, respectively). Further investigations are warranted.

Another Phase II study is a randomized, single-blind, placebo-controlled, multi-center clinical trial in China to evaluate the safety and efficacy of ASC22 for treatment of HIV-1 infection at the dosages of 1 mg/kg or 2.5 mg/kg or placebo in combination with ART once every four weeks (Q4W) during 12-week treatment and 12-week follow-up period. This Phase II study is currently ongoing.

It was estimated that there were approximately 39 million people living with HIV globally with approximately 0.63 million deaths caused by AIDS-related illnesses and approximately 1.3 million new HIV infections in 2022[1].

Anticipated 2024 Milestone: Complete thorough data analysis of the Phase II study of ASC22 in combination with ART and make a strategic decision for the next step.

Note:

1. UNAIDS. Global HIV & AIDS statistics – FACT SHEET. 2022.

   https://www.unaids.org/en/resources/fact-sheet

ASC10 and ASC11 for COVID-19

Considering the recent development of COVID-19 infections and market demand in China, the Phase III study of ASC10 for COVID-19 and the Phase II/III study of ASC11 for COVID-19 have not yet been initiated by the Group. Assuming COVID-19 continues in China and market demand for additional oral treatments for COVID-19 remains strong, the Phase III study of ASC10 for COVID-19 and the Phase II/III study of ASC11 for COVID-19 may be initiated.

Anticipated 2024 Milestone: Make strategic decisions for the next step of ASC10 and ASC11 for COVID-19.

NASH/PBC

ASC40 for NASH

During the Reporting Period, the Group's strategic partner Sagimet Biosciences announced positive topline results from 52-week Phase 2b FASCINATE-2 clinical trial of ASC40 (denifanstat) in patients with biopsy-confirmed F2/F3 NASH. The results showed statistically significant improvements relative to placebo on both of the primary endpoints of NASH resolution without worsening of fibrosis with ≥ 2-point reduction in NAS, and ≥ 2-point reduction in NAS without worsening of fibrosis. Denifanstat-treated patients also showed statistically significant fibrosis improvement by ≥ 1 stage with no worsening of NASH, and a greater proportion of MRI-PDFF ≥ 30% responders relative to placebo. Denifanstat was generally well-tolerated.

The Phase 2b FASCINATE-2 clinical trial was a 52-week randomized, double-blind, placebo-controlled trial that evaluated the safety and histological impact of denifanstat compared to placebo in 168 biopsy-confirmed NASH patients with moderate-to-severe fibrosis (stage F2 or F3) with NAS ≥ 4.

Patients were randomized at the ratio of 2:1 to receive either 50 mg denifanstat or placebo, taken orally once daily. An end-of-trial biopsy was assessed by a central pathologist for histological endpoints. Liver biopsies were also analyzed using artificial intelligence-based digital pathology.

Anticipated 2024 Milestone: Submit the Phase 2b data from U.S. and initiate discussion with NMPA for registrational trials of ASC40 for treatment of NASH patients with moderate-to-severe fibrosis (stage F2 or F3).

ASC41 for NASH

During the Reporting Period, the Group continued to advance the Phase II clinical trial of ASC41 for biopsy-confirmed NASH patients and announced the interim results on January 2, 2024.

Patients receiving ASC41 tablet treatment achieved statistically significant reductions in liver fat content, as assessed by MRI-PDFF, relative to placebo. Up to 93.3% patients receiving ASC41 tablet treatment experienced at least a 30% relative reduction from baseline in liver fat content, a level of reduction which is associated, especially for THRβ agonist class, with higher likelihood of histologic improvement in NASH. Up to 68.2% mean relative reduction in liver fat content from baseline in biopsy-confirmed NASH patients receiving 12-week treatment of ASC41 tablet. At Week 12, placebo-adjusted mean relative reductions in alanine aminotransferase (ALT) and aspartate aminotransferase (AST) from baseline were up to 37.8% and 41.5%, respectively. At Week 12, placebo-adjusted mean relative reductions from baseline in LDL-C, total cholesterol (TC) and triglyceride (TG) were up to 27.7%, 23.4% and 46.5%, respectively. Adverse events (AEs), including gastrointestinal (GI)-related AEs, were similar among patients receiving ASC41 tablet treatment versus placebo.

ASC41 is liver-targeting and highly THRβ-selective. Once-daily ASC41 tablet was developed by using Ascletis' proprietary formulation technology. The patent of ASC41 tablet formulation has been granted in the U.S.

The Phase II clinical trial is a randomized, double-blind, placebo-controlled and multi-center clinical trial (ClinicalTrials.gov: NCT05462353) being conducted in China and expected to enroll approximately 180 liver biopsy-confirmed NASH patients to be randomized into two treatment cohorts of ASC41 tablet (2 mg or 4 mg), once-daily and one placebo control cohort at the ratio of 1:1:1 for 52-week treatment and 4-week follow-up period. The pre-specified interim analysis was conducted when 42 enrolled patients completed 12-week treatment of ASC41 tablet or placebo.

Anticipated 2024 Milestone: Complete patient enrollment of the Phase II clinical study of ASC41 for NASH.

ASC42 for PBC

During the Reporting Period, the Group has completed the enrollment of 98 patients with PBC in the Phase II clinical trial of ASC42, a novel FXR agonist.

The 12-week Phase II study (ClinicalTrials.gov: NCT05190523) consists of three ASC42 active treatment arms (5 mg, 10 mg and 15 mg) and one placebo control arm and enrolled a total of 98 patients who have an inadequate response to or are unable to tolerate UDCA.

ASC42 is an in-house developed, novel non-steroidal, selective, potent FXR agonist with best-in-class potential and Ascletis owns the global intellectual property rights.

UDCA is the only drug which is approved in China for treatment of PBC and approximately 40% of PBC patients have an inadequate response to or are unable to tolerate UDCA[1]. OCA, which is not approved in China, is the only medicine approved in the U.S. for treatment of PBC patients who have an inadequate response to or are unable to tolerate UDCA. However, there are significantly increased pruritus rates and LDL-C levels in patients with OCA treatment[2]. Absence of pruritus and mean LDL-C values within the normal range at the therapeutic dose make ASC42 a potential best-in-class PBC drug candidate.

An epidemiology study in China in 2010 showed that there were approximately 656,000 PBC patients in China including 440,000 in females over age 40[3]. An epidemiology study in the U.S. indicated that there were approximately 120,000 PBC patients in the U.S. in 2014[4].

Anticipated 2024 Milestone: Complete thorough analysis of Phase II trial data of ASC42 for PBC and make a strategic decision for the next step.

Notes:

1. Lindor K D, Bowlus C L, Boyer J, et al. Primary Biliary Cholangitis: 2018 Practice Guidance from the American Association for the Study of Liver Diseases J. Hepatology 2019, 69(1): 394-419. DOI: 10.1002/hep.30145.

2. Nevens, Frederik et al. "A Placebo-Controlled Trial of Obeticholic Acid in Primary Biliary Cholangitis." The New England journal of medicine vol. 375,7 (2016): 631-43. doi:10.1056/NEJMoa1509840.

3. Chinese Rheumatology Association (中華醫學會風濕病學分會), "Recommendations for diagnosis and treatment of primary biliary cholangitis in China (2021)" (原發性膽汁性膽管炎診療規範(2021)) J. Zhong Hua Nei Ke Za Zhi. (中華內科雜誌), 2021, 60(8): 709-15. DOI: 10.3760/cma.j.cn112138-20210520-00360.

4. Lu M, Zhou Y, Haller I V, et al. Increasing Prevalence of Primary Biliary Cholangitis and Reduced Mortality With Treatment J. Clin Gastroenterol Hepatol 2018, 16(8): 1342-50 e1. DOI: 10.1016/j.cgh.2017.12.033.

ASC43F for NASH

ASC43F is a once daily, single tablet, FDC of 5 mg ASC41, a THRβ agonist, and 15 mg ASC42, a FXR agonist. The U.S. Phase I trial (ClinicalTrials.gov: NCT05118516) was an open-label, single-dose study evaluating the safety, tolerability and pharmacokinetics of ASC43F in healthy subjects. The results showed that ASC43F was safe and well tolerated, without clinically significant adverse effects. The pharmacokinetic parameters of ASC41 and ASC42 from ASC43F are similar to those of ASC41 and ASC42 as monotherapy.

Previous Phase I studies in the U.S. and China have shown ASC41 at 5 mg to be safe and well tolerated in both healthy volunteers, overweight and obese subjects and patients with NAFLD. In these studies, ASC41 significantly reduced LDL-C, triglyceride, and total cholesterol in overweight and obese subjects with elevated LDL-C, a population that is characteristics of NASH.

Previous Phase I clinical data indicated that ASC42 was safe and well tolerated, with no pruritus observed and with LDC-C values remaining within normal range during 14-day treatment with once-daily therapeutic dose of 15 mg. FXR target engagement biomarkers FGF19 increased 1,780% and C4 decreased 91% on Day 14 of treatment with 15 mg, once-daily dose.

Anticipated 2024 Milestone: Make a strategic decision for the next step of ASC43F for NASH.

Oncology (Lipid Metabolism and Oral Checkpoint Inhibitors)

ASC40 for rGBM

During the Reporting Period, the Group completed the enrollment of 120 patients in the Phase III registration study of ASC40 combined with bevacizumab for treatment of rGBM.

ASC40 is an oral, selective small molecule inhibitor of FASN, a key enzyme which regulates DNL. ASC40 inhibits energy supply and disturbs membrane phospholipid composition of tumor cells by blocking *de novo* lipogenesis[1].

The Phase III registration study (ClinicalTrials.gov: NCT05118776) is a randomized, double-blind, placebo-controlled and multi-center clinical trial in China to evaluate PFS, overall survival and safety of patients with rGBM. Approximately 180 patients will be randomized at the ratio of 1:1 to Cohort 1 (oral ASC40 tablet, once daily + Bevacizumab) and Cohort 2 (matching placebo tablet, once daily + Bevacizumab). Based on prespecified interim analysis condition, 120 patients are likely to lead sufficient events for interim analysis of PFS. The interim analysis will be conducted after 93 PFS events are observed.

GBM is the most aggressive diffuse glioma of astrocytic lineage and is considered a grade IV glioma based on the World Health Organization classification[2]. Research shows that GBM accounts for 57% of gliomas and has an incidence rate of approximately 2.85 to 4.56 per 100,000 population in China per year, suggesting approximately 40,000 to 64,000 new cases of GBM per year[3]. In the U.S., GBM represents 56.6% of gliomas and has an incidence rate of approximately 3.21 per 100,000 population per year[4]. Over 90% GBM patients will relapse after surgery, radiation and chemotherapies. Effective treatments are extremely limited for patients with rGBM.

Anticipated 2024 Milestone: Complete pre-specified interim analysis of Phase III registrational study of ASC40 for rGBM.

Notes:

1. Fhu CW, Ali A. Fatty Acid Synthase: An Emerging Target in Cancer. Molecules. 2020;25(17):3935. doi:10.3390/molecules25173935.

2. Louis N, Perry A, Reifenberge RG, von Deimling A, Figarella-Branger D, Cavenee WK, et al. The 2016 World Health Organization classification of tumors of the central nervous system: A summary. Acta Neuropathol. 2016;131:803-20.

3. 2017 China Cancer Registry Annual Report.

4. Ostrom Q T, Gittleman H, Truitt G, et al. CBTRUS Statistical Report: Primary Brain and Other Central Nervous System Tumors Diagnosed in the United States in 2011-2015 [J]. Neuro Oncol 2018, 20(suppl_4): iv1-iv86. DOI: 10.1093/neuonc/noy131.

ASC61 for solid tumors

During the Reporting Period, the Group has made steady progress of Phase I clinical trial of ASC61 for advanced solid tumors.

The ASC61 Phase I clinical trial in the U.S. is a dose-escalation study in patients with advanced solid tumors. The objectives of such study are to find a recommended dose for Phase II clinical trial and obtain preliminary efficacy in patients with advanced solid tumors. This Phase I study is currently ongoing.

ASC61 is an oral potent and highly selective PD-L1 small molecule inhibitor and blocks PD-1/PD-L1 interaction through inducing PD-L1 dimerization and internalization. Preclinical studies showed that ASC61 demonstrated significant antitumor efficacies and was well-tolerated in both syngeneic and humanized tumor mouse models. ASC61 was found to have favorably comparable antitumor activities as FDA approved PD-L1 therapeutic monoclonal antibody, Atezolizumab.

Compared with PD-1/PD-L1 antibody injections, the oral PD-L1 inhibitor ASC61 has the following benefits: (1) higher patient compliance with easy and safe administration with no need of hospital visits for injections; (2) ease of all oral combination therapies with other oral anti-tumor drugs; (3) increased ease to manage immune-related adverse effects with dose adjustment; (4) relatively lower cost; and (5) higher permeability to distribute into targeted tissues.

Anticipated 2024 Milestone: Continue to conduct the Phase I multiple ascending dose clinical trial of ASC61 in the U.S.

Exploratory Indication

ASC40 for moderate to severe acne

During the Reporting Period, the Group initiated the Phase III clinical trial of ASC40 (denifanstat) for treatment of moderate to severe acne vulgaris. As of the date of this announcement, the Group has completed the dosing of the first patient in this Phase III clinical trial at Huashan Hospital, Fudan University.

This Phase III clinical trial is a randomized, double-blind, placebo-controlled, multicenter clinical trial in China to evaluate the safety and efficacy of ASC40 for the treatment of moderate to severe acne vulgaris. 480 subjects with moderate to severe acne vulgaris will be enrolled and randomized into one active treatment arm and one placebo control arm at the ratio of 1:1 to receive 50 mg ASC40 or matching placebo orally, once daily for 12 weeks.

On May 2, 2023, Ascletis announced that ASC40 achieved primary and key secondary endpoints in the Phase II clinical trial for the treatment of acne vulgaris, demonstrating superior efficacy and good safety.

ASC40 is an oral, selective small molecule inhibitor of FASN. Mechanisms of ASC40 for treatment of acne are (1) direct inhibition of facial sebum production, through inhibition of DNL in human sebocytes; and (2) inhibition of inflammation, through decreasing cytokine secretion and Th17 differentiation. Ascletis holds the rights to develop, manufacture and commercialize ASC40 in Greater China under an exclusive license from Sagimet Biosciences.

Acne is the eighth most prevalent disease in the world and affects more than 640 million people globally[1]. Adherence to topical therapies is worse when compared with that for oral agents: an estimated 30% to 40% of patients do not adhere to their topical treatments[2]. Currently, effective oral treatments for acne are mainly isotretinoin which can cause a lot of severe adverse events such as hepatotoxicity, hearing impairment and depression, etc. ASC40 has the potential to be a first-in-class, once-daily oral acne therapeutic with high patient compliance.

Anticipated 2024 Milestone: Complete patient enrollment for the Phase III clinical trial of ASC40 for acne.

Notes:

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

2. Purvis CG, Balogh EA, Feldman SR. Clascoterone: How the Novel Androgen Receptor Inhibitor Fits Into the Acne Treatment Paradigm. Ann Pharmacother. 2021;55(10):1297-1299. doi:10.1177/1060028021992055.

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

THE GROUP'S FACILITIES

The Group has manufacturing facilities located in Shaoxing, Zhejiang Province with a total gross floor area of approximately 17,000 square meters. Our manufacturing facilities are equipped with state-of-the-art production equipment with cutting-edge technology capabilities such as hot-melt extrusion and high-speed press to ensure the high quality of our products.

As of December 31, 2023, the Group had 11 wholly-owned subsidiaries. The Group's business was mainly conducted through three operating subsidiaries in China, namely Ascletis BioScience, Ascletis Pharmaceuticals and Gannex.

OTHER UPDATES

The Group is seeking opportunities to license out its multiple clinical assets.

FUTURE AND OUTLOOK

The Group has established a comprehensive pipeline with 12 key clinical stage assets focused on viral diseases, NASH and oncology. The following are strategies and outlook for 2024:

1. Complete patient enrollment of Phase II clinical trial of ASC41 for NASH;

2. Initiate discussion with NMPA for registrational trials of ASC40 for treatment of NASH patients with moderate-to-severe fibrosis (stage F2 or F3);

3. Complete patient enrollment of Phase III clinical trial of ASC40 for acne;

4. Complete pre-specified interim analysis of Phase III registration study of ASC40 for rGBM;

5. Accelerate in-house discovery for global first-in-class or best-in-class drug candidates to enhance the Group's competitiveness on a global basis;

6. Continue to explore license-out opportunities of various preclinical and clinical stage assets; and

7. Continue to evaluate and optimize the R&D pipeline to increase efficiency and preserve cash.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by 4.6% from approximately RMB54.1 million for the year ended December 31, 2022 to approximately RMB56.6 million for the year ended December 31, 2023, due to the increase of approximately RMB49.4 million from revenue generated from ritonavir product, which was mostly offset by a decrease of approximately RMB40.4 million in promotion service revenue as the Group terminated promotion service for Pegasys® in China with Shanghai Roche Pharmaceuticals Ltd. (上海羅氏製藥有限公司, "**Shanghai Roche**").

Cost of Sales

The cost of sales of the Group decreased from approximately RMB78.8 million for the year ended December 31, 2022 to approximately RMB30.6 million for the year ended December 31, 2023, primarily attributed to the decrease in costs of rendering promotion services as the Group terminated promotion service for Pegasys® in China with Shanghai Roche, which was partially offset by an increase of costs in relation to the impairment on inventories related to ritonavir product.

The cost of sales of the Group consisted of direct labor costs, cost of raw materials, overheads, royalty fees to Presidio and the impairment of inventories.

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

Costs of raw materials represented the costs in relation to the purchase of raw materials for our drug candidates.

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

Gross Profit

The Group recorded a gross profit of approximately RMB26.0 million for the year ended December 31, 2023, compared to a gross loss of approximately RMB24.7 million for the year ended December 31, 2022, primarily due to (i) improved manufacturing cost control; (ii) the increase of approximately RMB2.5 million in revenue, which represented a 4.6% growth compared to the year of 2022; and (iii) the decrease of impairment on inventories compared to the year of 2022.

Other Income and Gains

Other income and gains of the Group increased by 64.8% from approximately RMB112.0 million for the year ended December 31, 2022 to approximately RMB184.7 million for the year ended December 31, 2023, primarily due to (i) the increase of approximately RMB60.6 million in gain on dilution of interest in an associate, which represents the decrease in interest of Sagimet Biosciences as a result of its initial public offering on the Nasdaq Stock Market in 2023; and (ii) bank interest income increased by 124.8% from approximately RMB44.2 million for the year ended December 31, 2022 to approximately RMB99.3 million for the year ended December 31, 2023, primarily due to the increased interest rates for our U.S. dollar deposits and the improvement of the Group's capital utilization efficiency.

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

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

	Year ended December 31,			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Bank interest income	**99,278**	**53.8**	44,162	39.4
Gain on dilution of interest in associate	**60,587**	**32.7**	–	–
Foreign exchange gain, net	**9,699**	**5.3**	60,182	53.7
Investment income from financial assets at fair value through profit or loss	**8,387**	**4.5**	3,322	3.0
Government grants	**6,603**	**3.6**	4,349	3.9
Others	**96**	**0.1**	1	0.0
Total	**184,650**	**100.0**	112,016	100.0

Selling and Distribution Expenses

The selling and distribution expenses of the Group decreased by 97.7% from approximately RMB17.0 million for the year ended December 31, 2022 to approximately RMB0.4 million for the year ended December 31, 2023, mainly due to the termination of promotion service for Pegasys® in China with Shanghai Roche and that we have ceased to proactively promote HCV products since 2023.

Administrative Expenses

The administrative expenses of the Group increased by 228.5% from approximately RMB35.2 million for the year ended December 31, 2022 to approximately RMB115.6 million for the year ended December 31, 2023, primarily due to the increase in consulting fees and staff related costs.

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

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

	Year ended December 31,			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Agency and consulting fees	**62,428**	**54.0**	4,114	11.7
Staff salary and welfare costs	**38,864**	**33.6**	19,770	56.2
Utilities, rent and general office expenses	**14,193**	**12.3**	11,227	31.9
Others	**148**	**0.1**	88	0.2
Total	**115,633**	**100.0**	35,199	100.0

Research and Development Costs

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

The research and development costs of the Group decreased by 18.8% from approximately RMB267.1 million for the year ended December 31, 2022 to approximately RMB216.8 million for the year ended December 31, 2023, primarily due to (i) improved spending efficiency on both clinical and preclinical projects; and (ii) the decrease in depreciation and amortization costs of intangible assets.

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

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Staff costs	**103,121**	84,081
Preclinical and clinical expenses	**89,895**	139,567
Depreciation and amortization costs	**10,868**	25,475
Others	**12,897**	17,979
Total	**216,781**	267,102

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

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
NASH/PBC	**59,475**	45,683
Oncology	**48,750**	36,311
Viral diseases	**44,335**	144,791
Exploratory indications	**36,372**	23,286
Others[1]	**27,849**	17,031
Total	**216,781**	267,102

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

Other Expenses

Other expenses of the Group decreased by 96.4% from approximately RMB59.8 million for the year ended December 31, 2022 to approximately RMB2.1 million for the year ended December 31, 2023, mainly due to the decrease in impairment of other intangible assets.

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

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Others	**1,686**	12
Donation	**449**	4,627
Impairment of other intangible assets	**–**	54,748
Impairment of property, plant and equipment	**–**	443
Total	**2,135**	59,830

Finance Costs

The Group recorded finance costs of approximately RMB0.1 million for the year ended December 31, 2023 due to the interest on the lease liabilities (for the year ended December 31, 2022: RMB0.2 million).

Income Tax

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

The Group calculates the income tax expense by using the tax rate that would be applicable to the expected total annual earnings.

The Group did not incur any income tax expense as the Group did not generate taxable income for the years ended December 31, 2022 and 2023.

Inventories

The inventories of the Group consisted of raw materials used in the commercial manufacturing and research and development, work in progress and finished goods. Our inventories decreased from RMB20.5 million as of December 31, 2022 to RMB6.1 million as of December 31, 2023, mainly due to the impairment made for ritonavir products resulting from decline in sales of COVID-19 products.

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

	December 31,	
	2023	2022
	RMB'000	*RMB'000*
Raw materials	**5,667**	9,116
Work in progress	**404**	9,766
Finished goods	**–**	1,637
Total	**6,071**	20,519

Trade Receivables

The Group' trade receivables decreased from approximately RMB23.9 million as at December 31, 2022 to approximately RMB5.4 million as at December 31, 2023, primarily due to the decrease of promotion service revenue as the Group terminated promotion service for Pegasys® in China with Shanghai Roche.

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

	December 31,	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**5,434**	23,878
Less: Impairment of trade receivables	**2**	5
Total	**5,432**	23,873

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

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

	December 31,	
	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**–**	13,537
3 to 6 months	**–**	10,336
6 to 12 months	**5,432**	–
	5,432	23,873

Prepayments, Other Receivables and Other Assets

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

	December 31,	
	2023	2022
	RMB'000	*RMB'000*
Value-added tax recoverable	**14,277**	5,399
Deposits and other receivables	**3,843**	2,648
Prepayments	**4,131**	8,125
Prepaid expenses	**1,026**	2,128
Impairment	**(1,427)**	–
Total	**21,850**	18,300

Our value-added tax recoverable represented the value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables. Our value-added tax recoverable increased by 164.4% from approximately RMB5.4 million as at December 31, 2022 to approximately RMB14.3 million as at December 31, 2023, primarily due to the decrease of value-added tax refund.

Deposits and other receivables are miscellaneous expenses including rental and other deposits.

Our prepayments mainly represented the purchase of services which related to our expenses on clinical trials. Our prepayments decreased by 49.2% from approximately RMB8.1 million as at December 31, 2022 to approximately RMB4.1 million as at December 31, 2023, primarily due to reduction of prepayments in relation to R&D occurred during the year and decrease in prepayments resulting from completion of milestones in R&D activities at the end of the year.

Prepayments to suppliers as at December 31, 2023 are due within one year. As at December 31, 2023, the Group's impairment of prepayment was approximately RMB1.4 million, which was due to the non-refundable royalty fee prepaid. As of the date of this announcement, none of the above assets is past due.

Fair Value and Fair Value Hierarchy of Financial Instruments

The financial assets at fair value through profit or loss of the Group increased from approximately RMB11.2 million as at December 31, 2022 to approximately RMB24.8 million as at December 31, 2023, primarily due to the increased investment in wealth management products in order to improve the efficiency of capital utilization.

Cash and Bank Balances

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

	December 31,	
	2023	2022
	RMB'000	*RMB'000*
Time deposits	**1,944,457**	2,067,066
Cash and cash equivalents	**330,117**	403,768
Total	**2,274,574**	2,470,834

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

Trade Payables

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

	December 31,	
	2023	2022
	RMB'000	*RMB'000*
Trade payables	**649**	3,135
Total	**649**	3,135

The following table sets forth an aging analysis of the trade payables as at the dates indicated, which is based on invoice date:

	December 31,	
	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**644**	2,365
3 to 12 months	**5**	745
1 to 2 years	**–**	25
	649	3,135

Other Payables and Accruals

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

	December 31,	
	2023	2022
	RMB'000	*RMB'000*
Payroll payable	**56,141**	24,126
Other payables	**40,860**	42,688
Accrued expenses	**34,009**	30,472
Taxes other than income tax	**1,722**	1,553
Refund liabilities	**–**	1,834
Contract liabilities	**–**	377
Total	**132,732**	101,050

The payroll payable represented the accrued bonus and salary for 2023. We granted bonus of USD5,000,000 (equivalent to RMB35,394,000) to our employee for outstanding performance in accordance with the Company's remuneration policy, which are due within one year.

Our other payables remained stable at approximately RMB42.7 million and approximately RMB40.9 million as at December 31, 2022 and December 31, 2023, respectively. Our other payables were non-interest-bearing and are due within one year.

The accrued expenses as at December 31, 2023 mainly represented the accrued research and development costs actually incurred but not yet invoiced and increased by 11.6% from approximately RMB30.5 million as at December 31, 2022 to approximately RMB34.0 million as at December 31, 2023. The accrued expenses were non-interest-bearing and are due within one year.

Deferred Income

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

	December 31,	
	2023	2022
	RMB'000	*RMB'000*
Government grants		
Current	**1,588**	1,588
Non-current	**5,558**	7,146
Total	**7,146**	8,734

Liquidity and Capital Resources

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

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

	December 31,	
	2023	2022
	RMB'000	*RMB'000*
Net cash flows used in operating activities	**(144,162)**	(202,464)
Net cash flows generated/(used) in investing activities	**149,845**	(1,148,383)
Net cash flows used in financing activities	**(81,496)**	(1,419)
Net decrease in cash and cash equivalents	**(75,813)**	(1,352,266)
Cash and cash equivalents at the beginning of year	**403,768**	1,727,411
Effect of foreign exchange rate changes, net	**2,162**	28,623
Cash and cash equivalents at the end of year	**330,117**	403,768

As at December 31, 2023, our cash and cash equivalents were mainly denominated in Renminbi and U.S. dollars.

Operating Activities

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

For the year ended December 31, 2023, we had net cash flows used in operating activities of approximately RMB144.2 million, primarily as a result of operating loss before changes in working capital of approximately RMB258.2 million. The changes in working capital were mainly due to payment of research and development costs.

Investing Activities

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

For the year ended December 31, 2023, our net cash flows generated in investing activities was approximately RMB149.8 million, primarily because we redeemed time deposits with original maturity of over three months of approximately RMB174.1 million.

Financing Activities

Our cash flows used in financing activities primarily related to repurchase of Shares during the Reporting Period.

For the year ended December 31, 2023, our net cash flows used in financing activities was approximately RMB81.5 million, primarily because we repurchased Shares during the Reporting Period.

Capital Expenditures

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

	December 31,	
	2023	2022
	RMB'000	*RMB'000*
Plant and machinery	**1,773**	3,985
Office equipment	**2,622**	2,268
Construction in progress	**839**	14
Total	**5,234**	6,267

Significant Investments, Material Acquisitions and Disposals

During the year ended December 31, 2023, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries and associate companies.

Indebtedness

Borrowing, Charges of Assets and Guarantees

As at December 31, 2023, the Group did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

Contingent Liabilities

On 29 December 2022, Viking Therapeutics, lnc. ("**Viking**"), a pharmaceutical company in the United States, filed certain complaints against the Company, its founder Jinzi Jason WU and certain subsidiaries of the Company in connection with the Group's drug candidates ASC41 and ASC43F. There is no major progress since July 1, 2023 and the relevant investigation and litigation proceedings are ongoing. The Company believes that the allegations brought by Viking have no merit and will vigorously defend against the complaints. Accordingly, the Group has not made any provision for the allegations arising from the complaints filed by Viking as at 31 December 2023.

Contractual Commitments

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

The Group had RMB0.2 million of capital commitment as at December 31, 2023 and RMB1.9 million of capital commitment as at December 31, 2022.

Key Financial Ratios

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

	December 31,	
	2023	2022
Current ratio[1]	**16.6**	23.5
Quick ratio[2]	**16.5**	23.3
Gearing ratio[3]	**6.0%**	4.4%

Notes:

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

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

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

Our current ratio decreased from 23.5 as at December 31, 2022 to 16.6 as at December 31, 2023, and our quick ratio decreased from 23.3 as at December 31, 2022 to 16.5 as at December 31, 2023, primarily due to a decrease in current assets.

Our gearing ratio increased from 4.4% as at December 31, 2022 to 6.0% as at December 31, 2023, primarily due to a decrease in current assets.

Foreign Exchange Risk

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

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

Employees and Remuneration Policies

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, salaries paid by comparable companies, time commitment and responsibilities and employment conditions of the Directors and senior management.

As at December 31, 2023, the Group had a total of 219 employees, 215 of which were located in the PRC. Over 76% of our employees obtained a bachelor's degree or higher. The table below sets forth our Group's employees by function as disclosed:

	As at December 31, 2023	
	Number of employees	**% of total**
Management	4	2
Research and development	147	67
Manufacturing	43	20
Operations	25	11
Total	219	100

Our Group's total staff costs for the year ended December 31, 2023 were approximately RMB144.0 million, compared to approximately RMB127.0 million for the year ended December 31, 2022.

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

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

The Group has also adopted the Share Option Scheme under Chapter 17 of the Listing Rules.

Employee Benefits

A majority of the Group's employees are located in the PRC. These employees are required to participate in a central pension scheme (the "**PRC Pension Scheme**") operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the PRC Pension Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the PRC Pension Scheme.

For the year ended December 31, 2023, approximately RMB14.9 million was charged in the consolidated income statement of the Group (for the year ended December 31, 2022: approximately RMB17.1 million), which represented contributions paid to the PRC Pension Scheme at rates specified in the rules of the scheme. Under the PRC Pension Scheme, no forfeited contributions will be used by the employers to reduce the existing level of contributions.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

(Expressed in Renminbi)

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Revenue	*4*	**56,596**	54,090
Cost of sales		**(30,606)**	(78,782)
Gross profit/(loss)		**25,990**	(24,692)
Other income and gains	*4*	**184,650**	112,016
Selling and distribution expenses		**(387)**	(16,985)
Research and development costs		**(216,781)**	(267,102)
Administrative expenses		**(115,633)**	(35,199)
Other expenses		**(2,135)**	(59,830)
Finance costs		**(144)**	(157)
Share of the loss of an associate		**(20,275)**	(22,894)
Loss before tax	*5*	**(144,715)**	(314,843)
Income tax	*6*	**–**	–
Loss for the year		**(144,715)**	(314,843)
Attributable to:			
Equity shareholders of the Company		**(144,715)**	(314,843)
Loss per share			
		RMB	RMB
Basic and diluted	*7*	**(13.47) cents**	(28.96) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023
(Expressed in Renminbi)

	2023	2022
	RMB'000	*RMB'000*
Loss for the year	**(144,715)**	(314,843)
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**8**	5,226
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements into the presentation currency	**24,517**	116,277
Other comprehensive income for the year, net of tax	**24,525**	121,503
Total comprehensive loss for the year	**(120,190)**	(193,340)
Attributable to:		
Equity shareholders of the Company	**(120,190)**	(193,340)
Total comprehensive loss for the year	**(120,190)**	(193,340)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment		**59,725**	67,113
Advance payments for property, plant and equipment		**261**	1,215
Right-of-use assets		**8,552**	4,713
Other intangible assets		**26,315**	16,559
Investment in an associate		**63,024**	22,018
Long-term deferred expenditure		**376**	698
Total non-current assets		**158,253**	112,316
Current assets			
Inventories		**6,071**	20,519
Trade receivables	*8*	**5,432**	23,873
Financial assets at fair value through profit or loss		**24,829**	11,200
Prepayments, other receivables and other assets	*9*	**21,850**	18,300
Time deposits with original maturity over three months		**1,944,457**	2,067,066
Cash and cash equivalents		**330,117**	403,768
Total current assets		**2,332,756**	2,544,726
Current liabilities			
Trade payables	*10*	**649**	3,135
Other payables and accruals	*11*	**132,732**	101,050
Lease liabilities		**5,710**	2,416
Deferred income		**1,588**	1,588
Total current liabilities		**140,679**	108,189
Net current assets		**2,192,077**	2,436,537
Total assets less current liabilities		**2,350,330**	2,548,853

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
(Expressed in Renminbi)

	Note	**31 December 2023** ***RMB'000***	31 December 2022 *RMB'000*
Non-current liabilities			
Lease liabilities		**2,706**	1,821
Deferred income		**5,558**	7,146
Total non-current liabilities		**8,264**	8,967
NET ASSETS		**2,342,066**	2,539,886
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**731**	742
Reserves		**2,341,335**	2,539,144
TOTAL EQUITY		**2,342,066**	2,539,886

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 25 February 2014. The registered office address of the Company is located at 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The principle place of business in China is located in Zhejiang Province.

The Company is an investment holding company. The Company's subsidiaries (together with the Company, referred to as the "**Group**") are principally engaged in the research and development, production, marketing and sale of pharmaceutical products.

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

2. MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries and the Group's interest in associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– financial assets at fair value through profit or loss

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. MATERIAL ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies and disclosures

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

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2023	2022
	RMB'000	*RMB'000*
Mainland China	**56,596**	54,064
Other country	**–**	26
Total	**56,596**	54,090

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

(b) Non-current assets

	2023	2022
	RMB'000	*RMB'000*
Mainland China	**95,206**	90,238
Cayman Islands	**6**	15
United States	**63,041**	22,063
Total	**158,253**	112,316

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

Information about major customers

In 2023, two customers of the Group with whom transactions have exceeded 10% of the Group's revenues, of which Customer A contributed 60.4%, Customer B contributed 33.7%, and arose in Mainland China.

3. OPERATING SEGMENT INFORMATION (continued)

In 2022, one customer of the Group with whom transactions have exceeded 10% of the Group's revenues, of which Customer C contributed 74.8%, and arose in Mainland China.

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers	**56,596**	54,090

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(i) Disaggregation of revenue information

	2023	2022
	RMB'000	*RMB'000*
Types of goods or services		
– Sale of products	**51,048**	12,451
– Promotion service revenue	**–**	40,440
– License fee income	**2,830**	–
– Collaboration revenue	**–**	26
– Others	**2,718**	1,173
Total revenue from contracts with customers	**56,596**	54,090

	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point in time		
– Sale of products	**51,048**	12,451
– Promotion service revenue	**–**	40,440
– License fee income	**2,830**	–
– Collaboration revenue	**–**	26
– Others	**2,718**	1,173
Total revenue from contracts with customers	**56,596**	54,090

	2023	2022
	RMB'000	*RMB'000*
Geographical markets		
Mainland China		
– Sale of products	**51,048**	12,451
– Promotion service revenue	**–**	40,440
– License fee income	**2,830**	–
– Others	**2,718**	1,173
Other country		
– Collaboration revenue	**–**	26
Total revenue from contracts with customers	**56,596**	54,090

4. REVENUE, OTHER INCOME AND GAINS (continued)

(ii) Performance obligations

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

Sale of products

The performance obligation is satisfied upon acceptance of the products and payment is generally due within 0 to 90 days from acceptance.

Promotion services

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

License fee income

The performance obligation is satisfied at a point in time when the customers obtain rights to use the underlying IP or license.

Collaboration revenue

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

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

	2023	2022
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**–**	377

Revenue of RMB377,000 was recognised during the reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods.

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

4. REVENUE, OTHER INCOME AND GAINS (continued)

Other income and gains

	2023	2022
	RMB'000	*RMB'000*
Government grants *(note i)*	**6,603**	4,349
Bank interest income	**99,278**	44,162
Gain on dilution of interest in associate *(note ii)*	**60,587**	–
Investment income from financial assets at fair value through profit or loss	**8,387**	3,322
Foreign exchange differences, net	**9,699**	60,182
Others	**96**	1
	184,650	112,016

Notes:

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

(ii) Gain on dilution of interest in associate represents the decrease in interest of Sagimet Biosciences results from the dilution due to the IPO financing.

5. LOSS BEFORE TAX

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

(a) Staff cost

	2023	2022
	RMB'000	*RMB'000*
Wages and salaries	**124,062**	103,026
Pension scheme contributions	**14,929**	17,135
Staff welfare expenses	**3,686**	3,690
Equity-settled share award and option expense	**1,331**	3,193
	144,008	127,044

5. LOSS BEFORE TAX (continued)

(b) Other items

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold *(note i)*		**30,606**	58,024
Cost of services provided		**–**	20,758
Depreciation of property, plant and equipment		**12,601**	12,949
Depreciation of right-of-use assets		**2,731**	2,269
Amortisation of intangible assets		**3,148**	14,973
Write-down of inventories to net realisable value *(note ii)*		**22,502**	48,553
Auditor's remuneration		**1,800**	2,390
Research and development costs *(note iii)*		**216,781**	267,102
Impairment of other intangible assets		**–**	54,748
Impairment of property, plant and equipment		**–**	443
Impairment of prepayment	*9*	**1,427**	–
Reversal of impairment of trade receivables, net	*8*	**(3)**	(11)
Lawsuit expenses *(note iv)*		**59,288**	–
(Gain) /loss on disposal of items of property, plant and equipment		**(88)**	4

Notes:

(i) Cost of inventories sold recognized as expenses includes amounts relating to staff costs, depreciation and amortization expenses, which are also included in the respective total amounts disclosed separately above or in note 5(a) for each of these types of expenses.

(ii) The write-down of inventories to net realisable value of RMB22,502,000 for the year ended 31 December 2023 (2022: RMB48,553,000) is included in "Cost of sales" in the consolidated statement of profit or loss.

(iii) Research and development costs include amounts relating to staff costs, depreciation and amortization expenses, which are also included in the respective total amounts disclosed separately above or in note 5(a) for each of these types of expenses.

(iv) The lawsuit expenses mainly contain lawyer's service fees related to the litigation disclosed in note 14.

6. INCOME TAX

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

Cayman Islands

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

British Virgin Islands

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

6. INCOME TAX (continued)

Hong Kong

Under the current laws of the Hong Kong, the subsidiary in Hong Kong is subject to profits tax at a rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong. During the year, no provision for profits tax has been made as the subsidiary did not generate any assessable profits in Hong Kong.

United States

Under the current laws of the United States, the subsidiary in the United States is subject to tax at a maximum of 21% (2022: 21%) federal corporate income tax rate and 2.5% (2022: 2.5%) North Carolina state tax rate. During the year, no provision for income tax has been made as the subsidiary did not generate any assessable income in United States.

Australia

Under the current laws of Australia, the subsidiary in the Australia is subject to profits tax at a rate of 30% (2022: 30%). During the year, no provision for income tax has been made as the subsidiary did not generate any assessable income in Australia.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "**CIT Law**"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% (2022: 25%) on the taxable income. Preferential tax treatment is available to Ascletis Pharmaceuticals since it was recognised as a High and New Technology Enterprise, and it was entitled to a preferential tax rate of 15% (2022: 15%) during the year. Gannex Pharma, Ascletis Biopharma and Ascletis XinNuo are qualified as Small and Micro Enterprises and were subject to a preferential tax rate of 5% (2022: 2.5%) during the year.

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

	2023	2022
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	**–**	–
Deferred tax	**–**	–
Total tax for the year	**–**	–

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

	2023	2022
	RMB'000	*RMB'000*
Loss before tax	**(144,715)**	(314,843)
At the PRC's statutory income tax rate of 25%	**(36,179)**	(78,711)
Effect of tax rate differences in other countries	**(20,344)**	5,427
Preferential income tax rates enacted by local authority	**14,867**	15,782
Effect of tax concessions and allowances	**(37,921)**	(46,819)
Tax losses not recognised	**77,976**	96,544
Expenses not deductible for tax	**1,601**	7,777
Tax at the Group's effective rate	**–**	–

7. LOSS PER SHARE

The calculation of the basic loss per share amounts is based on the loss for the year attributable to equity shareholders of the Company of RMB144,715,000 (2022: RMB314,843,000), and the weighted average number of ordinary shares of 1,074,103,460 (2022: 1,087,029,890) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2023	2022
Issued ordinary shares at 1 January	**1,087,134,000**	1,086,734,000
Effect of shares repurchased *(note 13)*	**(13,030,540)**	–
Effect of share options exercised *(note 13)*	**–**	295,890
Weighted average number of ordinary shares at 31 December	**1,074,103,460**	1,087,029,890

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2023 in respect of a dilution as the impact of the share award had an anti-dilutive effect on the basic loss per share amounts presented.

8. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**5,434**	23,878
Impairment	**(2)**	(5)
	5,432	23,873

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

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

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**–**	13,537
3 to 6 months	**–**	10,336
6 to 12 months	**5,432**	–
	5,432	23,873

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**5**	16
Reversal of impairment, net *(note 5)*	**(3)**	(11)
At end of year	**2**	5

8. TRADE RECEIVABLES (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

As at 31 December 2023

		Past due			
	Current	**Less than 3 months**	**3 to 6 months**	**Over 6 months**	**Total**
Expected credit loss rate	**0.03%**	**–**	**–**	**–**	**0.03%**
Gross carrying amount *(RMB'000)*	**5,434**	**–**	**–**	**–**	**5,434**
Expected credit losses *(RMB'000)*	**2**	**–**	**–**	**–**	**2**

As at 31 December 2022

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

9. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023	2022
	RMB'000	*RMB'000*
Value-added tax recoverable	**14,277**	5,399
Deposits and other receivables	**3,843**	2,648
Prepayments	**4,131**	8,125
Prepaid expenses	**1,026**	2,128
Impairment *(note a)*	**(1,427)**	–
	21,850	18,300

Note:

(a) The impairment of prepayment is due to the non-refundable royalty fee prepaid, which the management estimated will not be fully utilised.

Other receivables mainly represent rental and other deposits. An impairment analysis is performed at each reporting date by applying an expected credit loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions. As at 31 December 2023 and 2022, the expected credit loss rate was close to zero.

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

10. TRADE PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**649**	3,135

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

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**644**	2,365
3 to 12 months	**5**	745
1 to 2 years	**–**	25
	649	3,135

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

11. OTHER PAYABLES AND ACCRUALS

		2023	2022
	Note	***RMB'000***	*RMB'000*
Other payables	*(a)*	**40,860**	42,688
Accrued expenses		**34,009**	30,472
Payroll payable		**56,141**	24,126
Taxes other than income tax		**1,722**	1,553
Contract liabilities		**–**	377
Refund liabilities		**–**	1,834
		132,732	101,050

Note:

(a) Other payables are non-interest-bearing.

12. DIVIDENDS

The board does not recommend the payment of any dividend in respect for the year ended 31 December 2023 (2022: Nil).

13. SHARE CAPITAL

	2023		2022	
	No. of shares ('000)	***RMB'000***	*No. of shares ('000)*	*RMB'000*
Ordinary shares, issued and fully paid:				
At 1 January	**1,087,134**	**742**	1,094,448	746
Shares cancelled *(note a)*	**(14,395)**	**(11)**	(7,714)	(5)
Shares issued under share option scheme *(note b)*	**–**	**–**	400	1
At 31 December	**1,072,739**	**731**	1,087,134	742

The par value of the ordinary shares of the Company is US$0.0001 each.

Notes:

(a) Purchase and cancellation of own shares

In 2023, the Company repurchased 44,413,000 Shares on the Stock Exchange for a total cash consideration of HK$86,194,000 (equivalent to approximately RMB78,961,000). In the same year, the Company cancelled 14,395,000 shares on 15 August 2023 (equivalent to approximately RMB27,010,000).

In 2022, the Company cancelled remaining 7,714,000 shares repurchased in 2021 on 17 January 2022 (equivalent to approximately RMB18,659,000).

(b) Shares issued under share option scheme

In 2022, the subscription rights attaching to 400,000 share options were exercised at the subscription price of HK$2.87 per share, resulting in the issue of 400,000 shares for a total cash consideration, before expenses, of HK$1,148,000 (equivalent to approximately RMB961,000). An amount of HK$1,148,000 was transferred from the share option reserve to share capital upon the exercise of the share options. (2023: Nil)

14. CONTINGENT LIABILITIES

On 29 December 2022, Viking Therapeutics, Inc. ("**Viking**"), a pharmaceutical company in the United States, filed certain complaints against the Company, its founder Jinzi Jason WU and certain subsidiaries of the Company in connection with the Group's drug candidates ASC41 and ASC43F. There is no major progress since 1 July 2023 and the relevant investigation and litigation proceedings are ongoing. The Company believes that the allegations brought by Viking have no merit and will vigorously defend against the complaints. Accordingly, the Group has not made any provision for the allegations arising from the complaints filed by Viking as at 31 December 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the code provisions of the CG Code as set out in Appendix C1 to the Listing Rules as its own code of corporate governance.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code during the Reporting Period, except for a deviation from the code provision C.2.1 of part 2 of the CG Code, the roles of chairman and chief executive officer of the Company are not separate and are both performed by Dr. Wu. The Company is an investment holding company with a professional management team to monitor the operations of the subsidiaries. The Board considers that vesting the roles of chairman and chief executive officer in the same person is more efficient in the direction and management of the Company and does not impair the balance of power and authority of the Board and the management of the business of the Company. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company repurchased a total of 44,413,000 Shares on the Stock Exchange at an aggregate consideration of HK$85,729,480.

During the Reporting Period and up to the date of this announcement, the Company repurchased a total of 74,376,000 Shares of the Company on the Stock Exchange at an aggregate consideration of HK$131,575,690. As at the date of this announcement, the above mentioned 74,376,000 Shares have been cancelled and the total number of Shares in issue has been reduced accordingly as at the date of this announcement. The repurchase was effected by the Board for the enhancement of shareholder value in the long term.

Particulars of the Shares repurchased during the Reporting Period and up to the date of this announcement are as follows:

Trading Month	Number and Method of Shares repurchased	Price Per share		Aggregate Consideration Paid *(HK$)*
		Highest price paid *(HK$)*	Lowest price paid *(HK$)*	
June 2023	5,705,000 on the Stock Exchange	2.03	1.77	10,913,340
July 2023	8,690,000 on the Stock Exchange	2.28	1.89	18,261,340
August 2023	782,000 on the Stock Exchange	2.21	2.06	1,708,030
September 2023	10,447,000 on the Stock Exchange	2.24	1.78	20,908,380
October 2023	7,860,000 on the Stock Exchange	2.02	1.70	14,496,580
November 2023	5,219,000 on the Stock Exchange	2.01	1.81	9,954,980
December 2023	5,710,000 on the Stock Exchange	1.90	1.52	9,486,830
January 2024	21,813,000 on the Stock Exchange	1.76	1.24	31,854,080
February 2024	8,150,000 on the Stock Exchange	1.90	1.56	13,992,130

Save for the above, during the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Jiong GU, Dr. Yizhen WEI, and Ms. Lin HUA. The chairman of the Audit Committee is Mr. Jiong GU. The Audit Committee has reviewed the annual results of the Group for the year ended December 31, 2023 and has recommended for the Board's approval thereof. The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2023. The Audit Committee considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

FINAL DIVIDEND

The Board does not recommend any payment of final dividend for the year ended December 31, 2023 (for the year ended December 31, 2022: Nil).

AGM AND CLOSURE OF REGISTER OF MEMBERS

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.ascletis.com). The annual report for the year ended December 31, 2023 containing all the information in accordance with the requirements under the Listing Rules will be despatched to the Shareholders (if requested) and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

"3CLPro"	3-chymotrypsin like protease
"AASLD"	American Association for the Study of Liver Diseases
"AGM"	annual general meeting of the Company
"ART"	antiretroviral therapy
"Ascletis", "Company", "the Company" or "We"	Ascletis Pharma Inc. (歌禮製藥有限公司), an exempted company incorporated in the Cayman Islands with limited liability on February 25, 2014
"Ascletis Biopharma"	Ascletis Biopharmaceutical (Hangzhou) Co., Ltd. (歌禮生物製藥(杭州)有限公司), a company established in the PRC on April 19, 2018 and an indirectly wholly-owned subsidiary of the Company
"Ascletis BioScience"	Ascletis BioScience Co., Ltd. (歌禮生物科技(杭州)有限公司), a limited liability company established in the PRC on April 26, 2013 and an indirectly wholly-owned subsidiary of the Company
"Ascletis Pharmaceuticals"	Ascletis Pharmaceuticals Co., Ltd. (歌禮藥業(浙江)有限公司), a limited liability company established in the PRC on September 24, 2014 and an indirectly wholly-owned subsidiary of the Company
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"BVI"	the British Virgin Islands
"C4"	7α-hydroxy-4-cholesten-3-one
"CA"	cell-associated
"cccDNA"	covalently closed circular DNA
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules

"Chairman"	the chairman of the Board
"CHB"	chronic hepatitis B
"China", "Mainland China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan, China
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Wu, Mrs. Judy Hejingdao Wu, JJW12 Limited, Lakemont Holding LLC, the Lakemont Remainder Trust and Northbridge Trust, as a group, or any member of them
"COVID-19"	An infectious disease caused by the coronavirus (severe acute respiratory syndrome coronavirus 2), first reported in December 2019
"Director(s)"	the director(s) of the Company
"DNA"	deoxyribonucleic acid
"DNL"	de novo lipogenesis
"Dr. Wu"	Dr. Jinzi Jason WU (吳勁梓), our Founder and the spouse of Mrs. Judy Hejingdao Wu, chairman of the Board, chief executive officer, an executive Director and one of our Controlling Shareholders
"EIDD-1931"	β-d-N4-Hydroxycytidine
"FASN"	fatty acid synthase
"FDA"	U.S. Food and Drug Administration
"FDC"	fixed-dose combination
"FGF19"	fibroblast growth factor 19
"FXR"	farnesoid X receptor
"Gannex"	Gannex Pharma Co., Ltd. (甘萊製藥有限公司), a limited liability company incorporated under the laws of the PRC on September 3, 2019 and an indirectly wholly-owned subsidiary of the Company
"GBM"	glioblastoma
"Greater China"	Mainland China, Hong Kong, Macau and Taiwan

"Group", "our Group" or "the Group"	the Company and its subsidiaries
"HBsAg"	hepatitis B surface antigen
"HBV"	hepatitis B virus
"HCV"	hepatitis C virus
"HEp-2"	human epithelioma-2
"HIV"	human immunodeficiency virus
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IND(s)"	investigational new drug(s), (an) experimental drug for which a pharmaceutical company obtains permission to ship across jurisdictions (usually to clinical investigators) before a marketing application for the drug has been approved
"LDL"	low-density lipoprotein
"LDL-C"	LDL cholesterol
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on August 1, 2018
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
"MRI-PDFF"	magnetic resonance imaging proton density fat fraction
"NAFLD"	non-alcoholic fatty liver disease
"NAs"	Nucleot(s)ide analogues
"NAS"	NAFLD activity score
"NASH"	non-alcoholic steatohepatitis

"NHC"	β-D-N4-hydroxycytidine
"NMPA"	China National Medical Products Administration (中國國家藥品監督管理局)
"OCA"	obeticholic acid
"PBC"	primary biliary cholangitis
"PD-1"	programmed cell death protein 1
"PD-L1"	programmed death ligand 1, which is a protein on the surface of a normal cell or a cancer cell that attaches to certain proteins on the surface of the T-cell that causes the T-cell to turn off its ability to kill the cancer cell
"PFS"	progression-free survival
"PowerTree"	PowerTree Investment (BVI) Ltd., a company incorporated in the BVI with limited liability on January 13, 2011 and wholly owned by the Company
"Presidio"	Presidio Pharmaceuticals, Inc.
"R&D"	research and development
"RdRp"	RNA-dependent RNA polymerase
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of the PRC
"Reporting Period"	the one-year period from January 1, 2023 to December 31, 2023
"rGBM"	recurrent glioblastoma
"RNA"	ribonucleic acid
"RSV"	respiratory syncytial virus
"Sagimet Biosciences"	Sagimet Biosciences Inc., a corporation incorporated in Delaware in December 2006, whose shares are listed on the Nasdaq Stock Market (stock code: SGMT) and an associate company of the Company

"Share(s)"	ordinary shares in the share capital of our Company of US$0.0001 each
"Shareholder(s)"	holder(s) of Shares
"Share Option Scheme"	the share option scheme adopted by the Company on June 6, 2019
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Th17"	T helper 17 cells
"THRβ"	thyroid hormone receptor beta
"UDCA"	ursodeoxycholic acid
"U.S."	United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)", "USD" or "US$"	United States dollars, the lawful currency of the United States of America
"VEGF"	vascular endothelial growth factor
"Viking"	Viking Therapeutics, Inc.
"Written Guidelines"	the Guidelines for Securities Transactions by Directors adopted by the Company
"%"	per cent

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

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

Hangzhou, the People's Republic of China
March 25, 2024

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