创胜集团
TRANSCENTA

Transcenta Holding Limited
創勝集團醫藥有限公司

(registered by way of continuation in the Cayman Islands with limited liability)

Stock Code: 6628

2023 ANNUAL REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Xueming Qian (錢雪明) *(Chief Executive officer)*
Mr. Xiaolu Weng (翁曉路) *(Chief Financial Officer)*

Non-Executive Director

Dr. Yining Zhao (趙奕寧) *(Chairman of the Board)*

Independent Non-Executive Directors

Mr. Jiasong Tang (唐稼松)
Dr. Jun Bao (包駿)
(Resigned with effect from August 23, 2023)
Mr. Zhihua Zhang (張志華)
Dr. Kumar Srinivasan
Ms. Helen Wei Chen (陳瑋)
(Appointed with effect from August 23, 2023)

AUDIT COMMITTEE

Mr. Jiasong Tang (唐稼松) *(Chairperson)*
Dr. Yining Zhao (趙奕寧)
Mr. Zhihua Zhang (張志華)

REMUNERATION COMMITTEE

Dr. Kumar Srinivasan *(Chairperson)*
Mr. Jiasong Tang (唐稼松)
Mr. Zhihua Zhang (張志華)

NOMINATION COMMITTEE

Mr. Zhihua Zhang (張志華) *(Chairperson)*
Dr. Xueming Qian (錢雪明)
Dr. Kumar Srinivasan

COMPANY SECRETARY

Ms. Leung Kwan Wai (梁君慧)
(Associate of The Chartered Governance Institute, Associate of The Hong Kong Chartered Governance Institute)

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Ms. Leung Kwan Wai (梁君慧)

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Corporate Information

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STOCK CODE

6628

COMPANY WEBSITE

http://www.transcenta.com/

CEO's Statement

Dear Shareholders,

2023 was a year of inflection for Transcenta. With our initial premise to build a fully integrated and globally competitive biopharmaceutical company, we achieved several important milestones in 2023, including our core assets of osemitamab (TST001) and blosozumab (TST002).

In 2023, we advanced our next generation anti-Claudin18.2 antibody osemitamab (TST001) into Phase III. With solid clinical data from ongoing Phase II trials and parallel development of the companion diagnostic assay, we successfully obtained the U.S. FDA, China CDE and South Korea MFDS approvals for the launch of a global pivotal trial. This is a significant milestone in Transcenta's history and is the accomplishment of collaborative efforts between Transcenta and partners. This also reflects the capabilities of Transcenta colleagues in developing innovative asset in both trial planning, execution and interaction with regulatory agencies around the world. This strategic position provides Transcenta strong competitive edge for our osemitamab (TST001) program in reaching global market to benefit over 1 million patients with gastric and gastroesophageal junction cancer worldwide. As a biotech company with late stage clinical assets, execution focus and financial discipline is a must to ensure success and long-term growth.

Another accomplishment of 2023 is the generation of exciting data from our Phase I trial of blosozumab (TST002). This drug candidate offers significant benefit in increasing bone mineral density (BMD) and restoring bone strength for patients with osteoporotic, a large and rapid increasing population in China. We are pleased that we received approval from China CDE to continue to evaluate blosozumab (TST002) Phase II trial.

We also made rapid progress in advancing our integrated bioprocessing platform, especially our continuous bioprocessing technology, to ensure quality and reliable supply. We have leveraged this platform in supporting both internal pipeline needs, such as phase III stage osemitamab (TST001), and providing diversified CDMO service for external clients.

To accelerate our pipeline development and expand our reach, we have making continuous efforts in advancing partnerships and collaborations. We look forward to working with partners who share our passion and global vision for leading the next wave of innovation. We believe we will be best able to recognize the full potential of our molecules through collaborations, targeting broader patients and a wider range of diseases.

Looking ahead, Transcenta will keep operating with a relentless drive to deliver differentiated and affordable biologics for patients. We plan to accelerate the development of osemitamab (TST001) to evaluate the safety and efficacy of this investigational agent in gastric/gastroesophageal adenocarcinoma patients from multiple regions around the world. We hope to continue to have positive impact on the lives of osteoporosis patients with Phase II initiation for blosozumab (TST002). We will continue to seek partnerships especially for our core products.

We will continue to focus on developing innovative solutions to address unmet medical needs and creating long-term value for shareholders, and keep pursuing our unwavering commitment to deliver meaningful impact through differentiated pipelines. I am truly grateful for what have been achieved, and filled with excitement for what lies ahead. I believe Transcenta will continue to push the boundaries of innovation and make a difference in the lives of patients around the world.

Dr. Xueming Qian

Executive Director and Chief Executive Officer
Transcenta Holding Limited

Hong Kong

March 27, 2024

Financial Highlights

International Financial Reporting Standards ("IFRS") Measures:

- **Revenue** decreased from RMB101.9 million for the year ended December 31, 2022 to RMB53.8 million for the year ended December 31, 2023, primarily attributable to the decrease in CDMO services.
- **Other income** decreased by RMB9.1 million from RMB46.4 million for the year ended December 31, 2022 to RMB37.3 million for the year ended December 31, 2023, primarily attributable to the decrease in interest income, and partly offset by the increase in government subsidies recognized during the year ended December 31, 2023.
- **Other gains and losses** decreased by RMB27.3 million from a gain of RMB29.7 million for the year ended December 31, 2022 to a gain of RMB2.4 million for the year ended December 31, 2023, primarily attributable to difference in net foreign exchange gain.
- **Research and development expenses** increased by RMB32.2 million from RMB349.8 million for the year ended December 31, 2022 to RMB382.0 million for the year ended December 31, 2023, primarily attributable to key pipeline advancement and resource prioritization.
- **Administrative and selling expenses** increased by RMB5.0 million from RMB112.4 million for the year ended December 31, 2022 to RMB117.4 million for the year ended December 31, 2023, primarily attributable to the increase in share-based compensation.
- As a result of the above factors, **loss and total comprehensive expenses for the year** increased by RMB48.0 million from RMB417.7 million for the year ended December 31, 2022 to RMB465.7 million for the year ended December 31, 2023, primarily attributable to R&D investment related to our pipeline advancement.

Non-International Financial Reporting Standards ("Non-IFRS") Measures:

- **Revenue** decreased from RMB101.9 million for the year ended December 31, 2022 to RMB53.8 million for the year ended December 31, 2023, primarily attributable to the decrease in CDMO services.
- **Other income** decreased by RMB9.1 million from RMB46.4 million for the year ended December 31, 2022 to RMB37.3 million for the year ended December 31, 2023, primarily attributable to the decrease in interest income, and partly offset by the increase in government subsidies recognized during the year ended December 31, 2023.
- **Research and development expenses** excluding the share-based payment expenses increased by RMB32.0 million from RMB340.5 million for the year ended December 31, 2022 to RMB372.5 million for the year ended December 31, 2023, primarily attributable to key pipeline advancement and resource prioritization.
- **Administrative and selling expenses** excluding the share-based payment expenses decreased by RMB6.3 million from RMB104.9 million for the year ended December 31, 2022 to RMB98.6 million for the year ended December 31, 2023, primarily attributable to decrease in personnel cost and professional services.
- **Adjusted loss and total comprehensive expenses for the year** excluding share-based payment expenses increased by RMB36.4 million from RMB400.9 million for the year ended December 31, 2022 to RMB437.3 million for the year ended December 31, 2023, primarily due to R&D investment related to our pipeline advancement.

Business Highlights

SUMMARY

2023 was a transformative year for Transcenta. We continued to work for significant medical breakthroughs and made great progress from the ongoing studies.

For our lead oncology asset, the Claudin18.2-targeting antibody osemitamab (TST001), we have generated a robust dataset and obtained encouraging data from the ongoing Phase II studies. Based on these data, we have received regulatory approvals from the U.S. Food and Drug Administration (FDA), China Center for Drug Evaluation (CDE) and South Korea Ministry of Food and Drug Safety (MFDS) to proceed with a global Phase III pivotal trial. We anticipate submitting pivotal trial declarations with European Medicines Agency (EMA), Japan Pharmaceuticals and Medical Devices Agency (PMDA) and other regions of the world in 2024. Our global Phase III pivotal trial will test the efficacy and safety of osemitamab (TST001) when combined with nivolumab and chemotherapy for the first-line (1L) treatment of patients with Claudin18.2 expressing locally advanced or metastatic gastric or gastroesophageal junction (G/GEJ) adenocarcinoma. Our strategy is to lead the next wave of innovation by developing osemitamab (TST001) combination with checkpoint inhibitor (i.e., nivolumab) and chemotherapy, delivering more effective treatment to patients with Claudin18.2 expressing G/GEJ cancer. We believe osemitamab (TST001) is expected to be a blockbuster with significant growth potential after the commercial launch globally.

For our lead non-oncology asset, the anti-sclerostin antibody blosozumab (TST002), we have completed China Phase I study and obtained the encouraging preliminary bone mineral density (BMD) data. We have also received approval from CDE to initiate Phase II clinical trial in China.

In addition, we advanced our first-in-class anti-GREMLIN1 antibody TST003 into clinical stage and have completed the third dose escalation cohort of a U.S./China Phase I trial. We have also generated several preclinical stage lead molecules for both oncology and non-oncology indications.

Furthermore, we have made significant progress in improving our continuous bioprocessing platform technology HiCB (Highly Intensified Continuous Bioprocessing) and successfully implemented this technology in the GMP manufacturing of osemitamab (TST001).

As of the date of this report, a shortlist of our achievements includes the following:

Business Highlights

CLINICAL PROGRAMS ACHIEVEMENTS

Osemitamab (TST001, A Humanized ADCC Enhanced Claudin18.2 mAb for Solid Tumors)

- In January 2023, we presented the design of Phase I/II studies (TranStar102) of osemitamab (TST001) in combination with nivolumab plus capecitabine and oxaliplatin (CAPOX) in 1L or with nivolumab in late-line treatment in locally advanced and metastatic G/GEJ cancer at American Society of Clinical Oncology (ASCO) GI 2023.
- In March 2023, in collaboration with leading researchers at Beijing Cancer Hospital and other institutes, we published the study results of Claudin18.2-targeting Immuno-PET probe [^{89}Zr]Zr-DFO-TST001 for non-invasive imaging in gastrointestinal tumors on Journal of Pharmaceutical Analysis.
- In March 2023, we received orphan drug designation from FDA for the treatment of patients with pancreatic cancer for osemitamab (TST001).
- In April 2023, we completed the enrollment of Claudin18.2 expressing first-line advanced G/GEJ cancer patients in cohorts C (osemitamab (TST001) in combination with CAPOX) and G (osemitamab in combination with nivolumab and CAPOX) for the China Phase I/II study (TranStar102, NCT04495296). Together with the data from the U.S. study TranStar101, both cohort C and cohort G results will be used to support the upcoming global Phase III pivotal trial (TranStar301).
- In April 2023, we submitted the CTA of the global, randomized Phase III pivotal study (TranStar301) to China CDE and South Korea MFDS. We obtained approvals in July 2023.
- In June 2023, at American Society of Clinical Oncology (ASCO) annual meeting, we presented the updated data of osemitamab (TST001) in combination with CAPOX as the 1L treatment of advanced G/GEJ cancer (cohort C from TranStar102). The data showed progression free survival (PFS) of 9.5 months and duration of response (DoR) of 9.9 months from all dose groups. We also presented a Trial-in-Progress of TranStar101, the ongoing Phase I/IIa trial in the U.S that explores the combination of osemitamab (TST001) in combination with nivolumab, and osemitamab (TST001) in combination with nivolumab and mFOLFOX6 in G/GEJ cancer.
- In June 2023, at European Society for Medical Oncology Gastrointestinal Congress (ESMO GI), we presented the details of PFS data by Claudin18.2 expression level (all doses) from cohort C of TranStar102 where osemitamab (TST001) was tested in combination with CAPOX as the 1L treatment of advanced G/GEJ cancer in a group of Claudin18.2 positive patients representing more than 55% of all G/GEJ adenocarcinomas. These data will be used to support the upcoming global Phase III pivotal trial (TranStar301).
- In July 2023, we received approvals from China CDE and South Korea MFDS to initiate TranStar301 global Phase III pivotal trial of osemitamab (TST001) in combination with nivolumab and chemotherapy for the 1L treatment of patients with Claudin18.2 expressing locally advanced or metastatic G/GEJ cancer.

Business Highlights

- In September 2023, we had a productive EOP2 (End of Phase II) meeting with FDA where we shared our clinical and clinical pharmacology data as well as our Phase III trial plan. Following this FDA consultation, the Company is ready to proceed with TranStar301 global Phase III pivotal trial of osemitamab (TST001) in combination with nivolumab and chemotherapy as first-line treatment in patients with Claudin 18.2 expressing locally advanced or metastatic gastric or gastroesophageal (G/GEJ) adenocarcinoma. This milestone marks a crucial advancement in the progression of osemitamab (TST001) toward becoming a global therapy that elevates the current standard of care for Claudin 18.2 expressing metastatic gastric or gastroesophageal (G/GEJ) adenocarcinoma. By specifically targeting Claudin 18.2 and combining it with nivolumab and chemotherapy, Osemitamab (TST001) is poised to reshape the treatment paradigm for G/GEJ cancer.
- In October 2023, we presented the updated efficacy data from the expansion cohort C of the TranStar102 for osemitamab (TST001) plus CAPOX chemotherapy as the first-line treatment of advanced G/GEJ Cancer at the ESMO Congress 2023 in Madrid, Spain. The data revealed a confirmed objective response rate (ORR) of 55% in all patients with measurable disease, median duration of response (DoR) of 12.7 months and median progression-free survival (PFS) of 14.0 months for patients treated with 6mg/kg Q3W in the expansion cohort C. Two additional posters were presented. One was about the preclinical data supporting the triple combination of osemitamab (TST001), anti-PD1/PD-L1 antibodies and chemotherapy over osemitamab (TST001) and chemotherapy or anti-PD1/PD-L1 antibodies and chemotherapy in PD-L1 positive or PD-L1 negative tumors. The other detailed the clinical pharmacology explorations supporting the recommended Phase III dose.
- In December 2023, the preclinical anti-tumor efficacy and safety results of [^{177}Lu]Lu-TST001 were published on the European Journal of Nuclear Medicine and Molecular Imaging (EJNMMI). This research was conducted by the Company in collaboration with the team of Professor Hua Zhu from Beijing Cancer Hospital.

CDX PROGRESS FOR OSEMITAMAB (TST001)

- Claudin18.2 GMP CDx kit assay has been optimized and the GMP kit manufacturing has been produced and shipped to central labs to support the global Phase III trial (TranStar301).

Blosozumab (TST002, A Humanized Sclerostin mAb for Osteoporosis)

- In January 2023, we completed blosozumab (TST002) Single Ascending Dose (SAD) study in China (NCT05391776) and successfully enrolled 32 patients in total.
- In March 2023, we filed the supplementary application to the current China IND of blosozumab (TST002) for a Phase II multiple ascending dose study.

Business Highlights

- In May 2023, we completed the database lock and data unblinding of the Phase I study (NCT05391776) of single dose of blosozumab (TST002) in Chinese postmenopausal women and elder men with reduced BMD. We presented the preliminary result at the 2023 annual meeting of Chinese Society of Osteoporosis and Bone Mineral Research (CSOBMR). Safety, bone formation and resorption markers and BMD data were collected from 32 patients treated with a single dose of blosozumab (TST002) and followed for 85 days. After a single dose of blosozumab (TST002) up to 1200 mg, the average increase of lumbar spine BMD at day 85 (D85) ranged from 3.52% to 6.20% and total hip BMD from 1.30% to 2.24% across dose cohorts. The lumbar spine BMD increase exceeded the least significant difference level (2.77%) and was clinically meaningful. The BMD increase was associated with the dose-dependent increase in bone formation markers and the reduction in bone resorption markers – consistent with the dual mechanism of action of increasing osteoblast mediated bone formation and inhibiting osteoclast mediated bone resorption. The encouraging BMD increases in femoral neck BMD were also observed. These results are comparable with those observed in blosozumab (TST002) single ascending dose study in Japanese subjects at similar dose levels, and support our plan to initiate a Phase II clinical study in Chinese postmenopausal osteoporosis patients with multiple doses once every two or three months.
- In July 2023, we received approval from CDE to initiate Phase II clinical trial.

TST003 (A First-in-Class Humanized Anti-GREMLIN-1 Antibody)

- In January 2023, we received IND clearance from CDE of China's National Medical Products Administration (NMPA) for TST003.
- In March 2023, we dosed our first patient in TST003 First-in-Human (FIH) study in the U.S.(NCT05731271).
- In April 2023, we presented a poster for the preclinical study results of TST003 at the American Association for Cancer Research (AACR) Annual Meeting 2023. Preclinical characterization results provided the rationale for on-going clinical evaluation of TST003 in patients with advanced solid tumors of high unmet medical needs either as monotherapy or in combination with SoC, in particular micro-satellite stable colorectal cancer (MSS CRC) and castration resistant prostate cancer (CRPC).
- In October 2023, we expanded our clinical trial and dosed first patient in China.
- In November 2023, we completed the third dose escalation cohort for TST003.

TST005 (A PD-L1/TGF-β Bi-functional Protein for Solid Tumors)

- The dose escalation study has been completed. The encouraging results of the study were reported at ASCO in June 2023. TST005 demonstrated a favourable safety profile with encouraging efficacy signals. Five heavily pre-treated patients had durable stable disease for more than six months, including two who had failed prior anti-PD-1 treatments. The PK/PD data showed favourable profiles with dose dependent exposure, and complete reduction of serum TGFβ-1 levels at all doses and saturated PD-L1 receptor occupancy maintained over the dosing interval at high doses.

Business Highlights

RESEARCH/EARLY DEVELOPMENT UPDATE

TST010 (T Regulatory Cell Depleting mAb to Target Immune Checkpoint Inhibitor Resistance)

- In April 2023, we presented a poster for the preclinical study results of TST010 at the American Association for Cancer Research (AACR) Annual Meeting 2023. Preclinical studies in mouse syngeneic tumor models demonstrated that TST010 had a good potential to induce effective anti-tumor immune responses in TME and tumor growth inhibition especially in combination with PD-1/PD-L1 inhibitor.

TST012 (An ADC Candidate Targeting Biomarker Expressing Gastric Cancer and Other Solid Tumors)

- TST012 is an ADC candidate targeting biomarker expressing gastric cancer and other solid tumors. We have obtained the lead molecule and finished the cell line development. This targeted program will be complementary to our osemitamab (TST001) program in the first-line gastric cancer.

TST013 (An ADC Candidate Targeting a Validated Tumor Antigen)

- TST013 is a next generation ADC candidate for a validated target antigen expressed by breast cancer and other tumor types. This ADC molecule combined an in-house generated antibody with prolonged PK and site-specific conjugation of TOPI inhibitor. We have conducted in vivo pharmacology study, and showed superior anti-tumor growth with significantly improved therapeutic window in mouse model of breast cancer.

TST801 (A Bifunctional Fusion Protein for Autoimmune Diseases)

- TST801 is a first-in-class bifunctional fusion protein targeting receptors involved in regulating B cell activation and differentiation and is designed for the treatment of systemic lupus erythematosus (SLE), a disease with high unmet medical needs and high prevalence globally. We have obtained the lead molecule and finished the cell line development and are ready to initiate IND-enabling studies.

BUSINESS DEVELOPMENT ACHIEVEMENTS

Osemitamab (TST001, A Humanized ADCC Enhanced Claudin18.2 mAb for Solid Tumors)

- We have continued the clinical trial collaboration with BMS, completed enrollment of 82 patients in China with osemitamab (TST001), nivolumab and chemotherapy in TranStar102 and 18 patients in TranStar101 in the U.S.
- We have continued the collaboration with a global companion diagnostic (CDx) development partner for our Claudin18.2 specific IHC CDx Assay.
- We have engaged multiple parties for global partnership discussions.

Business Highlights

CMC&CDMO UPDATES

CMC deliverables

- In support of osemitamab (TST001) late-stage and commercial manufacturing, we completed the tech transfer of hybrid continuous downstream process leveraging Mobius MCC (Multi-Column Chromatography) and Combo technology, industry-first automated and single-use flow-through polishing continuous downstream technology, co-developed with Merck KGaA, to manufacturing, and successfully completed full production scale pre-Process Performance Qualification (PPQ) GMP run.
- We have demonstrated significant productivity improvement for late stage manufacturing process for blosozumab (TST002) using intensified fed-batch and perfusion processes (up to 10X productivity). This will help drive down cost of goods once implemented in commercial manufacturing.
- We have supported all early clinical stage and pre-IND stage programs and ensured supplies.

Platform and technology development

- We have continued to invest in our HiCB platform technology to increase our competitive edge. Implementing HiCB in biomanufacturing enables us to expedite speed to clinic/market, mitigate manufacturing risks, ensure drug supply, maintain consistent high product quality, and significantly lower the cost of goods.
- We have completed the testing of the MCC system and the Combo system, developed robust bioburden control strategy and fully mitigated technical and operational risks for GMP operation.
- We have set up infrastructure and capability to develop ADC products and lyophilized drug products to expand support of internal and external programs.
- We continued to make significant productivity improvements to our in-house medium for both fed-batch and perfusion processes and is actively seeking commercial partner(s) to market and sell, as well as in-licensing, our cell culture media under the brand name ExcelPro.

CDMO business

- In 2023, we expanded the breath of our CDMO services, now including CHO cell culture media development and optimization, siRNA DP formulation development and manufacturing, protein lyophilization development, and ADC CMC development.

Management Discussion and Analysis

OVERVIEW

We are a clinical stage biopharmaceutical company with fully integrated capacities in discovery, research, development, and manufacturing. With the commitment of an experienced and fully functional team with extensive global clinical research and development capabilities located both in China and the U.S., we continue to drive our launches and innovation with expected breakthrough potential in a variety of modalities including oncology, osteoporosis, kidney disease and autoimmune disease.

We adopt a multi-regional development strategy with an aim to forge a global commercial pathway for our products. In particular, we have obtained the U.S. FDA, China CDE and South Korea MFDS approvals for initiating a global Phase III trial for osemitamab (TST001) in combination with nivolumab and chemotherapy as the 1L treatment for Claudin18.2 expressing locally advanced or metastatic G/GEJ adenocarcinomas. A proprietary Claudin18.2 companion diagnostic assay has also been developed to support the patient selection for the pivotal trial.

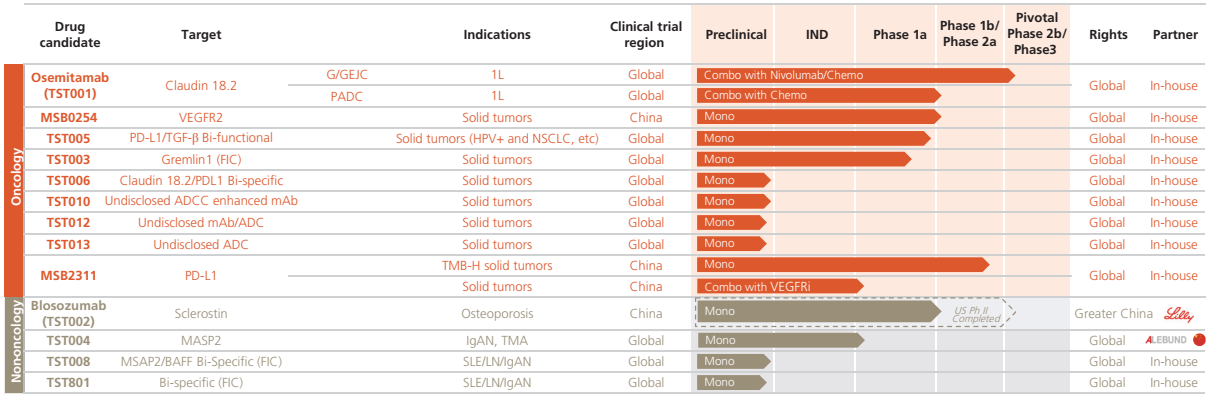
Our proprietary antibody discovery platform empowers us to discover best-in-class or first-in-class agents while our fully integrated CMC capabilities enable the efficient progression of these agents from discovery to the patients and eventually to the marketplace. By leveraging the advanced translational science platform, we are able to advance our discovery pipeline into development for clinical applications with precision. The HiCB manufacturing platform technology enables us to deliver high quality products to patients at substantially reduced cost. In addition, we are also leveraging our fully comprehensive CMC capabilities to provide high quality CDMO services to generate revenue to support the sustainability of our operations.

Moreover, with the global rights and commercial potential of our pipeline, we continue to execute our global strategy by establishing partnerships with global and local biopharmaceutical companies as well as academic research institutions.

Management Discussion and Analysis

Our Product Pipeline

We have established a diversified and differentiated pipeline of 13 molecules in oncology, bone disorders and nephrology. Most of antibody candidates were generated in-house by our antibody discovery platform covering validated, partially validated, and novel biological pathways, whereas one pipeline candidate was acquired through in-licensing. The following chart summarizes the drug candidates that are currently under development globally across various therapeutic areas as of the date of this report:



Source: Company

Abbreviations: PD-L1=Programmed death-ligand 1; VEGFR2=Vascular endothelial growth factor receptor 2; TGFβ=Transforming growth factor beta; MASP2=Mannan-binding lectin serine protease 2; IND=Investigational new drug; FIC=First-in-class; HPV=Epstein-Barr Virus; BMP Antagonist=Bone morphogenetic protein Antagonist; TACI=transmembrane activator and CAML interactor; CAML=calcium-modulator and cyclophilin ligand; NSCLC=Non-small cell lung cancer; SLE=Systemic lupus erythematosus; TMA=Thrombotic microangiopathy; IgA nephropathy=Immunoglobulin A nephropathy; Combo=Combination; Chemo=Chemotherapy; VEGFR2=Vascular endothelial growth factor receptor 2 inhibitor

(1) Solid tumors in the "Indications" column include all tumor types other than hematologic malignancies. The particular tumor types as indications for each product depends on the mechanism of action of the corresponding drug candidate and emerging or established pre-clinical/clinical evidence. See the subsections headed "Clinical Development Plan" for each of our drug candidates in "Business" section of the Prospectus for the specific tumor types targeted for clinical development.

(2) Global in the "Clinical trial region" column represents Asia (including China), United States, European Union and Oceania.

Management Discussion and Analysis

BUSINESS REVIEW

We are proud to have developed three best-in-class molecules and three first-in-class molecules that address serious unmet medical needs for patients. During 2023, we have made significant progress with our pipeline assets in both oncology and non-oncology therapeutic areas and achieved multiple clinical and preclinical milestones that are listed as follows:

Oncology Program

Our oncology pipeline includes multiple innovative and differentiated biologic molecules targeting major cancer pathways. Several drug candidates, including osemitamab (TST001), MSB0254, TST003, TST005, TST006, TST010, TST012 and TST013, are designed to achieve anti-tumor activities with different mechanisms that are potentially synergistic with each other for indications with high unmet medical needs. Our key oncology candidates include:

- Osemitamab (TST001), our lead asset, is a potential best-in-class and differentiated antibody targeting Claudin18.2, a validated tumor associated antigen in several solid tumors, including but not limited to gastric and gastroesophageal cancer. Approvals to launch a global Phase III registration trial (TranStar301) to develop osemitamab (TST001) in combination with nivolumab and chemotherapy as the 1L treatment for Claudin18.2 expressing G/GEJ adenocarcinomas have been received from U.S. FDA, China CDE and South Korea MFDS. Consultations with regulatory bodies in other regions have been conducted in 2023. Further explorations include other Claudin18.2 expressing tumors in addition to G/GEJ cancer.
- MSB0254 is a high affinity humanized antibody against VEGFR2, with an anti-tumor mechanism of action by inhibiting/normalizing tumor angiogenesis. Phase I study of MSB0254 has been completed and RP2D dose has been determined.
- TST003 is a first-in-class humanized antibody targeting GREMLIN-1. It is currently tested in a global FIH trial.
- TST005 is a bifunctional fusion protein targeting both PD-1/PD-L1 and TGF-β pathways, the latter being a key MOA for PD-1/PD-L1 resistance. TST005 global Phase I study has been completed in 2023.
- TST006 is a bispecific Claudin18.2-PD-L1 antibody which is currently in preclinical stage.
- TST010 is a newly nominated preclinical antibody candidate at preclinical stage, targeting regulatory T cells to enhance T cell mediated tumor killing.
- TST012 is an ADC candidate at preclinical stage targeting biomarker expressing gastric cancer and other solid tumors.
- TST013 is an ADC candidate at preclinical stage with potential targeting both HR+/HER2-breast cancer, triple negative breast cancer and other tumor types.

Our broad portfolio also offers opportunities to cover additional unmet medical needs through combinations: for example, TST005, MSB0254, TST003 and TST010 are highly synergistic with osemitamab (TST001) allowing to enhance our Claudin18.2 franchise through proprietary combinations with osemitamab (TST001); TST003 and MSB0254 combinations have the potential to offer new therapeutic alternatives for various solid tumors.

Management Discussion and Analysis

Osemitamab (TST001) (A Humanized ADCC-enhanced anti-Claudin18.2 mAb for Solid Tumors)

Osemitamab (TST001), our lead asset, is a potential best-in-class and ADCC enhanced humanized antibody specifically targeting Claudin18.2 with high-affinity. Claudin18.2 is overexpressed in multiple tumor types, including gastric/gastroesophageal junction cancer, pancreatic cancer and non-small cell lung cancer. Our strategy is to lead the next wave of innovation by developing osemitamab (TST001) combination with checkpoint inhibitor (i.e., nivolumab) and chemotherapy, delivering more effective treatment to patients with Claudin18.2 expressing G/GEJ cancer.

The combination of Claudin18.2 targeting antibody with chemotherapy has been validated recently by zolbetuximab as an effective treatment option for the 1L patients with Claudin18.2 expressing G/GEJ cancer in two Phase III trials. Zolbetuximab benefits around 38% of all G/GEJ cancer, based on their Claudin18.2 expression levels. Osemitamab (TST001) is the second generation Claudin18.2 targeting antibody designed to have more potent anti-tumor activities than zolbetuximab. It is a humanized antibody with higher affinity and enhanced ADCC (antibody-dependent cellular cytotoxicity) which accounts for the direct killing of cancer cells via anti-Claudin18.2 antibody. Our preliminary clinical data indicates that osemitamab (TST001) has the potential to benefit a broader patient population of at least 55% of all cases. Our strategy is to lead the next wave of innovation by developing osemitamab (TST001) in combination with checkpoint inhibitor (i.e., nivolumab) and chemotherapy, delivering more effective treatment to patients with Claudin18.2 expressing G/GEJ cancer.

During the year of 2023, we have obtained encouraging data from Phase II studies and after interactions with U.S. FDA, China CDE and South Korea MFDS, are proceeding to launch a global Phase III registration trial (TranStar301) to develop osemitamab (TST001) in combination with nivolumab and chemotherapy as the 1L treatment for Claudin18.2 expressing G/GEJ adenocarcinomas. We anticipate submitting pivotal trial declarations with EMA, Japan PMDA and other regions of the world in 2024.

We have made significant progress in 2023 in advancing the clinical development for osemitamab (TST001), which includes:

Recent Product Developments and Milestones

- In January 2023, we presented the design of Phase I/II studies (TranStar102) of osemitamab (TST001) in combination with nivolumab plus CAPOX in 1L or with nivolumab in late-line treatment in locally advanced and metastatic G/GEJ cancer at American Society of Clinical Oncology (ASCO) GI 2023.
- In March 2023, in collaboration with leading researchers at Beijing Cancer Hospital and other institutes, we published the study results of Claudin18.2-targeting Immuno-PET probe [^{89}Zr]Zr-DFO-TST001 for non-invasive imaging in gastrointestinal tumors on Journal of Pharmaceutical Analysis.
- In March 2023, we received orphan drug designation from FDA for the treatment of patients with pancreatic cancer for osemitamab (TST001).
- In April 2023, we completed the enrollment of Claudin18.2 expressing first-line advanced G/GEJ cancer patients in cohorts C (osemitamab (TST001) in combination with CAPOX) and G (osemitamab (TST001) in combination with nivolumab and CAPOX) for the China Phase I/II study (TranStar102, NCT04495296). Together with the data from the U.S. study TranStar101, both cohort C and cohorts G results will be used to support the upcoming global Phase III pivotal trial (TranStar301).
- In April 2023, we submitted the CTA of the global, randomized Phase III pivotal study (TranStar301) to China CDE and South Korea MFDS. We obtained approvals in July 2023.

Management Discussion and Analysis

- In June 2023, at American Society of Clinical Oncology (ASCO) annual meeting, we presented the updated data of osemitamab (TST001) in combination with CAPOX as the 1L treatment of advanced G/GEJ cancer (cohort C from TranStar102). The data showed progression free survival (PFS) of 9.5 months and duration of response (DoR) of 9.9 months from all dose groups. We also presented a Trial-in-Progress of TranStar101, the ongoing Phase I/IIa trial in the U.S. that explores the combination of osemitamab (TST001) in combination with nivolumab, and osemitamab (TST001) in combination with nivolumab and mFOLFOX6 in G/GEJ cancer.
- In June 2023, at European Society for Medical Oncology Gastrointestinal Congress (ESMO GI), we presented the details of PFS data by Claudin18.2 expression level (all doses) from cohort C of TranStar102 where osemitamab (TST001) was tested in combination with CAPOX as the 1L treatment of advanced G/GEJ cancer in a group of Claudin18.2 positive patients representing more than 55% of all G/GEJ adenocarcinomas. These data will be used to support the upcoming global Phase III pivotal trial (TranStar301).
- In July 2023, we received approvals from China CDE and South Korea MFDS to initiate TranStar301 global Phase III pivotal trial of osemitamab (TST001) in combination with nivolumab and chemotherapy for the 1L treatment of patients with Claudin18.2 expressing locally advanced or metastatic G/GEJ cancer.
- In September 2023, we had a productive EOP2 meeting with FDA where we shared our clinical and clinical pharmacology data as well as our Phase III plans. Following this consultation, the Company is ready to proceed with TranStar301 global Phase III pivotal trial of osemitamab (TST001) in combination with nivolumab and chemotherapy as first-line treatment in patients with Claudin18.2 expressing locally advanced or metastatic gastric or gastroesophageal (G/GEJ) adenocarcinoma. This milestone marks a crucial advancement in the progression of osemitamab (TST001) toward becoming a global therapy that elevates the current standard of care for Claudin18.2 metastatic gastric or gastroesophageal (G/GEJ) adenocarcinoma. By specifically targeting Claudin18.2 and combining it with nivolumab and chemotherapy, Osemitamab (TST001) is poised to reshape the treatment paradigm for G/GEJ cancer.
- In October 2023, we presented the updated efficacy data from the expansion cohort C of the TranStar102 for osemitamab (TST001) plus CAPOX chemotherapy as the first-line treatment of advanced G/GEJ Cancer at the ESMO Congress 2023 in Madrid, Spain. The data revealed a confirmed objective response rate (ORR) of 55% in all patients with measurable disease, median duration of response (DoR) of 12.7 months and median progression-free survival (PFS) of 14.0 months for patients treated with 6mg/kg Q3W in the expansion cohort C. Two additional posters were presented. One was about the preclinical data supporting the triple combination of osemitamab (TST001), anti-PD1/PD-L1 antibodies and chemotherapy over osemitamab (TST001) and chemotherapy or anti-PD1/PD-L1 antibodies and chemotherapy in PD-L1 positive or PD-L1 negative tumors. The other detailed the clinical pharmacology explorations supporting the recommended Phase III dose.
- In December 2023, the preclinical anti-tumor efficacy and safety results of [^{177}Lu]Lu-TST001 were published on the European Journal of Nuclear Medicine and Molecular Imaging (EJNMMI). This research was conducted by the Company in collaboration with the team of Professor Hua Zhu from Beijing Cancer Hospital.

Management Discussion and Analysis

CDx Progress for Osemitamab (TST001)

Recent Product Developments and Milestones

- Claudin18.2 GMP CDx kit assay has been optimized and the GMP kit manufacturing has been produced and shipped to central labs to support the global Phase III trial (TranStar301).

TST003 (A First-in-Class Humanized Anti-GREMLIN-1 Antibody)

TST003 is a first-in-class and high affinity humanized monoclonal antibody targeting GREMLIN-1, a regulatory protein that is highly expressed by stromal cells and tumor cells in diverse human carcinomas, especially in colon cancer, prostate cancer, gastric cancer, lung cancer, esophageal cancer, pancreatic cancer, and breast cancer.

Recent Product Developments and Milestones

- In January 2023, we received IND clearance from CDE of China's National Medical Products Administration (NMPA) for TST003.
- In March 2023, we dosed our first patient in TST003 First-in-Human (FIH) study in the U.S (NCT05731271).
- In April 2023, we presented a poster for the preclinical study results of TST003 at the American Association for Cancer Research (AACR) Annual Meeting 2023. Preclinical characterization results provided the rationale for on-going clinical evaluation of TST003 in patients with advanced solid tumors of high unmet medical needs either as monotherapy or in combination with SoC, in particular micro-satellite stable colorectal cancer (MSS CRC) and castration resistant prostate cancer (CRPC).
- In October 2023, we expanded our clinical trial and dosed first patient in China.
- In November 2023, we completed the third dose escalation cohort for TST003.

TST005 (A PD-L1/TGF-β Bi-functional Protein for Solid Tumors)

TST005 is a bi-functional fusion protein designed to simultaneously target two immunosuppressive pathways, transforming growth factor-β (TGF-β) and programmed cell death ligand-1 (PD-L1), that are commonly used by cancer cells to evade the immune system. TST005 global Phase I study has been completed in 2023.

Recent Product Developments and Milestones

- The dose escalation study has been completed. The encouraging results of the study were reported at ASCO in June 2023. TST005 demonstrated a favourable safety profile with encouraging efficacy signals. Five heavily pre-treated patients had durable stable disease for more than six months, including two who had failed prior anti-PD-1 treatments. The PK/PD data showed favourable profiles with dose dependent exposure, and complete reduction of serum TGFβ-1 levels at all doses and saturated PD-L1 receptor occupancy maintained over the dosing interval at high doses.

Management Discussion and Analysis

MSB0254 (A Humanized VEGFR2 mAb for Solid Tumors)

MSB0254 is a high affinity humanized antibody against VEGFR2, with an anti-tumor mechanism of action by inhibiting tumor angiogenesis. MSB0254 has been generated using the Company's in-house antibody discovery platform. VEGFR-2 is overexpressed in neovascular tumor endothelial cells in many tumors in comparison to normal endothelial cells. VEGFR-2 pathway controls vascular permeability, survival and migration of the vascular endothelial cells. VEGFR-2 inhibitors have been shown to be able to inhibit tumor-induced angiogenesis and effectively block tumor growth, and thus may have a potential therapeutic role in multiple tumor types. We have completed the Phase I dose escalation study and determined RP2D dose.

TST010 (T regulatory Cell Depleting mAb to Target Immune Checkpoint Inhibitor Resistance)

TST010 is an ADCC enhanced monoclonal antibody designed for depleting Tumor-infiltrating regulatory T cells (Tregs). Tregs' presence was reported to correlate with tumor progression and a worsening prognosis in many cancers. As at the date of this report, it is at preclinical stage.

Recent Product Developments and Milestones

- In April 2023, we presented a poster for the preclinical study results of TST010 at the American Association for Cancer Research (AACR) Annual Meeting 2023. Preclinical studies in mouse syngeneic tumor models demonstrated that TST010 had a good potential to induce effective anti-tumor immune responses in TME and tumor growth inhibition especially in combination with PD-1/PD-L1 inhibitor.

TST006 (A Bispecific Claudin18.2-PD-L1 Antibody)

TST006 is a bi-specific antibody targeting Claudin18.2 and PD-L1, which has the potential for the treatment of Claudin18.2-expressing cancer patients, gastric cancer patients, pancreatic cancer patients and others. As at the date of this report, it is at preclinical stage.

TST012 (An ADC Candidate Targeting Biomarker Expressing Gastric Cancer and Other Solid Tumors)

TST012 is an ADC candidate targeting biomarker expressing gastric cancer and other solid tumors. We have obtained the lead molecule and finished the cell line development. This targeted program will be complementary to our osemitamab (TST001) program in the first-line gastric cancer. As at the date of this report, it is at preclinical stage.

TST013 (An ADC Candidate Targeting a Validated Tumor Antigen)

TST013 is an ADC candidate with potential targeting both HR+/HER2-breast cancer, triple negative breast cancer and other tumor types. As at the date of this report, it is at preclinical stage. In 2023, we have obtained the ADC molecule and have conducted in vivo pharmacology study, and showed superior anti-tumor growth with significantly improved therapeutic window in mouse model of breast cancer.

MSB2311 (A Humanized PD-L1 mAb for Solid Tumors)

MSB2311, is a second-generation PD-L1 inhibitor with unique pH dependent PD-L1 binding property, an important differentiation from other PD-(L)1 antibodies. Please refer to the "Reasons for the Change in Use of Net Proceeds" in our 2022 annual results announcement for further details.

Management Discussion and Analysis

Non-oncology Program

Our highly differentiated non-oncology pipelines target bone and kidney diseases (blosozumab (TST002), TST004, and TST008, TST801) that have large patient population and high unmet medical needs. We have focused on indication expansion with huge market potentials and aim to form partnerships to accelerate product development.

We have been developing blosozumab (TST002), a Phase II stage agent targeting bone disorders as a lead asset. To further expand our current pipeline in autoimmune diseases, we are developing TST801, a first-in-class bi-functional antibody. This molecule also has the potential for the treatment of IgA nephropathy and other autoimmune diseases, such as SLE, a progressive disease affecting over three million people worldwide with early onset (age 18-44) and limited treatment options to slow down or stop the organ damages caused by the disease.

Blosozumab (TST002) (A Humanized Sclerostin mAb for Osteoporosis)

Blosozumab (TST002), one of our key products, is a humanized monoclonal antibody with neutralizing activity against sclerostin for which we in-licensed the Great China rights from Eli Lilly. Eli Lilly has completed Phase II trial with blosozumab (TST002) in postmenopausal women in the United States and Japan. The data has shown that blosozumab (TST002) can induce significant dose-dependent increases in spine, femoral neck, and total hip bone mineral density (BMD) as compared with placebo. In these studies, in the highest dose group, blosozumab (TST002) treatment increased mean BMD by 17.7% at the spine, and 6.2% at the total hip from baseline after 12 months.

Recent Product Developments and Milestones

- In January 2023, we completed blosozumab (TST002) Single Ascending Dose (SAD) study in China (NCT05391776) and successfully enrolled 32 patients in total.
- In March 2023, we filed the supplementary application to the current China IND of blosozumab (TST002) for a Phase II multiple ascending dose study.
- In May 2023, we completed the database lock and data unblinding of the Phase I study (NCT05391776) of single dose of blosozumab (TST002) in Chinese postmenopausal women and elder men with reduced BMD. We presented the preliminary result at the 2023 annual meeting of Chinese Society of Osteoporosis and Bone Mineral Research (CSOBMR). Safety, bone formation and resorption markers and BMD data were collected from 32 patients treated with a single dose of blosozumab (TST002) and followed for 85 days. After a single dose of blosozumab (TST002) up to 1200 mg, the average increase of lumbar spine BMD at day 85 (D85) ranged from 3.52% to 6.20% and total hip BMD from 1.30% to 2.24% across dose cohorts. The BMD increase of lumbar spine exceeded the least significant difference (2.77%) and was clinically meaningful. The BMD increase was associated with the dose-dependent increase in bone formation markers and the reduction in bone resorption markers – consistent with the dual mechanism of action of increasing osteoblast mediated bone formation and inhibiting osteoclast mediated bone resorption. The encouraging BMD increases in femoral neck BMD were also observed. These results are comparable with that those observed in blosozumab (TST002) single ascending dose study in Japanese subjects at similar dose levels, and support our plan to initiate a Phase II clinical study in Chinese postmenopausal osteoporosis patients with multiple doses once every two or three months.
- In July 2023, we received approval from CDE to initiate Phase II clinical trial.

Management Discussion and Analysis

TST004 (A Humanized MASP-2 mAb Candidate for Complement Mediated Diseases)

TST004, one of our key products, is a humanized mAb targeting mannan-binding lectin serine protease 2 (MASP2) designed to prevent inflammation and tissue damage mediated by lectin pathway complement activation. It can be potentially applied to multiple MASP2-dependent complement mediated diseases, including IgAN, a highly prevalent chronic kidney disease globally. As at the date of this report, it is at the Phase I stage.

TST008 (A Bi-Functional Antibody for MASP-2 and BAFF for Autoimmune Diseases)

TST008 is a first-in-class bispecific antibody combining MASP2 antibody with another molecule blocking B-cell activation and/or differentiation. As at the date of this report, it is at preclinical stage.

TST801 (A Bifunctional Fusion Protein for Autoimmune Diseases)

TST801 is a first-in-class bifunctional fusion protein targeting receptors involved in regulating B cell activation and differentiation and is designed for the treatment of SLE, a disease with high unmet medical needs and high prevalence globally. We have obtained the lead molecule and finished the cell line development and the process development, ready for IND-enabling studies. As at the date of this report, it is at preclinical stage.

Cautionary Statement required by Rule 18A.08(3) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"): The Company cannot guarantee that it will be able to develop, or ultimately market, any of the above drug candidates successfully. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

Research and Early Development Efforts

We are dedicated to the discovery and development of differentiated and competitive biologics, targeting to shape an innovative and risk-balanced drug pipeline covering both oncology and non-oncology disease areas. We have expanded our discovery pipeline with two new IND-approved programs, one of which started the First-in-Human (FIH) study in 2023. Furthermore, we progressed two early-stage programs with intention to be developed as ADCC enhanced antibody or antibody drug conjugates (ADC). We have also progressed another early-stage program of a first-in-class bifunctional fusion protein for the treatment of SLE to the IND-enabling study stage. We are expanding two new non-oncology targets to B cell and/or complement pathways for autoimmune diseases in our early discovery pipeline.

Strategic Partnership to Advance Pipeline

Partnerships and collaborations are the key for maximizing the clinical and commercial potential of our assets. With the help of our differentiated or first-in-class molecules, we have established partnerships with BMS for clinical trial collaboration of osemitamab (TST001), Eli Lilly & Company for in-licensing blosozumab (TST002) rights in Greater China, Alebund Pharmaceuticals for developing TST004 in China. Additionally, we have established multiple research collaborations with prominent academic institutions including Dana Farber Cancer Institute and John Hopkins University, and industry players around the world, including 5 different ADC platform companies and a technology collaboration with Merck KGaA for continuous downstream processing.

Management Discussion and Analysis

Details of our existing partnerships are shown below.

Osemitamab (TST001)

We aim to develop osemitamab (TST001) as the cornerstone of the future new treatment paradigm in Claudin18.2 expressing solid tumors including gastric or gastroesophageal junction cancer (G/GEJC), pancreatic cancer (PDAC), and non-small cell lung cancer (NSCLC).

In 2022, we established a global clinical trial collaboration with BMS to evaluate the combination of osemitamab (TST001) with BMS Opdivo® (nivolumab), an anti-PD-1 therapy, for the treatment of patients with unresectable locally advanced or metastatic Claudin18.2 expressing G/GEJ cancer.

We have been discussing with multiple MNCs and other strategic collaborators on the potential global collaboration of osemitamab (TST001) for Claudin18.2 positive gastric cancer and other solid tumors. The combination of Claudin18.2 targeting antibody with chemotherapy has been validated recently by zolbetuximab as an effective treatment option for the 1L patients with Claudin18.2 expressing G/GEJ cancer in two Phase III trials. Zolbetuximab benefits around 38% of all G/GEJ cancer, based on their Claudin18.2 expression levels. Osemitamab (TST001) is the second generation Claudin18.2 targeting antibody designed to have more potent anti-tumor activities than zolbetuximab. It is a humanized antibody with higher affinity and enhanced ADCC (antibody-dependent cellular cytotoxicity) which accounts for the direct killing of cancer cells via anti-Claudin18.2 antibody. Our preliminary clinical data indicate that osemitamab (TST001) has the potential to benefit a broader patient population of at least 55% of all cases. Our strategy is to lead the next wave of innovation by developing osemitamab (TST001) combination with checkpoint inhibitor (i.e., nivolumab) and chemotherapy, delivering more effective treatment to patients with Claudin18.2 expressing G/GEJ cancer.

We have continued the collaboration with a global CDx development partner for our Claudin18.2 specific CDx Assay, which is ready to support our upcoming Phase III study (TranStar301).

Blosozumab (TST002)

In 2019, we entered into an exclusive and royalty bearing license agreement with Eli Lilly for LY-2541546 (blosozumab), LY-3108653 and LY-2950913 (each a "Licensed Compound"). We gained exclusive rights to develop, use or commercialize and manufacture the Licensed Compound in Greater China regions including the PRC, Hong Kong, Macau and Taiwan.

We completed technology transfer, established manufacturing process for blosozumab (TST002), and GMP production for clinical use and all the additional preclinical studies required for blosozumab (TST002) IND application in China. We received IND Clearance from CDE in 2021.

We have been actively discussing with multiple domestic pharmaceutical companies for the potential collaboration on the development and commercialization of blosozumab (TST002) in Greater China.

TST004

We collaborate with Shanghai Alebund Pharmaceuticals Limited ("Alebund Pharmaceuticals") after establishing an equity joint venture registered under the law of PRC in 2020 to carry out pre-clinical research and conduct clinical trials in Greater China region. Currently, we have completed GMP material productions, in vitro/in vivo product characterization studies, non-GLP tox studies, GLP tox studies and pharmacology studies.

We have obtained IND clearance from FDA.

Management Discussion and Analysis

Multiple companies including MNCs and biotech have reached out to us for potential collaboration on TST004. Partnering processes are ongoing.

TST003

We have been approached by multiple MNCs and are in the process of potential partnership discussion on both oncology and non-oncology applications.

Translational Research Collaborations

We also entered multiple research collaborations with prominent academic institutions around the world, including the Dana-Farber Cancer Institute of Harvard Medical School, John Hopkins University, Beijing Cancer Hospital, Shanghai Pulmonary Hospital, Zhongshan Hospital, Zhongshan University, and Shanghai Jiao Tong University. The research collaborations covered osemitamab (TST001), TST003 and TST005. We also established strategic collaborations with multiple technology platform companies to explore different modalities for innovative targets, including multiple ADC platforms. These research collaborations further enhanced our global leading position in Claudin18.2 targeted combination therapies and strengthened our oncology programs.

CMC Deliverables

- In support of osemitamab (TST001) late-stage development and eventual registration filing, we have completed commercial process characterization and are actively developing a robust process control strategy.
- In support of late-stage development for blosozumab (TST002), our team has explored different strategies to significant increase productivity and lower cost.
- Since the beginning of the operation of our facility, we have successfully completed 58 GMP DS lots and 61 GMP DP lots at industry-top success rate. These are in support of our internal pipeline as well as our global CDMO clients.

Technology Partnership & Advancement

We have formed strategic alliance with ApexTide, a company specialized in siRNA drug substance synthesis, to provide CDMO services in siRNA formulation development and F&F.

We have signed collaboration agreement with Tofflon (Shenzhen Stock Exchange Stock Code: SZ 300171) for marketing and sales of HJB's ExcelPro media.

Management Discussion and Analysis

Platform and Technology Development Advancement

We have made significant investment and progress in protein expression system, cell culture media development, bioprocessing technology, analytical technology, and expanding our capabilities into ADC and lyophilization drug product development.

- We continued to improve our in-house cell line expression system and is on track to make it available for licensing to CDMO clients as well as for internal programs in 2024.
- We have made substantial investments in the development and optimization of in-house cell culture perfusion and fed-batch media for two new commercial as well as in-house cell line expression systems. These efforts were undertaken to support our CDMO business and to facilitate the launch of our cell culture media business.
- In support of the implementation of highly intensified downstream technologies, we have completed rigorous testing of the Merck KGaA's Mobius Multi-Column Chromatography (MCC) system and the Combo system (industry-first automated and single-use flow-through polishing continuous downstream technology) that was co-developed with Merck KGaA. Both technologies were integrated to osemitamab (TST001) manufacturing process and implemented for GMP operation. A comprehensive system sanitization procedure was also developed to ensure robust bioburden control of the long-term MCC operation.
- Incorporated new analytical technology to improve testing throughput for NR/R – CE SDS, CEX and PS80 content. Expanded analytical platform to support method development, release and stability testing of siRNA drug product.
- We have completed the establishment of our ADC development lab to support ADC programs internally and externally. In addition, part of the platform analytical methods needed in support of ADC platform were also established.
- We have set up infrastructure and capability for developing lyophilized drug product. Lab scale lyophilization equipment was IQ/OQ and test run has been completed. We have also completed staff training and lyophilization cycle development for a program. This is an important capability for supporting development of less stable molecules, as well as ADC's.

CDMO Business

- In 2023, cell culture media development and ADC CMC development services were added to our clients, and our CDMO business successfully added global new clients. With expanded service in media development, ADC development, lyophilized formulation, analytical testing, formulation studies, particle investigation and drug product fill & finish.

EVENTS AFTER THE REPORTING PERIOD

- We are continuing our clinical programs, CMC as well as CDMO efforts.
- We received term sheets for partnership discussions.

Management Discussion and Analysis

FUTURE OUTLOOK

We expect to advance multiple key pipeline molecule programs and continue to advance our first global registration trial (TranStar301) for osemitamab (TST001) and expand in other settings and indications. We also strive to establish collaboration on our leading assets such as osemitamab (TST001) and blosozumab (TST002). We also plan to further advance our CMC platform and grow our CDMO business and revenue. A detailed breakdown of expected developments for the rest of 2024 is as follows:

Clinical Developments

Osemitamab (TST001)

- We plan to continue to advance our global pivotal trial (TranStar301) of osemitamab (TST001) for 1L G/GEJ cancer patients with Claudin18.2 overexpression. We anticipate submitting pivotal trial declarations with EMA and other regions of the world including Japan.
- We plan to present clinical data from ongoing trials at medical conferences.
- We will continue exploring several Claudin18.2 expressing solid tumors other than G/GEJ cancer, as well as peri-operative G/GEJ cancers.

Blosozumab (TST002)

- We plan to present Phase I SAD study data at a medical conference.
- We plan to start the multiple ascending dose (MAD) Phase II in 2024 in China.

TST003

- We will continue the TST003 FIH trial to obtain safety, pharmacokinetic and pharmacodynamic data.
- We plan to present clinical data at several medical conferences.

TST801

- We plan to initiate IND-enabling study for TST801.

TST012

- We will select the candidate for initiating IND-enabling study for TST012.

TST013

- We will select the candidate for initiating IND-enabling study for TST013.

Potential Partnerships

- We expect that further clinical data from our lead asset osemitamab (TST001) will help advance the discussions with potential partners for global partnership of osemitamab (TST001) in Claudin18.2 expressing solid tumors including G/GEJ cancer, pancreatic cancer and NSCLC.
- We will continue partnership discussions for our clinical assets including TST003 as well as non-oncology pipeline molecules such as blosozumab (TST002), TST004, TST008 and TST801 to maximize the value of our assets.

Management Discussion and Analysis

CMC and Technology Developments

- We expect to receive feedback from FDA and CDE regarding planned TST001 process change (implementation of hybrid continuous DSP).
- We will fully develop in-house cell line expression system and be ready for out-licensing for CDMO clients as well as for internal programs.
- We plan to complete blosozumab (TST002) process intensification and optimization for pivotal manufacturing.
- We plan to make progress in CMC development for a new program for IND filing.

CDMO

- We will continue to strengthen and expand BD activities globally to increase CDMO contracts from both China and U.S. clients.
- We will increase our efforts in marketing our CDMO services overseas.
- We plan to increase our competitiveness by improving operational efficiency, reducing cost, expanding new capabilities such as drug product development for siRNA therapeutics, process development for ADC, and media development.
- We will offer more diversified and tailored service from developability assessment, cell line development, media development, process development and optimization, formulation and DP product development, analytical testing as well as integrated service package for IND and BLA filings.
- We aim to increase CDMO project using perfusion process and further establish ourselves as leader in continuous bioprocessing.

We continue to drive the progression of our pipeline and keep exploring partnerships to enhance the global development strategy. We are continuously strengthening our technology platforms to improve productivity with lower costs. Leading with our global strategy and vision, we will be able to unlock the full potential of our portfolio and drive long-term value creation.

Outlook Beyond 2024

Looking ahead, we aim to continue advancing our pipeline. Our long-term growth will be further fueled by our key product osemitamab (TST001). We are enhancing the benefits for patients and generating significant value in our product portfolio with a global vision instilled from the very beginning. Meanwhile, we will keep exploring partnerships to enhance the global development and maximize the commercial value of our pipeline assets. We will continue to develop and implement leading technology to improve manufacture productivity with high quality and lower cost.

We are driven by our vision of providing patients with differentiated and competitive biologics developed through cutting-edge technologies. Leading with our global strategy and vision, we will be able to unlock the full potential of our portfolio and create long-term value for our shareholders, customers and patients.

Management Discussion and Analysis

FINANCIAL REVIEW

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Revenue	**53,849**	101,892
Cost of sales	**(39,451)**	(82,003)
Gross profit	**14,398**	19,889
Other income	**37,312**	46,402
Other gains and losses, net	**2,363**	29,729
Research and development expenses	**(382,047)**	(349,781)
Administrative and selling expenses	**(117,397)**	(112,449)
Impairment losses under expected credit loss model	**(1,475)**	–
Share of results of a joint venture	**43**	(23,145)
Finance costs	**(16,017)**	(17,636)
Loss before tax	**(462,820)**	(406,991)
Income tax credit	**250**	246
Loss for the year	**(462,570)**	(406,745)
Other comprehensive expense for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of a foreign operation	**(3,100)**	(10,947)
Loss and total comprehensive expenses for the year	**(465,670)**	(417,692)
Non-IFRS measure[(Note1)]:		
Add: Adjusted for share-based compensation expenses	**28,328**	16,817
Adjusted loss and total comprehensive expenses for the year	**(437,342)**	(400,875)

[1] See section below headed "FINANCIAL INFORMATION – Non-IFRS Measure" for the details of the non-IFRS measure adjustments.

Management Discussion and Analysis

Selected Data from Statement of Financial Position

AS AT DECEMBER 31, 2023

	At December 31,	
	2023	2022
	RMB'000	RMB'000
	(Audited)	(Audited)
Non-current assets	**1,009,256**	1,078,070
Current assets	**684,043**	1,056,475
Total assets	**1,693,299**	2,134,545
Current liabilities	**554,292**	550,370
Non-current liabilities	**111,374**	110,275
Total liabilities	**665,666**	660,645
Net current assets	**129,751**	506,105

1. Revenue

The Group provides CDMO services and research and development services. CDMO services stands as an integrated platform to support the development of manufacturing processes and the production of advanced intermediates and active pharmaceutical ingredients and formulation development and dosage drug product manufacturing, for preclinical, clinical trials, new drug application, and commercial supply of chemical drugs as well as wide spectrum development from early to late stage. The research and development services are mainly for investigational new drug enabling studies based on customers' needs.

The Group primarily earns revenues by providing CDMO services and research and development services to its customers through fee-for-service ("FFS") contracts. Contract duration is generally a few months to two years. Under FFS method, the contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports and/or samples, each with individual selling price specified within the contract. The Group identifies each deliverable unit as a separate performance obligation, and recognizes FFS revenue of contractual elements at the point in time upon finalization, delivery and acceptance of the deliverable units.

Management Discussion and Analysis

Disaggregated revenue information:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
CDMO services	**53,849**	87,949
Research and development services	**–**	13,943
	53,849	101,892

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2023 and the expected timing of recognizing revenue are as follows:

	CDMO services	**Research and development services**
	RMB'000	RMB'000
Within one year	19,123	–
More than one year	2,652	–
	21,775	–

2. Other Income

Other income consists of bank interest income and government grants. Government grants represent 1) various subsidies granted by the PRC local government authorities to our subsidiaries as incentives for our research and development activities.The government grants were unconditional and had been approved by the PRC local government authorities, which are recognized when payments were received; and 2) amortization of subsidies received from the PRC local government authorities to subsidize the purchase of the Group's property, plant and equipment.

For the year ended December 31, 2023, other income of our Group decrease by RMB9.1 million from RMB46.4 million for the year ended December 31, 2022 to RMB37.3 million for the year ended December 31, 2023. The decrease was primarily due to the decrease in interest income we recognized during the year ended December 31, 2023.

Management Discussion and Analysis

3. Other Gains and Losses, Net

Our other net gains and losses changed from gains of RMB29.7 million for the year ended December 31, 2022 to gains of RMB2.4 million for the Reporting Period. The changes were primarily due to difference in net foreign exchange gain.

4. Research and Development Expenses

Research and development expenses primarily consist of pre-clinical expenses including testing fee and pre-clinical trial expenses, staff cost for our research and development personnel, clinical expenses including testing fee and clinical trial expenses, materials consumed for research and development of our drug candidates, depreciation and amortization expenses and others. The research and development expenses increased by 9.2% from RMB349.8 million for the year ended December 31, 2022 to RMB382.0 million for the year ended December 31, 2023, primarily due to key pipeline advancement and resource prioritization.

The following table sets forth the components of the Group's research and development expenses for the year indicated.

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Clinical expenses	**187,247**	151,179
Staff cost	**121,520**	141,560
Materials consumed	**14,487**	12,596
Depreciation and amortization expenses	**35,283**	32,201
Others	**23,510**	12,245
Total	**382,047**	349,781

Management Discussion and Analysis

5. Administrative and Selling Expenses

Our administrative expenses increased by 4.4% from RMB112.4 million for the year ended December 31, 2022 to RMB117.4 million for the year ended December 31, 2023, primarily due to the increase in personnel cost and professional services.

Our selling expenses primarily consist of personnel cost, travel, depreciation and amortization and others. Our administrative expenses consist primarily of salaries and related benefits costs for our administrative personnel, professional fees for services provided by professional institutions, depreciation and amortization expenses, office expenses for our daily operation, traveling and transportation expenses, and others.

The following table sets forth the components of the Group's selling and administrative expenses for the year indicated.

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Salaries and related benefits costs	**59,832**	51,786
Professional fees	**25,166**	21,567
Depreciation and amortization expenses	**7,697**	11,600
Office expenses	**16,036**	20,252
Traveling and transportation expenses	**3,977**	3,213
Others	**4,689**	4,031
	117,397	112,449

Management Discussion and Analysis

6. *Trade and other receivables*

	At December 31,	
	2023	2022
	RMB'000	RMB'000
Trade receivables	**38,856**	34,012
Less: Allowance for credit losses	**(1,200)**	–
Trade receivables, net of allowance for credit losses	**37,656**	34,012
Interest receivables	**2,268**	12,016
Prepayments for:		
Research and development services	**8,028**	18,719
Legal and professional services	**2,182**	2,083
Purchase of raw materials	**1,074**	2,039
	11,284	22,841
Other receivables		
Refundable rental deposits	**1,419**	1,707
Others	**460**	754
Less: Allowance for credit losses	**(275)**	–
Other receivables, net of allowance for credit losses	**1,604**	2,461
	52,812	71,330
Analyzed as:		
Non-current	**496**	1,707
Current	**52,316**	69,623
	52,812	71,330

The Group normally grants a credit period of 30-90 days or a particular period agreed with customers effective from the date when the services have been completed and accepted by customers.

Management Discussion and Analysis

7. Trade and other payables

	At December 31,	
	2023	2022
	RMB'000	RMB'000
Trade payables	**91,841**	48,154
Accrued research and development expenses	**48,628**	51,246
Other payables:		
Purchase of property, plant and equipment	**11,905**	10,520
Legal and professional fee	**1,095**	1,125
Others	**2,736**	7,351
Interest payables	**339**	576
Other tax payables	**2,127**	1,238
Accrued staff costs and benefits	**5,373**	27,022
Other accruals	**–**	1,149
	164,044	148,381

The average credit period on purchases of goods and services of the Group is 30-90 days.

OTHER COMPREHENSIVE EXPENSE

Our other comprehensive expense decreased from RMB10.9 million for year ended December 31, 2022 to RMB3.1 million for year ended December 31, 2023.

Management Discussion and Analysis

NON-IFRS MEASURE

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS, the Company also uses adjusted loss and total comprehensive expenses for the year and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS. The Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. However, the Company believes that this and other non-IFRS measures are reflections of the Group's normal operating results by eliminating potential impacts of items that the management do not consider to be indicative of the Group's operating performance, and thus facilitate comparisons of operating performance from year to year and company to company to the extent applicable.

Adjusted loss and total comprehensive expenses for the period represents the loss and total comprehensive expenses for the period excluding the effect of share-based compensation expenses. The table below sets forth a reconciliation of the loss and total comprehensive expenses to adjusted loss and total comprehensive expenses during the periods indicated:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Total comprehensive expenses for the year:	**(465,670)**	(417,692)
Add:		
Share-based compensation expenses	**28,328**	16,817
Fair value (loss)/gain of financial liabilities at FVTPL	**–**	–
Sub-total	**28,328**	16,817
Adjusted loss and total comprehensive expenses for the year	**(437,342)**	(400,875)

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

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

	Number of employees	% of total number of employees
Research and Development	108	50.23
General and Administrative	48	22.33
Manufacturing	59	27.44
Total	**215**	**100.00**

The Group believes in the importance of attraction, recruitment and retention of quality employees in achieving the Group's success. Our success depends on our ability to attract, retain and motivate qualified personnel. The number of employees employed by the Group varies from time to time depending on our needs. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational background, experience and performance. The remuneration policy and package of the Group's employees are periodically reviewed.

Our employee remuneration comprises salaries, bonuses, social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees.

The Company also has one expired share scheme with awards outstanding and one existing share scheme, namely the Pre-IPO Equity Incentive Plan and the Share Incentive Scheme, respectively. Please refer to the section headed "Appendix IV Statutory and General Information – D. Share Schemes" in the Prospectus for further details of the Pre-IPO Equity Incentive Plan and the circular published by the Company on October 16, 2022 for further details of the Share Incentive Scheme.

During the Reporting Period, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

LIQUIDITY AND FINANCIAL RESOURCES

On September 29, 2021, 40,330,000 ordinary shares of US$0.0001 par value each were issued at HK$16.00 per share for a total gross cash consideration of HK$645,280,000 (equivalent to RMB536,034,000).

As of December 31, 2023, bank balances and cash, pledged bank deposits and time deposits were RMB596.3 million, as compared to RMB993.4 million as of December 31, 2022. The decrease was mainly due to the operating cashflow out.

Management Discussion and Analysis

GEARING RATIO

The gearing ratio of the Group was calculated using interest-bearing borrowings less cash and cash equivalents divided by (deficiency of) total equity and multiplied by 100%. Since the Group maintained a net cash position as at December 31, 2023 and December 31, 2022, the gearing ratio is not applicable.

OTHER FINANCIAL INFORMATION

Significant Investments, Material Acquisitions and Disposals

The Group did not make any significant investments (including any investment in an investee company with a value of five percent or more of the Group's total assets as at December 31, 2023) during the Reporting Period. The Group did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures for the year ended December 31, 2023.

Foreign Exchange Risk

The functional currency of the Company is Renminbi. During the Reporting Period, certain bank balances and cash, trade and other receivables, trade and other payables are denominated in U.S. dollars, which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Bank Loans and Other Borrowings

As at 31 December 2023, borrowings amounting to RMB42,000,000 are secured by pledged bank deposits of RMB50,000,000.

As at 31 December 2022, borrowings amounting to RMB49,100,000 and RMB33,000,000 are secured by property, plant and equipment with carrying amount of RMB106,027,000 and pledged bank deposits of RMB41,788,000, respectively.

We had an aggregate of RMB285,500,000 overdrafts with fixed interest rates as at December 31, 2023.

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
US$	**–**	–

Contingent Liabilities

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

Report of Directors

The Board of the Company is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2023.

DIRECTORS

The Directors who held office during the Reporting Period and up to the date of this report are:

Executive Directors:

Dr. Xueming Qian (錢雪明) *(Chief Executive Officer)*
Mr. Xiaolu Weng (翁曉路) *(Chief Financial Officer)*

Non-Executive Director:

Dr. Yining Zhao (趙奕寧) *(Chairman of the Board)*

Independent Non-Executive Directors:

Mr. Jiasong Tang (唐稼松)
Dr. Jun Bao (包駿) *(Resigned with effect from August 23, 2023)*
Mr. Zhihua Zhang (張志華)
Dr. Kumar Srinivasan
Ms. Helen Wei Chen (陳瑋) *(Appointed with effect from August 23, 2023)*

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 67 to 71 of this annual report.

GENERAL INFORMATION

The Company was incorporated in the British Virgin Island on August 20, 2010, and continued in the Cayman Islands as an exempted company with limited liability on March 26, 2021. The shares of the Company were listed on the Main Board of the Stock Exchange on September 29, 2021.

PRINCIPAL ACTIVITIES

We are a clinical stage biopharmaceutical company that integrates the capacities of discovery, research, development, manufacturing and business development. Our management team and the key operations, including clinical development, regulatory access and business development are based both in China and the United States, whereas our discovery, research and development, process development and manufacturing teams are based in China.

Analysis of the principal activities of the Group during the Reporting Period is set out in note 37 to the consolidated financial statements.

Report of Directors

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 97 of this annual report.

BUSINESS REVIEW

A business review of the Group, as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Company's business, a description of the principal risks and uncertainties facing the Company, particulars of important events affecting the Company that have occurred since the end of the financial year, an indication of likely future development in the Group's business and an analysis of the Group's financial performance, is set out in the "Business review" and "Management Discussion and Analysis" on pages 12 to 35 of this annual report. All the review, discussions and analysis mentioned above form part of this report of Directors.

An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends is set out in the "Environmental, Social and Governance Report", which will be published at the same time as the publication of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth. The Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, waste reduction and energy saving.

In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix C2 of the Listing Rules applicable to the financial year ended December 31, 2023, the Company's environmental, social and governance report will be available on our website and the website of the Stock Exchange at the same time as the publication of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

Our business involves certain risks as set out in the section headed "Risk factors" in the Prospectus. The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control.

- its ability to successfully identify new drug candidates, complete clinical development, obtain regulatory approval and commercialize its drug candidates;
- all material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated;
- time-consuming and evolving regulatory approval processes of the NMPA, FDA, EMA or other comparable regulatory authorities for its drug candidates;
- the market size of its drug candidates and its ability to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success;
- intense competition and rapid technological change;

Report of Directors

- clinical development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results;
- its relationship with third parties that conduct its pre-clinical studies and clinical trials and the ability of these third parties to successfully carry out their contractual duties or meet expected deadlines;
- its ability to obtain sufficient funding or generate sufficient revenue to continue the development of all programs; and
- its ability to obtain and maintain patent and other intellectual property protection for its drug candidates.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

MAJOR CUSTOMERS AND SUPPLIERS

The Group recognizes the importance of maintaining a good relationship with its stakeholders, including Shareholders, employees, suppliers, business partners are key to the Group success. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Major Customers

During the Reporting Period, the Group derived its revenues from (i) provision of CDMO services; and (ii) research and development services. For the Reporting Period, revenue generated from the five largest customers in the aggregate accounted for approximately 85.1% (2022: 80.7%) of the Group's total revenue and revenue generated from the Group's largest customer for the Reporting Period accounted for approximately 38.8% (2022: 41%) of the Group's total revenue amount for the same year.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest customers.

Major Suppliers

We procure raw materials and equipment for the development and manufacturing of our drug candidates from industry-leading, highly reputable manufacturers and suppliers around the world. We also procure properties and construction related services for the construction of our manufacturing facilities. In addition, we use contract research organizations, or CROs, and consultants to manage, conduct and support our clinical trials and pre-clinical studies in China and the United States.

For the Reporting Period, purchases from the Group's five largest suppliers in the aggregate accounted for approximately 37.8% (2022: 28.7%) of the Group's total purchases in the same year. Purchases from the Group's largest supplier for the Reporting Period accounted for approximately 14.1% (2022: 6.8%) of the Group's total purchases for the same year.

Report of Directors

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest suppliers.

During the Reporting Period, the Group did not experience any significant disputes with its customers or suppliers.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on pages 176 to 177 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 37 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the Reporting Period are set out in note 30 to the consolidated financial statements.

DEBENTURE ISSUED

The Group did not issue any debenture during the Reporting Period.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Equity Plans" in this annual report, no equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

Report of Directors

DIVIDEND

The Board does not recommend the distribution of a final dividend for the Reporting Period. No dividend was paid or declared by the Company or other members of the Group during the Reporting Period.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the Reporting Period. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

As at December 31, 2023, the Company's distributable reserves were RMB2,746.2 million.

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity on page 100 and in note 39 to the consolidated financial statements, respectively.

OVERDRAFTS

Particulars of bank loans and other borrowings of the Group as at December 31, 2023 are set out in the section headed "Management Discussion and Analysis" in this annual report and note 26 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Dr. Xueming Qian has entered into an executive employment agreement with the Company for an initial term of three years from the date of appointment and (subject to re-election as and when required under the Articles of Association) be automatically renewed for successive periods of three years until terminated in accordance with the terms and conditions of the agreement.

Mr. Xiaolu Weng has entered into a service agreement with the Company for an initial term of three years commencing on March 21, 2022 and (subject to re-election as and when required under the Articles of Association) be automatically renewed for successive periods of three years until terminated in accordance with the terms and conditions of the service contract or by either party terminating the agreement by giving not less than three months' written notice.

Report of Directors

Dr. Yining Zhao has entered into a service agreement with the Company for an initial term of three years from the date of appointment and (subject to re-election as and when required under the Articles of Association) shall be automatically renewed for successive periods of three years until terminated in accordance with the terms and conditions of the service agreement.

Each of the independent non-executive Directors (other than Dr. Kumar Srinivasan and Ms. Helen Wei Chen) has signed an appointment letter with the Company for an initial term of three years from the Listing Date and (subject to re-election as and when required under the Articles of Association) may be terminated by giving not less than three months' written notice.

Dr. Kumar Srinivasan has signed an appointment letter with the Company for an initial term of three years from December 19, 2022 and (subject to re-election as and when required under the Articles of Association) may be terminated by giving not less than three months' written notice.

Ms. Helen Wei Chen has signed an appointment letter with the Company for an initial term of three years from August 23, 2023 and (subject to re-election as and when required under the Articles of Association) may be terminated by giving not less than three months' written notice.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the note 32 to the consolidated financial statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2023.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

The Company has no Controlling Shareholders during the Reporting Period.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

Report of Directors

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

As at December 31, 2023, the interests and short positions of the Directors or chief executives of our Company in any of the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which will be required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix C3 to the Listing Rules were as follows:

Name of Director	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding[1]	Long position/ Short position
Dr. Xueming Qian ("Dr. Qian")	Beneficial owner[2], Founder and beneficiary of discretionary trust, Interest in controlled corporation[3]	36,476,530	8.38%	Long position
Dr. Yining Zhao	Beneficial owner[4], interest in controlled Corporation[5]	14,068,740	3.23%	Long position
Mr. Xiaolu Weng	Beneficial owner[6]	4,800,000	1.10%	Long position
Mr. Jiasong Tang	Beneficial owner[7]	30,000	0.01%	Long position
Mr. Zhihua Zhang	Beneficial owner[8]	30,000	0.01%	Long position
Dr. Kumar Srinivasan	Beneficial owner[9]	30,000	0.01%	Long position
Ms. Helen Wei Chen	Beneficial owner[10]	30,000	0.01%	Long position

Notes:

1. The calculation is based on the total number of 435,203,375 Shares in issue as at December 31, 2023.
2. Includes 4,680,000 Shares Dr. Qian holds in his name, 236,164 Shares held by Success Voyage Investment Limited, a British Virgin Island company wholly-owned by the Success Voyager Trust and is a limited partner of Success Link, and Dr. Qian's entitlement to receive up to 4,041,024 and 4,277,188 Shares pursuant to the share options and share awards granted to him, respectively.
3. Includes 23,242,154 Shares held by Qian Dynasty Irrevocable Trust. With regards to the Qian Dynasty Irrevocable Trust, the beneficiaries are Dr. Xueming Qian and his children and their descendants, the investment advisor is Dr. Qian and the trustee is HSBC Trust Company (Delaware) National Association.
4. Includes 3,840,953 Shares Dr. Yining Zhao holds in his name, and Dr. Yining Zhao's entitlement to receive up to (i) 8,853,181 Shares pursuant to the share options granted to him under the Share Incentive Scheme; and (ii) 198,997 Shares pursuant to the share awards granted to him under the Share Incentive Scheme.,
5. Includes 1,175,609 Shares held by VI Holding Limited which is wholly-owned by Dr. Yining Zhao.

6. Represents Mr. Xiaolu Weng's entitlement to receive up to 4,800,000 Shares pursuant to the share awards granted to him.

7. Represents Mr. Jiasong Tang's entitlement to receive up to 30,000 Shares pursuant to the share awards granted to him.

8. Represents Mr. Zhihua Zhang's entitlement to receive up to 30,000 Shares pursuant to the share awards granted to him.

9. Represents Dr. Srinivasan Kumar's entitlement to receive up to 30,000 Shares pursuant to the share awards granted to him.

10. Represents Ms. Helen Wei Chen's entitlement to receive up to 30,000 Shares pursuant to the share awards granted to her.

Save as disclosed above, as at December 31, 2023, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

As at December 31, 2023, so far as the Directors or chief executives are aware, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding[1]	Long position/ Short position/ Lending pool
Dr. Xueming Qian[2] ("Dr. Qian")	Beneficial owner; founder and beneficiary of discretionary trust; interest in controlled corporation	36,476,530	8.38%	Long position
HSBC Trust Company (Delaware) National Association[2]	Trustee of discretionary trust	45,653,530	10.49%	Long position
Yi Shi[3]	Interest in controlled corporation	70,536,703	16.21%	Long position
LAV Corporate GP, Ltd.[3]	Interest in controlled corporation	50,566,136	11.62%	Long position
LAV GP III, L.P.[3]	Interest in controlled corporation	50,566,136	11.62%	Long position
LAV Biosciences Fund III, L.P.[3]	Beneficial owner; interest in controlled corporation	33,710,963	7.75%	Long position
LAV Vitality Limited[3]	Beneficial owner	22,388,232	5.14%	Long position
Temasek Holdings (Private) Limited[4]	Interest in controlled corporation	28,086,380	6.45%	Long position

Report of Directors

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding[1]	Long position/ Short position/ Lending pool
Fullerton Management Pte Ltd[4]	Interest in controlled corporation	26,021,880	5.98%	Long position
Temasek Life Sciences Private Limited[4]	Interest in controlled corporation	26,021,880	5.98%	Long position
TLS Beta Pte. Ltd.[4]	Beneficial owner	26,021,880	5.98%	Long position
China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司)[5]	Beneficial owner; interest in controlled corporation	39,421,012	9.06%	Long position
Xiaohong Shi[6]	Beneficial owner	22,411,376	5.15%	Long position

Notes:

1. The calculation is based on the total number of 435,203,375 Shares in issue as at December 31, 2023.

2. Dr. Xueming Qian is an executive Director and chief executive officer of our Company.

   This includes 4,680,000 Shares Dr. Qian holds in his name, 236,164 Shares held by Success Voyage Investment Limited, a British Virgin Island company wholly-owned by the Success Voyager Trust and is a limited partner of Success Link, 23,242,154 Shares held by Qian Dynasty Irrevocable Trust; and Dr. Qian's entitlement to receive up to (i) 4,041,024 Shares pursuant to the share options granted to him under the Share Incentive Scheme; (ii) 4,277,188 Shares pursuant to the share awards granted to him under the Share Incentive Scheme. With regards to the Success Voyager Trust, the beneficiaries are Dr. Qian's children, the trustee is Trident Trust Company (South Dakota) Inc. With regards to the Qian Dynasty Irrevocable Trust, the beneficiaries are Dr. Xueming Qian and his children and their descendants, the investment advisor is Dr. Qian and the trustee is HSBC Trust Company (Delaware) National Association.

3. LAV Biosciences Fund III, L.P. and Lilly Asia Ventures Fund III, L.P. are Cayman Islands exempted partnership funds. The general partner of LAV Biosciences Fund III, L.P. and Lilly Asia Ventures Fund III, L.P. are LAV GP III, L.P., whose general partner is LAV Corporate GP, Ltd., a Cayman exempted company wholly owned by Yi Shi. Both LAV Vitality Limited (beneficial owner of 22,388,232 Shares) and LAV Altitude Limited (beneficial owner of 10,276,020 Shares) are limited companies incorporated in the British Virgin Islands and are wholly-owned by LAV Biosciences Fund III, L.P. LAV Biosciences Fund III, L.P. also holds 1,046,711 Shares in its own name. Both LAV Verdure Limited (beneficial owner of 11,194,116 Shares) and LAV Acuity Limited (beneficial owner of 5,138,010 Shares) are limited companies incorporated in the British Virgin Islands and are wholly-owned by Lilly Asia Ventures Fund III, L.P.. Lilly Asia Ventures Fund III, L.P. also holds 523,047 Shares in its own name.

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LAV Biosciences Fund V, L.P. is a Cayman Islands exempted partnership fund. The general partner of LAV Biosciences Fund V, L.P. is LAV GP V, L.P., whose general partner is LAV Corporate V GP, Ltd., a Cayman exempted company wholly owned by Yi Shi. LAV Biosciences Fund V, L.P. holds 16,667,067 Shares in its own name and wholly-owns LAV Amber Limited, which is the beneficial owner of 3,303,500 Shares.

Therefore, Yi Shi is deemed to be interested in the Shares held by LAV Biosciences Fund III, L.P., LAV Vitality Limited, LAV Altitude Limited, Lilly Asia Ventures Fund III, L.P., LAV Verdure Limited, LAV Acuity Limited, LAV Biosciences Fund V, L.P. and LAV Amber Limited.

4. TLS Beta Pte. Ltd. is a company incorporated in Singapore, which is a direct wholly-owned subsidiary of Temasek Life Sciences Private Limited. Temasek Life Sciences Private Limited is a direct wholly-owned subsidiary of Fullerton Management Pte Ltd, which in turn is a direct wholly-owned subsidiary of Temasek Holdings (Private) Limited. Aranda Investments Pte. Ltd. (beneficial owner of 2,064,500 Shares) is a company incorporated in Singapore and an indirectly wholly owned subsidiary of Temasek Holdings (Private) Limited.

5. China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) is a company incorporated in the PRC and (i) wholly-owns EverestLu Holding Limited (永祿控股有限公司), which is a limited company incorporated in Hong Kong and the beneficial owner of 16,076,988 Shares, and (ii) is interested in approximately 75.8% of CCT China Merchant Buyout Fund (深圳國調招商併購股權投資基金合夥企業(有限合夥)) in its capacity as a limited partner, which is the beneficial owner of 10,954,024 Shares.

6. Ms. Xiaohong Shi became the named Investment Adviser of the Shi Dynasty Irrevocable Trust and has control of the voting rights attached to the relevant Shares with effect from September 1, 2023. The trustee is HSBC Trust Company (Delaware) National Association.

Save as disclosed above, as at December 31, 2023, no persons other than the Directors or chief executives of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any of Its Associated Corporations" above had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

EQUITY PLANS

The Company also has one expired share scheme with awards outstanding and one existing share scheme, namely the Pre-IPO Equity Incentive Plan and the Share Incentive Scheme, respectively. Please refer to the section headed "Appendix IV Statutory and General Information – D. Share Schemes" in the Prospectus for further details of the Pre-IPO Equity Incentive Plan and the circular published by the Company on October 16, 2022 for further details of the Share Incentive Scheme.

15,401,904 new Shares, representing approximately 3.78% of the weighted average of issued shares of the Company, may be issued in respect of all options and awards granted during the Reporting Period to eligible participants pursuant to the Pre-IPO Equity Incentive Plan and the Share Incentive Scheme (excluding 4,021,286 shares lapsed/cancelled and any award shares that will be satisfied by the existing shares held by trust(s)), of which 11,058,203 underlying new Shares have already been issued as at December 31, 2023).

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Further, details and relevant breakdowns of each of the equity plans are set out below:

1. Pre-IPO Equity Incentive Plan

The Pre-IPO Equity Incentive Plan of the Company was effective since January 1, 2019 and as disclosed in the circular of the Company dated May 16, 2023, the Pre-IPO Equity Incentive Plan was terminated on May 31, 2023 and the Company shall not make any further grants under the Pre-IPO Equity Incentive Plan thereafter (the "**Termination of Pre-IPO Equity Incentive Plan**").

Purpose

The Pre-IPO Equity Incentive Plan is intended to grant options to, and to incentivize, employees of the Company other than the management.

Eligible participants

Those eligible to participate in the Pre-IPO Equity Incentive Plan include employees, directors and consultants of the Group as determined, authorized and notified by the Board or a committee authorized by the Board (the "**Committee**"). The Board or the Committee may, from time to time select from among all eligible individuals ("**Participants**") to whom awards ("**Pre-IPO Awards**") in the form of options ("**Pre-IPO Options**") and restricted share units ("**RSU**"), will be granted ("**Grantees**") and will determine the nature and amount of each grant.

Maximum number of Awards and Options available for grant

The maximum number of Shares in respect of which Pre-IPO Awards may be granted under this Pre-IPO Equity Incentive Plan shall not exceed 69,325,254 Shares in the aggregate (representing 15.89% of the issued shares of our Company as at the date of this report), subject to any adjustments in the event of any alteration in the capital structure of the Company. No further Awards would be granted under the Pre-IPO Equity Incentive Plan after May 31, 2023 pursuant to the Termination of Pre-IPO Equity Incentive Plan.

As of January 1, 2023, 8,753,179 RSUs were available for grant under the Pre-IPO Equity Incentive Plan. During the Reporting Period, nil RSUs were granted to eligible participants pursuant to the Pre-IPO Equity Incentive Plan and 1,852,546 Pre-IPO Options and 20,500 RSUs had lapsed in accordance with the rules of the Pre-IPO Equity Incentive Plan. Due to the Termination of Pre-IPO Equity Incentive Plan on May 31, 2023, it follows that, as of December 31, 2023, nil Pre-IPO Options or RSUs were available for grant under the Pre-IPO Equity Incentive Plan.

Maximum number of new Shares available for issue

As of January 1, 2023, 22,455,691 new Shares were available for issue under the Pre-IPO Equity Incentive Plan. During the Reporting Period, 1,449,218 new Shares were issued pursuant to the Pre-IPO Equity Incentive Plan. It follows that, as of December 31, 2023 and the date of this report, 21,006,473 new Shares and 21,004,473 new Shares (representing approximately 4.81% of the issued shares of the Company as of the date of this report) were available for issue under the Pre-IPO Equity Incentive Plan, respectively.

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Maximum entitlement of each participant

There is no maximum entitlement of each participant.

Offer and Grant of Pre-IPO Awards

The Board shall be entitled to make an offer to any Participant as the Board may in its absolute discretion select to take up Pre-IPO Options in respect of such number of Shares and at any price per Share ("**Strike Price**") as the Board may determine. The details of the offer shall be set out in a letter, the form of which shall be approved by the Board and entered into by and among the Company and a Grantee regarding the offer of a Pre-IPO Award ("**Offer Letter**").

Pre-IPO Awards may be granted on such terms and conditions in relation to their vesting, exercise or otherwise as the Board may determine, provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the Pre-IPO Equity Incentive Plan.

Vesting Period

The vesting criteria and conditions, and the vesting date are specified in the Offer Letter. Details of the vesting period of individual grants are stated in the table below.

Exercise Period

The exercise period of the Pre-IPO Options shall be 10 years from the date of grant, subject to the terms of the Pre-IPO Equity Incentive Plan and the Offer Letter.

Consideration

A Grantee is not required to pay for the grant of any Pre-IPO Option. The consideration to be paid (if any) for each Share subject to an RSU is determined by the Board and shall be set forth in the Offer Letter for such RSUs and may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion and permissible under applicable law. RSUs may be awarded for zero consideration if permitted under applicable law.

Price

The Strike Price and vesting of Pre-IPO Options and RSUs shall be approved by the Board and shall be set out in the Offer Letter.

Term of the Pre-IPO Equity Incentive Plan

The term of the Pre-IPO Equity Incentive Plan commenced on January 1, 2019 and will expire on its tenth anniversary. Upon expiry of the Pre-IPO Equity Incentive Plan, no further Pre-IPO Awards will be granted but any Pre-IPO Award that is outstanding shall remain in force according to the terms of the Pre-IPO Equity Incentive Plan and the Pre-IPO Awards shall be exercised or settled in accordance with the terms upon which the Pre-IPO Awards are granted. The remaining life of the Pre-IPO Equity Incentive Plan is approximately 5 years.

Further details of the Pre-IPO Equity Incentive Plan are set out in the section headed "Statutory and General Information" of the Prospectus.

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Outstanding Pre-IPO Options granted under the Pre-IPO Equity Incentive Plan

The Company has not granted further Pre-IPO Options under the Pre-IPO ESOP after the Listing Date. Details of the movements of the Pre-IPO Options granted under the Pre-IPO Equity Incentive Plan as at December 31, 2023 are as follows.

Name	Date of grant	Vesting period[1]	Exercise price	Outstanding as at January 1, 2023[2]	Exercised during the Reporting Period	Weighted average closing price of Shares immediately before the date of exercise	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at December 31, 2023[2][3]
Other grantees in category (other than Directors, chief executive or substantial shareholders of the Company)									
205 Employee Participants in aggregate	Between September 28, 2016 to June 13, 2021	2 to 4 years	Between US$0.001 per Share to US$1.5 per Share	12,862,589	114,218[4]	HK$3.55	1,651,838	–	11,096,533
7 service providers[5] in aggregate	Between September 28, 2016 to November 16, 2020	4 to 5 years	Between US$0.0879 per Share to US$0.4688 per Share	880,708	–	–	200,708	–	680,000
Total				**13,743,297**	**114,218**	**–**	**1,852,546**	**–**	**11,776,533**

Note:

1. The exercise period of the Pre-IPO Options shall be 10 years from the date of grant, subject to the terms of the Pre-IPO Equity Incentive Plan and the Offer Letter.
2. The outstanding calculations exclude Pre-IPO Options where the underlying Shares have been issued to Success Reach International Limited and Success Link International L.P.
3. A portion of the options granted are vested based on milestones achievement stated in the Offer Letter or Grant Letter.
4. The exercise price of the Pre-IPO Options exercised during the Reporting Period is between US$0.1000 per Share to US$0.4688 per Share.
5. The service providers are consultants of the Company who are not employees or former employees of the Group.

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Outstanding RSUs granted under the Pre-IPO Equity Incentive Plan

Details of the movements of the RSUs granted under the Pre-IPO Equity Incentive Plan as at December 31, 2023 are as follows:

Name	Date of grant	Vesting period[1]	Purchase price (per Share)	Performance target	Closing price of Shares immediately before the date of grant	Fair value of RSUs on the date of grant[2]	Unvested RSUs as at January 1, 2023[3]	Granted during the Reporting Period	Vested during the Reporting Period	Weighted average closing price of Shares immediately before the vesting date	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested RSUs as at December 31, 2023[3],[4]
Directors													
Mr. Xiaolu Weng	December 19, 2022	2,550,000 RSUs; vested over 3 years; 1,000,000 RSUs based on performance targets	US$0.001	based on valuation of the Company as set out in the Offer Letter	HK$3.07	US$0.3009[6]	3,550,000	–	850,000	HK$3.03	–	–	2,700,000
Other grantees in category (other than Directors, chief executive or substantial shareholders of the Company)													
17 Employee Participants in aggregate	Between July 3, 2019 to August 30, 2022	2,370,000 RSUs: vested over 3 to 4 years; 300,000 RSUs based on performance targets	US$0.00~0.10	based on Clinical Development Progress as set out in the Award Letter	HK$2.96	US$0.3478-0.9137[6]	1,335,000	–	262,500[5]	HK$3.04	185,000	–	887,500
2 Service Providers in aggregate	June 13, 2021	160,000 RSUs: vested over 4 years	US$0.00	–	–	US$1.6275	20,000	–	–	–	20,000	–	–
Total					**–**		**4,905,000**	**–**	**1,112,500**	**–**	**205,000**	**–**	**3,587,500**

Note:

1. The exercise period of the RSUs shall be 10 years from the date of grant, subject to the terms of the Pre-IPO Equity Incentive Plan and the Offer Letter.

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2. The fair value of RSUs are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The methodology and assumptions used was binominal tree price model. The assumptions include risk free rate and expected volatility.

3. The unvested calculations exclude RSUs where the underlying Shares have been issued to Success Reach International Limited and Success Link International L.P.

4. On December 19, 2022, 4,400,000 RSUs which will be satisfied by existing Shares held by Success Link International L.P. were conditionally granted to Mr. Xiaolu Weng. Such grant was subsequently approved at the Company's extraordinary general meeting on March 9, 2023 and 850,000 of the RSUs granted were deemed to be vested on December 19, 2022 with immediate effect.

5. The purchase price of the RSUs vested during the Reporting Period is between US$0 per Share to US$0.001 per Share.

6. Fair value of the RSUs have been adjusted from the disclosure in the last published interim report due to changes in certain valuation parameters.

For further details of the RSUs granted under the Pre-IPO Equity Incentive Scheme during the Reporting Period, please refer to the announcements and circular published by the Company on December 20, 2022, January 26, 2023, February 16, 2023 and March 9, 2023.

2. Share Incentive Scheme

The Share Incentive Scheme was adopted pursuant to the written resolutions of the Shareholders passed on June 18, 2021 and amended on November 4, 2022 (the "**Scheme Amendment**").

Purpose

The purpose of the Share Incentive Scheme are:

(a) to align the interests of Eligible Persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares; and

(b) to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group.

Eligible participants

Any individual, being an Employee (whether full-time or part-time employee), director (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group or any Affiliate (including nominees and/or trustees of any employee benefit trust established for them) (an "**Eligible Person**" and,

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collectively "**Eligible Persons**"), or Service Provider, who the Scheme Administrator considers, in their sole discretion, to have contributed or will contribute to the Group; however, no individual who is resident in a place where the grant, acceptance or vesting of an Award or Option pursuant to the Scheme is not permitted under the laws and regulations of such place or where, in the view of Scheme Administrator, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Scheme and such individual shall therefore be excluded from the term Eligible Person.

The Board and the Scheme Administrator may, from time to time, select any Eligible Person to be a Selected Participant and grant an award (which may vest in the form of Award Shares or the Actual Selling Price of the Award Shares in cash) ("**Award(s)**") or option ("**Option(s)**") to such Selected Participant during the effective period of the Share Incentive Scheme.

Maximum number of Awards (either to be satisfied by new Shares or existing Shares) and Options available for grant

The aggregate number of Shares underlying all grants made or to be made pursuant to the Share Incentive Scheme would not exceed 44,551,933 Shares without Shareholders' approval (the "**Share Incentive Scheme Limit**"). In addition, the maximum number of Shares that may be issued upon exercise of all Award Shares and Options to be granted to Service Providers under the Share Incentive Scheme (excluding Award Shares or Options that have been forfeited in accordance with the Share Incentive Scheme) and any other share schemes was 8,910,386 (the "**Service Provider Sublimit**")

As of January 1, 2023, 23,411,593 Awards or Options were available for future grant under the Share Incentive Scheme Limit and 8,910,386 Awards or Options were available for future grant under the Service provider sublimit (Service provider Sublimit being subject to the Share Incentive Scheme Limit). During the Reporting Period, 11,491,985 Awards and 8,644,205 Options were granted to eligible participants pursuant to the Share Incentive Scheme, and 1,389,900 Awards and 573,840 Options had lapsed in accordance with the rules of the Share Incentive Scheme (of which 171,700 lapsed Awards were granted before the Scheme Amendment). It follows that, as of December 31, 2023, 5,067,443 Awards or Options were available for future grant under the Share Incentive Scheme Limit and 8,910,386 Awards or Options were available for future grant under the Service Provider Sublimit (Service Provider Sublimit being subject to the Share Incentive Scheme Limit).

Maximum number of new Shares available for issue

The total number of new Shares issued and may be issued pursuant to the Share Incentive Scheme would not exceed 44,551,933 Shares, representing 10% of the Company's issued shares on the date of the extraordinary general meeting at which the Share Incentive Scheme was approved (the "**Share Incentive Scheme Mandate**"). As

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disclosed in the announcement of the Company published on January 26, 2023, in light of the 7,465,785 Shares held by Success Reach and Success Link for unspecified participants for future grants under the Pre-IPO Equity Incentive Plan (the "**Un-granted Shares**"), such Un-granted Shares will be considered to utilize the 2022 Share Incentive Scheme Mandate and therefore, the total number of new Shares which may be issued pursuant to the Share Incentive Scheme would not exceed 37,086,148 Shares.

As of January 1, 2023, 37,086,148 new Shares were available for issue under the Share Incentive Scheme Mandate. During the Reporting Period, 14,644,145 new Shares were issued pursuant to the Share Incentive Scheme. It follows that, as of December 31, 2023 and the date of this report, 22,442,003 new Shares and 21,272,003 new Shares (representing approximately 4.87% of the issued shares of the Company as of the date of this report) were available for issue under the Share Incentive Scheme Mandate, respectively.

Maximum entitlement of each participant

Under the Share Incentive Scheme, there is no specific limit on the maximum number of shares which may be granted to a single eligible participant. However, any grant of Options or Awards to an eligible participant shall be subject to 1% or 0.1% individual limit (as the case may be) as provided in the Listing Rules and be subject to Shareholders' approval in a general meeting.

Granting of Awards

The Board may, from time to time, grant Awards to a selected participant by way of an award letter. The award letter will specify the grant date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the vesting date and such other details as the Board or its delegate(s) may consider necessary.

Each grant of an award to any Director or the chairman of the Company shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding any independent non-executive Director who is a proposed recipient of the grant of an award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of the Company.

Option period

An Option may be exercised, which is to be determined and notified by the Scheme Administrator to each grantee at the time of making an Offer, and shall not expire later than ten years from the date of grant.

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Vesting Period

The vesting criteria and conditions, and the vesting date as determined by the Board or its delegate will be specified in the option letter and award letter, provided however that the vesting period for Options and Awards shall not be less than 12 months, except that any Options or Awards granted to an employee may be subject to a shorter vesting period, including where:

(a) grants of "make whole" Awards or Options to new employees to replace awards or options such Employees forfeited when leaving their previous employers;

(b) grants to an Employee whose employment is terminated due to death or disability or event of force majeure;

(c) grants of Awards or Options which are subject to the fulfilment of performance targets as determined in the conditions of his/her grant;

(d) grants of Awards or Options the timing of which is determined by administrative or compliance requirements not connected with the performance of the relevant Employee, in which case the Vesting Date may be adjusted to take account of the time from which the Award or Options would have been granted if not for such administrative or compliance requirements;

(e) grants of Awards or Options with a mixed vesting schedule such that the Awards or Options vest evenly over a period of 12 months; or

(f) grants of Awards or Options with a total vesting and holding period of more than 12 months.

Consideration and purchase price

The amounts payable on application or acceptance of the Options or Awards, if any, and the period within which such payments or calls must or may be made or loans for such purposes must be repaid will be set out in the individual Award Letters or Options Letters and will be determined on an individual basis for each Selected Participant by the Scheme Administrator, taking into account the purpose of the Scheme, the interests of the Company and the individual circumstances of each Selected Participant. The Company will generally not provide any loans for such amounts payable unless exceptional circumstances justify the provision of such loans.

Exercise price

The Exercise Price shall be such price determined by the Scheme Administrator in their absolute discretion and notified to the Eligible Person in the Offer and shall be no less than the higher of (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

Term of the Share Incentive Scheme

The Share Incentive Scheme is valid and effective for a period of 10 years commencing from the Listing Date and expiring on September 28, 2031 (after which no further Awards or Options will be granted), and thereafter for so

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long as there are any non-vested Award Shares or Options granted hereunder prior to the expiration of the Scheme. The remaining life of the Share Incentive Scheme is approximately 8 years.

Further details of the Share Incentive Scheme are set out in the circular published by the Company on October 16, 2022.

Outstanding Options granted under the Share Incentive Scheme

Details of the movements of the Options granted under the Share Incentive Scheme as at December 31, 2023 are as follows:

Name	Date of grant	Vesting period[1]	Exercise price	Performance targets	Closing price of Shares immediately before the date of grant	Fair value of the Options on the date of grant[2]	Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Weighted average closing price of Shares immediately before the date of exercise	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at December 31, 2023
Directors, chief executive or substantial shareholder													
Dr. Xueming Qian	December 19, 2022	400,000 Options: based on performance targets	HK$3.23	Upon the achievement of performance targets relating to market capitalization and various project milestone achievement on clinical development as set out in the relevant grant letter	HK$3.07	US$ 0.1552[3]	400,000	–	–	–	–	–	400,000

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Name	Date of grant	Vesting period[1]	Exercise price	Performance targets	Closing price of Shares immediately before the date of grant	Fair value of the Options on the date of grant[2]	Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Weighted average closing price of Shares immediately before the date of exercise	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at December 31, 2023
	January 26, 2023	2,971,727 Options: vested over 3 years; and 669,297 Options: based on performance targets	HK$3.02	Upon milestone achievements of clinical development as set out in the relevant grant letter.	HK$3.02	US$ 0.1622~ 0.1814[3]	–	3,641,024	–	–	–	–	3,641,024
Dr. Yining Zhao	December 19, 2022	4,000,000 Options: based on performance targets	HK$3.23	Upon the achievement of performance targets relating to various project milestone achievement on clinical development as set out in the relevant grant letter	HK$3.07	US$ 0.1604	4,000,000	–	–	–	–	–	4,000,000
	January 26, 2023	3,062,212 Options: vested over 3 years; and 1,790,969 Options: based on performance targets	HK$3.02	Upon milestone achievements of clinical development as set out in the relevant grant letter.	HK$3.02	US$ 0.1259~ 0.1555[3]	–	4,853,181	–	–	–	–	4,853,181

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Name	Date of grant	Vesting period[1]	Exercise price	Performance targets	Closing price of Shares immediately before the date of grant	Fair value of the Options on the date of grant[2]	Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Weighted average closing price of Shares immediately before the date of exercise	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at December 31, 2023
Other grantees in category (other than Directors, chief executive or substantial shareholders of the Company)													
21 Employee Participants in aggregate	December 19, 2022	2,854,940 Options: over one to four years; 4,450,240 Options: based on performance targets	HK$3.23	Upon the achievement of certain performance targets including various project milestone achievements on clinical development, CMC, and partnership as set out in the relevant grant letters	HK$3.07	US$ 0.1552~ 0.2375	7,305,180	–	–	–	573,840	–	6,731,340
2 Employee Participants in aggregate	March 31, 2023	50,000 Options will be vested over one to four years. 100,000 Options will be vested based on performance targets.	HK$2.56	Upon success of business development and Company coverage.	HK$2.56	US$ 0.1428~ 0.1781[3]	–	150,000	–	–	–	–	150,000
Total							**11,705,180**	**8,644,205**	**–**	**–**	**573,840**	**–**	**19,775,545**

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Note:

1. The exercise period of the Options shall be 10 years from the date of grant, subject to the terms of the Share Incentive Scheme and the relevant grant letter.

2. The fair value of Options are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The methodology and assumptions used was binominal tree price model. The assumptions include risk free rate and expected volatility.

3. Fair value of the Options have been adjusted from the disclosure in the last published interim report due to changes in certain valuation parameters.

For further details of the Options granted under the Share Incentive Scheme during the Reporting Period, please refer to the announcements published by the Company on January 26, 2023 and March 31, 2023 and the circular published by the Company on February 16, 2023 and May 17, 2023.

Outstanding Awards granted under the Share Incentive Scheme

Details of the movements of the Awards granted under the Share Incentive Scheme as at December 31, 2023 are as follows:

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Name	Date of grant	Vesting period[1]	Purchase price (per Share)	Performance target	Closing price of Shares immediately before the date of grant	Fair value of Awards on the date of grant[2]	Unvested Awards as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Weighted average closing price of Shares immediately before the vesting date	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested Awards as at December 31, 2023
Directors, chief executive or substantial shareholder													
Dr. Xueming Qian	January 26, 2023	Based on performance targets	US$0.001	Upon target achievements on Company's valuation or market capitalization.	HK$3.02	US$ 0.3002[5]	–	4,277,188	–	–	–	–	4,277,188
Dr. Yining Zhao	January 26, 2023	To be vested from January 26, 2024 to January 26, 2025	US$0.001	–	HK$3.02	US$ 0.3001[5]	–	198,997	–	–	–	–	198,997
Mr. Xiaolu Weng	December 27, 2023	To be vested from December 27, 2024 to December 27, 2025	US$0.001	–	HK$2.61	US$ 0.3662	–	400,000	–	–	–	–	400,000
Mr. Jiasong Tang	December 19, 2022	10,000 Awards will vest on September 29, 2024	US$0.00	–	HK$3.07	US$ 0.3858	20,000	–	10,000	HK$4.04	–	–	10,000
Mr. Zhihua Zhang	December 19, 2022	10,000 Awards: will vest on September 29, 2024	US$0.00	–	HK$3.07	US$ 0.3858	20,000	–	10,000	HK$4.04	–	–	10,000
Dr. Kumar Srinivasan	April 6, 2023	To be vested from April 6, 2024 to April 6, 2026	US$0.00	–	HK$2.73	US$ 0.3418	–	30,000	–	–	–	–	30,000
Ms. Helen Wei Chen	December 27, 2023	To be vested from December 27, 2024 to December 27, 2026	US$0.00	–	HK$2.61	US$ 0.3670	–	30,000	–	–	–	–	30,000
Dr. Jun Bao[3]	December 19, 2022	10,000 Awards: will vest on September 29, 2024	US$0.00	–	HK$3.07	US$ 0.3858	20,000	–	–	–	20,000	–	–

Report of Directors

Name	Date of grant	Vesting period[1]	Purchase price (per Share)	Performance target	Closing price of Shares immediately before the date of grant	Fair value of Awards on the date of grant[2]	Unvested Awards as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Weighted average closing price of Shares immediately before the vesting date	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested Awards as at December 31, 2023
Senior management													
Dr. Caroline Germa	December 19, 2022	To be vested from August 8,2023 to August 8, 2026	US$0.001	–	HK$3.07	US$0.3850	3,000,000	–	750,000	HK$3.95	–	–	2,250,000
	March 31,2023	Based on performance targets	US$0.001	Upon target achievements of clinical development progress milestones for several programs.	HK$2.56	US$ 0.3093~ 0.3094	–	1,500,000	–	–	–	–	1,500,000
	April 6, 2023	Based on performance targets	US$0.001	Upon target achievements of clinical development progress milestones for several programs.	HK$2.73	US$ 0.3410[5]	–	500,000	–	–	–	–	500,000
	December 27, 2023	To be vested from December 27, 2024 to December 27, 2025	US$0.00	–	HK$2.61	US$ 0.3670	–	100,000	–	–	–	–	100,000

Report of Directors

Name	Date of grant	Vesting period[1]	Purchase price (per Share)	Performance target	Closing price of Shares immediately before the date of grant	Fair value of Awards on the date of grant[2]	Unvested Awards as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Weighted average closing price of Shares immediately before the vesting date	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested Awards as at December 31, 2023
Other grantees in category (other than Directors, chief executive or substantial shareholders of the Company)													
270[4] Employee Participants in aggregate	April 15, 2022	1,470,360 Awards: will vest over 3 years	US$0.00	–	HK$7.15	US$ 0.9117	756,000	–	289,750	–	171,700	–	294,550
88 Employee Participants in aggregate	December 19, 2022	1,645,160 Awards: will vest over 1 to 4 years; 300,000 Awards based on performance targets	US$0.00	Upon the achievement of certain performance targets on CMC, clinical development and partnership	HK$3.07	US$ 0.3858	1,945,160	–	427,014	–	189,100	–	1,329,046
5 Employee Participants in aggregate	March 31, 2023	To be vested over one to four years.	US$0.00	–	HK$2.56	US$ 0.3101[5]	–	310,000	–	–	–	–	310,000

Report of Directors

Name	Date of grant	Vesting period[1]	Purchase price (per Share)	Performance target	Closing price of Shares immediately before the date of grant	Fair value of Awards on the date of grant[2]	Unvested Awards as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Weighted average closing price of Shares immediately before the vesting date	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested Awards as at December 31, 2023
231 Employee Participants in aggregate	July 21, 2023	2,492,800 Award Shares will be vested over one to four years; 300,000 Award Shares based on performance targets.	US$0.00	Upon target achievements of milestones for drug discovery, clinical development, regulatory approval and partnership development of several programs.	HK$5.1	US$ 0.6559	-	2,792,800	-	-	1,009,100	-	1,783,700
31 Employee Participants in aggregate	December 27, 2023	To be vested over one to four years.	US$0.00	-	HK$2.61	US$ 0.3670	-	1,353,000	-	-	-	-	1,353,000
Total							**5,761,160**	**11,491,985**	**1,486,764**	**-**	**1,389,900**	**-**	**14,376,481**

Note:

1. The exercise period of the Awards shall be 10 years from the date of grant, subject to the terms of the Share Incentive Scheme and the grant letter.

2. The fair value of Awards are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The methodology and assumptions used was binominal tree price model. The assumptions include risk free rate and expected volatility.

3. Dr. Jun Bao has resigned as an independent non-executive Director with effect from August 23, 2023.

4. Due to clerical error in the Company's previous disclosure, the number of Employee Participants in aggregate have been revised to 270 from 269.

5. Fair value of the Awards have been adjusted from the disclosure in the last published interim report due to changes in certain valuation parameters.

Report of Directors

For further details of the Awards granted under the Share Incentive Scheme during the Reporting Period, please refer to the announcements and circular published by the Company on December 20, 2022, January 26, 2023, February 16, 2023, March 9, 2023, July 21, 2023 and December 27, 2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix C1 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO Equity Incentive Plan and Share Incentive Scheme. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in note 12 and note 32, respectively to the consolidated financial statements.

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

For the Reporting Period, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors was approximately RMB24,400,000 (as set out in note 12 to the consolidated financial statements).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, during the Reporting Period, none of our Directors had any interest in a business, apart from the business of our Group, which materially competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Report of Directors

CONTINUING CONNECTED TRANSACTIONS

The Group has not entered into any non-exempt continuing connected transactions from the Listing Date up to December 31, 2023. Details of related party transactions of the Group for the Reporting Period are disclosed in note 32 to the consolidated financial statements, none of which fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules for which disclosure is required. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for the Reporting Period.

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

During the Reporting Period and up to the date of this report, the Company repurchased a total of 2,279,500 ordinary shares (the "**Shares Repurchased**") of the Company on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") an aggregate consideration of approximately HK$10,031,674. Particulars of the Shares Repurchased are as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per share		Aggregate Consideration
		Highest	Lowest	
		(HK$)	(HK$)	(HK$)
April	86,000	3.36	3.14	283,403
May	633,000	5.31	3.98	3,194,489
June	321,000	5.30	5.00	1,676,741
August	8,500	4.21	3.49	33,380
September	569,500	4.32	3.49	2,255,495
October	559,500	4.05	3.70	2,212,682
November	102,000	4.05	3.33	375,485
Total	**2,279,500**			**10,031,674**

The Shares Repurchased from December 22, 2022 to June 20, 2023 were subsequently cancelled on June 30, 2023. The Shares Repurchased during the period from August 23, 2023 to November 23, 2023 were cancelled on December 29, 2023.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Reporting Period and up to the date of this report.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that were pending or threatened against the Group during the Reporting Period.

Report of Directors

USE OF NET PROCEEDS

With the Shares of the Company listed on the Stock Exchange on September 29, 2021 and based on the Offer Price of HK$16.00 per Offer Share, the net proceeds from the Global Offering were approximately HK$553.4 million (the "**Net Proceeds**"). As disclosed in announcement of the Company dated March 30, 2023 (the "**2022 Annual Results Announcement**"), the Board has resolved to change the intended use of Net Proceeds and remove the investment from MSB2311 and put them into TST001 (the "**Change in Use of Net Proceeds**"). The Company expects to fully utilize the residual amount of the net proceeds in accordance with such intended purposes by the end of 2025. The table below sets out the planned applications of the net proceeds and amount utilized as at December 31, 2023:

Use of Net Proceeds	% of net proceeds (Approximately)	Net proceeds from the Global Offering	Amount utilized as at December 31, 2023	Unutilized net proceeds as at December 31, 2023	Expected timeline of full utilization of the unutilized proceed from the Global Offering
		HK$ million	HK$ million	HK$ million	
1. Research and development of our pipeline product candidates, funding of ongoing and planned clinical and pre-clinical trials, preparation for registration filings and other steps or activities related to the commercialization of our four anchor products as follows:	82%	453.8	214.4	239.4	On or before December 31, 2025
(i) fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, osemitamab (TST001)	50%	276.7	123.9	152.8	On or before December 31, 2025
(ii) fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, TST005	10%	55.3	2.6	52.7	On or before December 31, 2025
(iii) fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, TST002	10%	55.3	29.7	25.6	On or before December 31, 2025
(iv) fund ongoing and planned pre-clinical trials and preparation for registration filings of our key product and other pipeline products, including TST004, MSB0254, TST003, TST006 and TST008	12%	66.5	58.2	8.3	On or before December 31, 2025

Report of Directors

Use of Net Proceeds	% of net proceeds (Approximately)	Net proceeds from the Global Offering	Amount utilized as at December 31, 2023	Unutilized net proceeds as at December 31, 2023	Expected timeline of full utilization of the unutilized proceed from the Global Offering
		HK$ million	HK$ million	HK$ million	
2. Fund the business development for pipeline expansion and technology development, with a focus in oncology assets that have synergy with our current pipeline and promising clinical evidences, and/or technology platforms that can complement our current discovery and development platforms, such as ADC, small molecule targeted therapies, and other advanced new technologies	8%	44.3	0	44.3	On or before December 31, 2025
3. For general working capital purposes and general operation expenses	10%	55.3	55.3	0	On or before December 31, 2025
Total	**100%**	**553.4**	**269.7**	**283.7**	

For detailed description of the intended use of proceeds and the expected timeline, please refer to the section headed "Future plans and use of proceeds" in the Prospectus and "Reasons for the Change in Use of Net Proceeds" in the 2022 Annual Results Announcement.

The aforesaid expected timeline of full utilization of the Net Proceeds is based on the Directors' best estimation barring unforeseen circumstances, and is subject to change in light of future development or any unforeseen circumstances.

SUFFICIENCY OF PUBLIC FLOAT

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

Report of Directors

AUDITOR

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

Since the Listing Date and up to the date of this report, the Company has not changed its auditor.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Particulars of the Company's significant events affecting the Company after the year ended December 31, 2023 are set out in the section headed "Management Discussion and Analysis – Events after the Reporting Period" of this annual report.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, we do not have other plans for material investments and capital assets.

By order of the Board
Xueming Qian
Executive Director and Chief Executive Officer
Hong Kong
March 27, 2024

Directors and Senior Management

The Board consists of two executive Directors, one non-executive Director and four independent non-executive Directors.

DIRECTORS

Executive Directors

Dr. Xueming Qian (錢雪明), Ph.D., aged 56, is an executive Director, our chief executive officer and a member of the nomination committee of our Company. Dr. Qian was appointed as our Director in October 2012 and was re-designated as an executive Director in June 2021. He is also a director of Suzhou Transcenta Therapeutics Co., Ltd. (Previously called Mabspace Biosciences (Suzhou) Co., Ltd.) and HJB (Hangzhou) Co., Ltd. He joined the Company since October 2012.

Dr. Qian served as senior vice president, head of R&D at Shenogen Pharma Group from June 2010 to September 2012. Dr. Qian also successively worked as postdoctoral fellow, senior scientist, principal scientist and team leader at Amgen Inc. (NASDAQ: AMGN) from September 1997 to June 2010.

Dr. Qian received his bachelor of science in biophysics from Fudan University (復旦大學) in July 1990 and a master of arts in biophysics and physiology from Columbia University in October 1992. He received Ph.D. in neurosciences and pharmacology from Albany Medical Center in May 1998. He is a member of the American Association of Cancer Research, American Society of Clinical Oncology, the European Society of Medical Oncology, the International Association for the Study of Lung Cancer, the Clinical Research of Oncology Medicine Sub-Committee of the Chinese Anti-Cancer Association and the International Society of Nephrology.

Mr. Xiaolu Weng (翁曉路), aged 47, is an executive Director, our executive vice president and chief financial officer. Mr. Weng was appointed as an executive Director in March 2022. He joined the Company since December 2021.

Mr. Weng has over 23 years solid experience in all finance functions with exposures in both biotechs and MNCs, and he is a seasoned leader with sound cross-functional experience and outstanding track record.

Prior to joining the Company, Mr. Weng served as the vice president and head of finance at CStone Pharmaceuticals, a company listed on the Stock Exchange (stock code: 02616), where he made tremendous contributions to commercial strategy leading to successful commercial launch in China and Taiwan as well as research and development prioritization.

Prior to that, Mr. Weng consecutively served as the vice president and head of finance at Everest Medicines Limited, a company listed on the Stock Exchange (stock code: 01952). He led the IPO workstream, partnered with bulge-bracket investment banks and global accounting firms for IPO preparation and achieved successful listing.

From 2013 to 2019, Mr. Weng served as the CFO of China at Amgen, Inc., a company listed on the NASDAQ (stock code: AMGN). He was responsible for overall financial operations in China related to commercial operation, research & development activities and strategic collaborations.

Before Amgen, Mr. Weng spent nearly 15 years serving as the senior and executive finance professional with the growing responsibilities at multinational companies like GE, Honeywell in China and overseas.

Mr. Weng holds a master's degree in finance and accounting from the University of Sydney, Australia. He is a Certified Public Accountant in Australia and a member of the Association of Chartered Certified Accountants.

Directors and Senior Management

Non-executive Director

Dr. Yining Zhao (趙奕寧), Ph.D., aged 52, is the non-executive Director, chairman of the Board and a member of the audit committee of our Company. Dr. Zhao was appointed as our Director in December 2018 and was re-designated as a non-executive Director in June 2021. He joined the Company since January 2016.

Dr. Zhao is currently the co-founder and CEO of Heranova Lifesciences Holding. He was the President and Chief Operating Officer at Ansun Biopharma during July 2020 to September 2021. He was the co-founder and managing director of Hangzhou Veritas Genetics Inc (杭州奕真生物科技有限公司) during May 2015 to May 2019. He was the co-founder and served as the board chairman at Intuition Biosciences Inc. during August 2017 to July 2021. Dr. Zhao was the venture partner of Lilly Asia Ventures from 2015 to 2018. Dr. Zhao served as an executive director of Global Commercial Operations at Amgen Inc. from 2012 to 2015. He worked successively as an associate research fellow and team leader, associate director, director and leader of biosimilar strategy and the leader of Asia strategy and portfolio solutions at Pfizer from 2004 to 2012. Dr. Zhao served as the research scientist III at the R&D department at Amgen Inc. from 1999 to 2004. He worked as the assistant manager of supply chain management at Shanghai Johnson & Johnson from 1994 to 1995. He has been an independent board member of Alebund Pharmaceutics Inc since 2021 and co-founder of Bionecure Therapeutics Inc since 2017.

Dr. Zhao received his bachelor of science in medicinal chemistry from Shanghai Medical College of Fudan University (復旦大學上海醫學院), formerly Shanghai Medical University (上海醫科大學), in July 1994 and Ph.D. in analytical chemistry from Ghent University in November 1999. He received an MBA from the MIT Sloan School of Management in June 2008. He has been a member of the executive board of the MIT Sloan School of Management since 2017, and a member of BayHelix Group since 2011.

Independent non-executive Directors

Mr. Jiasong Tang (唐稼松), aged 50, is an independent non-executive Director, chairperson of the audit committee and a member of the remuneration committee of our Company.

Mr. Tang has more than 20 years of experience in accounting and auditing. Mr. Tang previously worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP from September 1995 to August 2015, and was partner from June 2007 to August 2015.

Mr. Tang has been an independent non-executive director, chairman of the audit committee and a member of the remuneration committee of Sichuan Zigong Conveying Machine Group Co., Ltd. (四川自貢運輸機械集團股份有限公司), a publicly listed company on the Shenzhen Stock Exchange (SHA: 001288), since November 2017.

Mr. Tang has been an independent non-executive director, chairman of the audit committee and a member of the remuneration committee of ENN Natural Gas Co., Ltd. (新奧天然氣股份有限公司 and formerly named ENN Ecological Holdings Co., Ltd. 新奧生態控股股份有限公司), a publicly listed company on the Shanghai Stock Exchange (SHA: 600803), since November 2019.

Mr. Tang has been an independent non-executive director, chairman of the audit committee and a member of the remuneration committee of Shanghai Jin Jiang Online Network Service Co., Ltd. (上海錦江在線網絡服務股份有限公司), a publicly listed company on the Shanghai Stock Exchange (SHA: 600650), since September 2021.

Directors and Senior Management

Mr. Tang is a member of the Chinese Institute of Certified Public Accountants. He graduated from Shanghai University International Trading Institute (presently known as Shanghai University of International Business and Economics), major in Accounting and Finance in June 1995.

Mr. Zhihua Zhang (張志華), aged 43, is an independent non-executive Director, chairperson of the nomination committee and a member of the audit committee and remuneration committee of our Company.

Mr. Zhang has served as an executive director and the president of Shanghai Jizi Investment Management Co., Ltd (上海季子投資管理有限公司) since December 2014. Mr. Zhang served as the deputy general manager of Shanghai Wangshi Industry Co., Ltd. (上海王獅實業有限公司), where he was responsible for corporate investment, from August 2009 to November 2014. Mr. Zhang worked at JunHe LLP in Shanghai as securities lawyer, where he worked on matters relating to corporate listing, investment and financing and mergers and acquisition from August 2007 to July 2009. Mr. Zhang worked at the office of the principal of Fudan University (復旦大學) as the director of the legal affairs office from July 2006 to August 2007.

Mr. Zhang received a bachelor of laws from Fudan University (復旦大學) in July 2004 and a master of laws majoring in civil and commercial law from Fudan University (復旦大學) in July 2006. Mr. Zhang holds a Chinese Legal Professional Qualification Certificate awarded in 2005.

Dr. Kumar Srinivasan, aged 59, is an independent non-executive Director of our Company, and a member of the nomination committee and the chairperson of the remuneration committee of our Company.

Dr. Srinivasan has been appointed as president and chief executive officer of Wugen, Inc. since March 13, 2023. During 2021 to 2022, Dr. Srinivasan served as the executive vice president and chief business officer of Turning Point Therapeutics (a biopharmaceutical company previously listed on NASDAQ, stock code: TPTX, but was delisted on August 16, 2022 and became a subsidiary company of Bristol Myers Squibb, a pharmaceutical manufacturer listed on the New York Stock Exchange) and was responsible for crafting and leading corporate strategy, licensing, business development and alliance of management activities. Prior to that, Dr. Srinivasan served as the vice president and global head of biopharmaceuticals for AstraZeneca Pharmaceuticals (a subsidiary of AstraZeneca PLC, which was listed on NASDAQ, stock code: ANZ), in which he was responsible for and leading all licensing and business development and alliance management activities across multiple therapy areas for the biopharmaceuticals business unit.

Dr. Srinivasan holds an MBA from the University of Chicago's Booth School of Business in the United States, a Ph.D. degree in organic chemistry from the Case Western Reserve University in the United States and a bachelor and master's degree with concentration in chemistry from the University of Madras in India.

Directors and Senior Management

Ms. Helen Wei Chen (陳瑋), aged 57, is an independent non-executive Director of the Company.

Ms. Chen serves as the global sector co-head for the healthcare practice and the Greater China managing partner of L.E.K. Consulting based in Shanghai. Ms. Chen has over 30 years of consulting and industry experience in the U.S. and Asia markets and has lived in China since 2000. Ms. Chen helps companies expand their presence in China and Asia, and leverages Asia's innovation to improve their global businesses. Ms. Chen was named one of Consulting magazine's Global Leaders in Consulting in 2019.

Ms. Chen is a frequent speaker and author on the opportunities and issues in the China healthcare and life sciences industry, and has been quoted by publications including BioCentury, BioWorld, In Vivo, Wall Street Journal, Financial Times and Forbes Asia.

Prior to joining L.E.K., Ms. Chen was an associate director of finance at Genentech Inc. (a wholly-owned member of the Roche Group, which is listed on OTCQX, stock code: RHHBY) and a sales planner at Abbott Laboratories (subsequently split to AbbVie Inc., which is listed on NYSE, stock code: ABBV). Ms. Chen received her A.B. cum laude in applied mathematics from Harvard University.

Senior Management

Dr. Xueming Qian (錢雪明), Ph.D., aged 56, is an executive Director, our chief executive officer and a member of the nomination committee. For further details, please see the paragraphs headed "Executive Directors" in "Directors" section.

Dr. Caroline Germa, M.D., Ph.D., aged 52, has served as the Executive Vice President, Global Medicine Development and Chief Medical Officer with effect from August 8, 2022. Dr. Germa is an accomplished medical oncologist and medicine development leader with over 20 years of pharmaceutical experience across the spectrum of drug development, from early clinical trials to late phase and registration. She joined the Company since August 2022.

Prior to joining the Company, Dr. Germa served as the Vice President and Head of the Early Development Clinical Group for AstraZeneca's oncology department. During her time at AstraZeneca, Dr. Germa built an Early Development Clinical Group with over 180 staff and guided the clinical development of the early oncology portfolio. Immediately prior to joining AstraZeneca, she worked for Bristol Myers Squibb ("**BMS**") and served as the Vice President of BMS Oncology and Development Team Lead for a major partnered oncology program.

Before joining BMS, Dr. Germa spent seven years at Novartis, and led the late phase clinical development of multiple key oncology assets, especially the worldwide registration strategy and approval of Ribociclib (CDK4/6 inhibitor – Kisqali). Earlier in her career, she also worked for Pfizer as its clinical lead for Neratinib (anti-HER2 inhibitor, Nerlynx) as well as Eli Lilly France and Sanofi/Aventis.

Dr. Germa received her MD and Medical Oncologist Degree, as well as Breast Disease and Immunology Master Degrees from Paris and Lille University, France.

Directors and Senior Management

Mr. Xiaolu Weng (翁曉路), aged 47, is an executive Director, our executive vice president and chief financial officer. For further details, please see the paragraphs headed "Executive Directors" in "Directors" section.

Dr. Frank Feng Ye, Ph.D., aged 56, has served as our chief operating officer and executive vice president since February 2020. Mr. Ye joined our Group in January 2016 as vice president for quality of a subsidiary of Just Biotherapeutics Asia Inc., and became senior vice president of technical operations of our Company following our acquisition of Just Biotherapeutics Asia Inc. in December 2018.

Dr. Ye served as Director of Quality at Amgen Inc. from 2004 to 2016. From 2000 to 2001, Dr. Ye worked as a research statistician at Schering-Plough Corporation before working as a principal statistician at GlaxoSmithKline from 2001 to 2004.

Dr. Ye received a bachelor of science majoring in computer science from the University of Oregon in May 1993 and a master of science from the University of Oregon in May 1995. Dr. Ye received his Ph.D. in biostatistics from the University of North Carolina in December 2000.

Dr. Christopher Hwang (黃光誠), Ph.D., aged 60, has served as our chief technology officer and executive vice president responsible for technology and platform development and CMC support since February 2019. Dr. Hwang joined our Group in October 2016 as executive vice president of process and product development of a subsidiary of Just Biotherapeutics Asia Inc., and became executive vice president of process and product development of our Company following our acquisition of Just Biotherapeutics Asia Inc. in December 2018.

Dr. Hwang was an employee at Sanofi Genzyme from February 1992 to September 2016. Dr. Hwang was promoted to senior director in 2005 and served in multiple functions within Operations and R&D until his departure.

Dr. Hwang received his bachelor of science majoring in chemical engineering from the Massachusetts Institute of Technology in June 1985 and his Ph.D. in biochemical engineering from the Massachusetts Institute of Technology in February 1992. Dr. Hwang is a member of the Parenteral Drug Association's Biotechnology Advisory Board.

Company Secretary

Ms. Leung Kwan Wai (梁君慧) is the company secretary of the Company since June 2021. Ms. Leung is a senior manager of Corporate Services of Tricor Services Limited ("**Tricor**"). Tricor is a global professional services provider specializing in business, corporate and investor services. Ms. Leung has over 15 years of experience in the corporate secretarial and compliance service field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Leung is currently acting as the company secretary or joint company secretary of a few listed companies on The Stock Exchange of Hong Kong Limited. Ms. Leung obtained her master's degree of Corporate Governance from Hong Kong Metropolitan University (formerly 'The Open University of Hong Kong') in November 2013. Ms. Leung is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly 'The Hong Kong Institute of Chartered Secretaries') and The Chartered Governance Institute (formerly 'The Institute of Chartered Secretaries and Administrators') in the United Kingdom.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this report since the last published interim report.

Corporate Governance Report

The Board of Directors is pleased to present the corporate governance report of the Company for the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Company was incorporated under the laws of the British Virgin Islands on August 20, 2010 and continued in the Cayman Islands on March 26, 2021 as an exempted company with limited liability, and the Shares of the Company were listed on the Main Board of the Stock Exchange on September 29, 2021.

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders.

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

During the Reporting Period, the Company has applied the principles of and complied with all the applicable code provisions set out from time to time in the CG Code under Appendix C1 to the Listing Rules.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees in securities of the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Model Code during the Reporting Period. No incident of non-compliance of the Model Code by the relevant employees has been noted by the Company during the Reporting Period.

CORPORATE CULTURE

The Board has established the Group's purpose, values and strategy, and satisfy itself that these and the Group's culture are aligned. All Directors must act with integrity, lead by example, and promote the desired culture. The Board should instill such culture into the Company and continually reinforces across our Company's values of acting lawfully, ethically and responsibly.

A healthy corporate culture set up by the Group, including integrity and accountability, is vital for the Company to achieve its vision and mission towards sustainable growth. It is the Board's role to foster a corporate culture with core principles to guide the behaviors of its employees, and ensure that the Company's vision, values and business strategies are aligned to it.

Corporate Governance Report

BOARD OF DIRECTORS

The Board is responsible for the overall leadership of the Group, oversees the Group's businesses, strategic decisions, monitors performance and takes decisions objectively in the best interest of the Company.

The Board has delegated the authority and responsibilities for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee, the remuneration committee and the nomination committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

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

BOARD COMPOSITION

As at the date of this report, the Board comprises two executive Directors, one non-executive Director and four independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors

Dr. Xueming Qian (錢雪明) *(Chief Executive Officer)*
Mr. Xiaolu Weng (翁曉路) *(Chief Financial Officer)*

Non-executive Director

Dr. Yining Zhao (趙奕寧) *(Chairman of the Board)*

Independent non-executive Directors

Mr. Jiasong Tang (唐稼松)
Mr. Zhihua Zhang (張志華)
Dr. Kumar Srinivasan
Ms. Helen Wei Chen (陳瑋) *(Appointed with effect from August 23, 2023)*

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 67 to 71 of this annual report.

To the best knowledge of the Company, none of the members of the Board is related to one another.

Corporate Governance Report

BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETINGS

Pursuant to code provision C.5.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. The Company had held six Board meetings during the Reporting Period.

A summary of the attendance record of the Directors at Board meetings, committee meetings and general meetings during Reporting Period is set out in the following table below:

	Number of meeting(s) attended/number of meeting(s) held during the Reporting Period				
Name of Directors	**Board meeting(s)**	**Audit Committee meeting(s)**	**Remuneration Committee meeting(s)**	**Nomination Committee meeting(s)**	**General meeting(s)**
Executive Directors:					
Dr. Xueming Qian	6/6	N/A	N/A	2/2	2/2
Mr. Xiaolu Weng	6/6	3/3	N/A	N/A	2/2
Non-executive Director:					
Dr. Yining Zhao	6/6	3/3	N/A	N/A	2/2
Independent Non-executive Directors:					
Mr. Jiasong Tang	6/6	3/3	5/5	N/A	2/2
Dr. Jun Bao[1]	4/6	N/A	4/5	2/2	2/2
Mr. Zhihua Zhang	6/6	3/3	5/5	2/2	2/2
Dr. Kumar Srinivasan	6/6	N/A	1/5	N/A	2/2
Ms. Helen Wei Chen[2]	2/6	N/A	N/A	N/A	N/A

Notes:

1. Dr. Jun Bao was resigned with effect from 23 August, 2023.

2. Ms. Helen Wei Chen was appointed with effect from 23 August, 2023.

Apart from regular Board Meetings, the Chairman of the Board also held one meeting with the independent non-executive Directors without the presence of other Directors during the Reporting Period in accordance with code provision C.2.7 of the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman of the Board and Chief Executive Officer are held by Dr. Yining Zhao and Dr. Xueming Qian respectively. The Chairman of the Board provides leadership and is responsible for the effective functioning and leadership of the Board as well as provides overall guidance on the business, strategy and corporate development of the Group. The Chief Executive Officer focuses on the overall management of the business, strategy and corporate development of the Group.

Corporate Governance Report

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from the Listing Date and up to the date of this report, the Board has at all times met the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent and remain so as of the date of this report.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

All Directors will hold office subject to provision of retirement by rotation and re-election at annual general meeting. Pursuant to Article 118(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Accordingly, the following Directors, Dr. Yining Zhao, Dr. Xueming Qian, Mr. Jiasong Tang and Ms. Helen Wei Chen shall retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is the primary decision making body of the Company and is responsible for overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively in the interests of the Company.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board would regularly review the contribution required from each Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performs them.

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The Board reserves for its decision on all major matters relating to policy matters, strategies, budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the Group's senior management whom are responsible for overseeing the general operation, business development, finance, marketing and operations.

The Board has clearly set out the circumstances under which the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Board regularly reviews the above said circumstances and ensures they remain appropriate.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of the Company arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with Rule 3.21 of the Listing Rules and the CG Code. The audit committee comprises of three non-executive Directors (including independent non-executive Directors), namely, Mr. Jiasong Tang, Dr. Yining Zhao and Mr. Zhihua Zhang. Mr. Jiasong Tang, being our independent non-executive Director with the appropriate professional qualifications, is the chairperson of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions (if any) and to provide advice and comments to the Board. The terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange.

The following is a summary of work performed by the Audit Committee during the Reporting Period:

- reviewed the annual and interim results and report, the Group's financial and accounting policies and practices and the scope of audit and appointment of auditors;
- reviewed the financial controls system and engagement of non-audit services;

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- reviewed the risk management and internal control systems and internal audit function and discussed with the management and internal audit on their findings;
- discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company; and
- reviewed, discussed matters with respect to and made recommendations to the matters relating to ESG.

During the Reporting Period, the Audit Committee met three times to review the Company's annual results and annual report for the year ended December 31, 2022 and the interim results and interim report for the six months ended June 30, 2023. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Reporting Period and has met with the independent auditor, Deloitte Touche Tohmatsu. 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.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee comprises three independent non-executive Directors, namely Dr. Kumar Srinivasan, Mr. Jiasong Tang and Mr. Zhihua Zhang. Dr. Kumar Srinivasan is the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management. The terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Remuneration Committee met five times to review to the Board on the remuneration packages of individual executive directors and senior management. The following is a summary of work performed by the Remuneration Committee during the Reporting Period:

- assessed the performance of executive Directors;
- reviewed and made recommendations to the Board on the remuneration package of the individual executive Directors and senior management;
- reviewed and made recommendations to the Board on the remuneration of the non-executive Director;
- reviewed and made recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management; and

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- reviewed and approved matters relating to share schemes under Chapter 17 of the Listing Rules, including the grants of options or awards to the Directors and senior managers to attract, remunerate, incentivize and reward the key talents, and encourage them to work towards enhancing the value of the Company and its Shares, including the following material matters in relation to its existing share schemes:
    - the grant of share awards and share options under the Share Incentive Scheme to each of Dr. Xueming Qian and Dr. Yining Zhao on January 26, 2023;
    - the grant of share awards to six employee participants and share options to two employee participants under the Share Incentive Scheme on March 31, 2023;
    - the grant of share awards to each of Dr. Kumar Srinivasan and Dr. Caroline Germa under the Share Incentive Scheme on April 6, 2023;
    - the grant of share awards to 34 employee participants, including 28 employees of the Company, Ms. Helen Wei Chen, Mr. Xiaolu Weng and four senior management under the Share Incentive Scheme on December 27, 2023;
    - in relation to the above grants of share awards to senior management and Directors that had a vesting period shorter than 12 months, the Remuneration Committee was of the view that such arrangement aligns with the purpose of the Share Incentive Scheme as it incentivizes and encourages them to work towards enhancing the value of the Company and its Shares; and
    - in relation to the above grants of share awards to senior management and Directors that did not contain any performance targets, the Remuneration Committee was of the view that (i) such grants formed part of their respective remuneration; and (ii) the grants were to recognize and reward the relevant persons for their past contributions to the Company, and can incentivize and retain the relevant grantees, whose contributions are beneficial to the continual operation, development and long-term growth of the Group. Therefore, the Remuneration Committee was of the view that it was not necessary to set performance targets for such relevant grants.

For details of the grants of options and share awards to Directors and senior management the Company, please refer to the announcements of the Company dated January 26, 2023, March 31, 2023, April 6, 2023 and December 27, 2023 and the circulars of the Company dated February 16, 2023 and May 17, 2023.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs.

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Details of the fees and other emoluments paid or payable to the Directors for the Reporting Period are set out in note 12 to the consolidated financial statements contained in this annual report.

The remuneration of the members of senior management (excluding the Directors) of the Group by band for the Reporting Period is set out below:

	Year ended December 31,	
	2023	2022
	senior management	senior management
HK$500,001 to HK$1,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	3
HK$7,000,001 to HK$7,500,000	**1**	–
	3	6

NOMINATION COMMITTEE

The Company established the Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee comprises one executive Director, namely Dr. Xueming Qian, and two independent non-executive Directors, namely Mr. Zhihua Zhang and Dr. Kumar Srinivasan. Mr. Zhihua Zhang is the chairperson of the Nomination Committee.

The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession. The terms of reference of the Nomination Committee is available on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Nomination Committee held two meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and consider the qualifications of the retiring directors standing for election at the forthcoming annual general meeting. The following is a summary of work performed by the Nomination Committee during the Reporting Period:

- assessed and disclosed the policy for the nomination of Directors;
- assessed the independence of the independent non-executive Directors;
- considered and/or made recommendations to the Board on the re-election of directors;

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- reviewed the structure, size and composition of the Board;
- reviewed the board diversity policy and assessed the progress of the implementation;
- identified and/or made recommendations to the Board on introducing new directors and senior management; and
- inspected and supervised the relevant policies and practices in complying with the legal and regulatory requirements, monitored the code of conduct and compliance guidelines; and
- inspected and supervised the training and continuous professional development of the directors and senior management.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, details of which will be set out in the section headed "Board Diversity Policy".

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence (for appointment of independent non-executive Directors), and Board diversity aspects, where appropriate, before making recommendation to the Board. The details of which will be set out in the section headed "Director Nomination Policy".

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "Diversity Policy") in accordance with the CG Code, which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent.

The Company has appointed one female independent non-executive director, Ms. Helen Wei Chen, during the financial year ended December 31, 2023. The Company has one female Board member and one female member as the Group's senior management. Going forward, the Company will continue to work on enhancing the gender diversity of the Board.

The Nomination Committee will be responsible for identifying suitable female candidates and providing their recommendations to the Board to enhance the gender diversity of the Board. Subject to (i) the Board being satisfied with the background, qualification and experience of the relevant candidate(s) and their potential contributions to the development of the Group, (ii) the Directors fulfilling their fiduciary duties to act in the best interest of our Company and the Shareholders as a whole when making the relevant recommendation(s), and (iii) the Company's prevailing nomination policy, the Board recommended the female candidate after identifying suitable candidate to the Shareholders for appointment as a member of the Board.

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The Company will also ensure that there is gender diversity when recruiting staff at mid to senior level (with reference to the Diversity Policy) so that it will have a pipeline of female senior management and potential successors to the Board in due time to ensure gender diversity of the Board.

The following table sets out the gender ratio in the workforce of the Group as at the date of this report:

	Female	Male
Senior Management	20.00% (1)	80.00% (4)
Other employees	59.90% (124)	40.10% (83)
Overall workforce	58.96% (125)	41.04% (87)

Further details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report of the Company.

The Nomination Committee will review the Diversity Policy, as appropriate, to ensure its effectiveness.

DIRECTOR NOMINATION POLICY

On June 22, 2021, the Company adopted a director nomination policy (the "**Director Nomination Policy**") in accordance with the CG Code. The Director Nomination Policy sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee shall identify, consider and recommend to the Board appropriate candidates to serve as Directors and to make recommendations to the Shareholders. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

The Director Nomination Policy sets out the non-exhaustive factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- reputation for integrity;
- professional qualifications and skills;
- accomplishment and experience in the biopharmaceutical sector;
- commitment in respect of available time and relevant interest;
- independence of proposed independent non-executive Directors; and
- diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

Corporate Governance Report

In terms of succession planning, the following considerations will be used by the Nomination Committee in making recommendations:

- required knowledge, skills and experience at a full Board composite level to effectively fulfil the Board's legal role and responsibilities;
- an appropriate balance of diversity across the Board;
- personal qualities of each candidates;
- continuity through a smooth succession of Directors; and
- compliance with the relevant legal and regulatory requirements.

The Nomination Committee will review the Director Nomination Policy, as appropriate, and recommend revision to the Board for consideration and approval.

WHISTLEBLOWING POLICY

On June 1, 2021, the Company adopted a whistleblowing policy (the "Whistleblowing Policy") and amended the policy on November 24, 2022 in accordance with the code provision D.2.6 of CG Code. The Company has established a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Company.

ANTI-CORRUPTION POLICY

On July 1, 2020, the Company adopted an anti-corruption policy (the "Anti-corruption Policy") and amended the policy on November 24, 2022 in accordance with the code provision D.2.7 of CG Code. The Anti-corruption Policy aims to promote and support anti-corruption laws and regulations.

BOARD INDEPENDENCE EVALUATION MECHANISM

On November 24, 2022, the Company adopted a board independence evaluation mechanism (the "Board Independence Evaluation Mechanism") in accordance with the code provision B.1.4 of CG Code. The Board Independence Evaluation Mechanism sets out the principles and guidelines that the Company intend to ensure independent view and input are available to the board. All Directors have timely access to all relevant information as well as the advice and services of the company secretary and senior management of the Company, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Any Director may seek independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board. During the year ended December 31, 2023, the Board has reviewed the board independence mechanisms and considered that the implementation of the mechanisms was effective.

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CORPORATE GOVERNANCE FUNCTION

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in its Corporate Governance Report. The Board has performed the above duties during the Reporting Period.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company may from time to time and as the circumstances require provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

DIVIDEND POLICY

Code provision F.1.1 of the CG Code provides that the issuer should have a policy on payment of dividends and should disclose such policy in the annual report. The Company has adopted a dividend policy effective as of March 22, 2022, which outlines the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders.

According to the Dividend Policy:

1. Subject to Cayman Islands company law and the Articles of Association (as amended from time to time), the Board has absolute discretion on whether to declare and distribute dividends. In addition, the Shareholders in general meeting may declare dividends but no dividend may be declared in excess of the amount recommended by the Board. In either case, a dividend may only be declared and paid out of the profits and reserves of the Company that are lawfully available for distribution (including share premium), and in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. Even if the Board decides to pay dividends, the form, frequency and amount of dividends will depend on the Company's future operations and earnings, capital requirements and surplus, cash flows, general financial condition, contractual restrictions and other factors that the Board considers relevant.

2. Any future dividend payments to Shareholders will also depend upon the availability of dividends received from the subsidiaries of the Company. Regulations in China may restrict the ability of the Company's PRC subsidiaries to pay dividends to the Company.

3. If the Company pays any dividends on the Shares, unless and to the extent that the rights attached to the Shares or the terms of issue thereof otherwise provide, (i) all dividends will be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on Shares in advance of calls may for this purpose be treated as paid up on the Shares, and (ii) all dividends will be apportioned and paid pro rata according to the amounts paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any of the Shareholders all sums of money (if any) presently payable by such Shareholders to the Company on account of calls, instalments or otherwise.

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4. Any final dividend for a financial year will be subject to Shareholders' approval. The Company may declare and pay dividends in cash or by shares. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles of Association and all applicable laws and regulations.

5. The Company does not have a fixed dividend payout ratio. The Company currently intends to recommend dividends commensurate with the industry average level, while maintaining adequate reserves for its operations, expansion and future growth. The Dividend Policy reflects the Board's current views on the Company's financial position. The Board will continue to review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount, if at all, for any given period.

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the Reporting Period.

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

A statement by the independent auditor of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the consolidated financial statements is included in the Independent Auditor's Report on pages 92 to 96 of this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

Every newly appointed Director should receive formal, comprehensive and tailored training on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the Reporting Period, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expense.

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

The training records of the Directors for the Reporting Period are summarized as follows:

Name of Directors	Attending training, briefings, seminars, conferences and workshops relevant to the Company's industry and business, director's duties and/or corporate governance	Reading news alerts, newspapers, journals, magazines and publications relevant to the Company's industry and business, director's duties and/or corporate governance
Executive Directors:		
Dr. Xueming Qian	✓	✓
Mr. Xiaolu Weng	✓	✓
Non-executive Director:		
Dr. Yining Zhao	✓	✓
Independent Non-executive Directors:		
Mr. Jiasong Tang	✓	✓
Dr. Jun Bao[1]	–	✓
Mr. Zhihua Zhang	✓	✓
Dr. Kumar Srinivasan	✓	–
Ms. Helen Wei Chen[2]	✓	–

Notes:

1. Dr. Jun Bao resigned with effect from August 23, 2023.
2. Ms. Helen Wei Chen was appointed with effect from August 23, 2023.

AUDITORS' REMUNERATION

The Company appointed Deloitte Touche Tohmatsu as the external auditor for the Reporting Period. Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for the Reporting Period are set out in the table below:

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SERVICES RENDERED FOR THE COMPANY

	Fees paid and payable RMB'000
Audit service	2,445
– Annual audit services	2,445
Non-audit service	1,250
– Interim review	590
– Tax advising services	660
Total	3,695

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it has the overall responsibility to maintain sound and effective risk management and internal control systems and to review their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. During the Reporting Period, the Board had conducted a comprehensive review of the effectiveness of the risk management and internal control system of the Company and considered the system effective and adequate.

The Company has established an Internal Audit and Internal Control System and it plays a vital role in the risk management and internal control. The Internal Audit and Internal Control System has designated the relevant personnel who will be monitoring all risk and internal controls of the Company and conclude report and follow up on a regular basis. Each member of the Company is required to adhere strictly to the Company's internal control procedures and report to the internal control team of any risks or internal control measures. The Board has reviewed the adequacy and effectiveness of the internal audit function and the review is satisfactory.

The Company has also adopted an information disclosure policy which sets out comprehensive guidelines in respect of handling and dissemination of inside information. The Board is responsible for monitoring and implementing the procedural requirements in the information disclosure policy. Release of inside information shall be overseen by the Board. Without the approval of the Board, the Company prohibits any inside information from being disclosed to the public and media or market speculation which may materially affect the trading price or volume of the Shares on the market.

In the ordinary course of the Company's business, sensitive data is collected and stored, including, among other things, identity information about our students and our employees, intellectual property, and proprietary business information. The Company manages and maintains our applications and data utilizing on-site systems. These applications and data encompass a wide variety of business critical information including commercial information, and business and financial information. The Company has implemented relevant internal procedures and controls to ensure that such sensitive data is protected and that leakage and loss of such data is avoided.

Corporate Governance Report

The Company's Audit Committee and management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient. Arrangements are in place to identify, evaluate and manage significant risks including facilitating employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, ESG risks, internal control, quality assurance or other matters of the Company. Our management, under the supervision of our Board or a committee of our Board takes reasonable steps to (i) monitor compliance with the code, and (ii) when appropriate, impose and enforce appropriate disciplinary measures for violations of the code.

RISK MANAGEMENT

The Company recognizes that risk management is critical to the success of our business operation. We have adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives and remediation actions on an on-going basis. Our Compliance Committee, Audit Committee, and ultimately the Board supervise the implementation of our risk management policies.

The following key principles outline our Company's approach to risk management:

- Our Board of Directors, assisted by the Audit Committee, is responsible for monitoring and assessing the effectiveness of Company's risk management system, to ensure that the Company's operations are effective and comply with the relevant laws and regulations.
- Our Audit Committee assists the Board by forming independent opinion on the effectiveness of internal control and risk assessment systems, oversees and manages the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy; (ii) discussing with senior management to ensure that effective risk management system is in place; and (iii) evaluating any risk assessments are conducted and measures are applied to guide internal audit and compliance activities.
- Our Compliance Committee, chaired by the CEO, is responsible for analyzing and managing the risks and threats related to the Company's business operation. It sets out the compliance management principles, as well as the roles and responsibilities of each business area and function regarding risk management, and defines the Company's risk management objectives and risk management process.
- Our Internal Audit and Internal Control Department is responsible for performing assessment of our risk management system and supervising and evaluating its operations. The results of the assessment and evaluation are reported to the Audit Committee at least twice a year.
- The Company has established a risk management process, pursuant to which each operating department is required to identify any significant risks associated with their work. The relevant functions in our Company, including the finance department, the legal & compliance department and the human resources department, are responsible for implementing our risk management policy and carrying out day-to-day risk management practice.

Corporate Governance Report

- Our Company has efficiently allocated attention and resources towards controlling legal risks in various jurisdictions and enhancing compliance operations through a series of training and projects from the perspectives of intellectual property, employment, clinical data compliance and dispute resolution. By integrating advanced legal and compliance strategies and cultivating a culture of proactive risk management, our Company has not only preempted potential issues but also reached a seamless alignment with global regulatory standards.
- To enhance our Company's data compliance, we initiated a project to thoroughly review and analyze current practices related to clinical data security and personal information protection. The "Data Security and Personal Information Protection Policy" was issued, as the general outline and guidance for data compliance work in operation, specifying the objectives, principles, responsibilities, processes and monitoring mechanisms for data compliance. Moreover, we revised important documents, such as the Statement of Employee Personal Information Protection and Non-disclosure Agreement signed with vendors, to standardize the conditions and methods for collecting, using, sharing, transferring, and disclosing personal information. This step was taken to enhance data security requirements and oversight of external suppliers. Additionally, our Company has organized data compliance training for employees to enhance their awareness and ability to data protection, fostering a culture of data compliance.

INTERNAL CONTROL

Internal Control is embedded in our Company's risk management system. Internal Control is aimed at ensuring the Company's operations are efficient and reliable and in compliance with statutory regulations. Below is a summary of the internal control policies, measures and procedures we have implemented:

- We have adopted a series of internal control policies and procedures designed to achieve effective and efficient business operations and reliable financial reporting. The structure of our internal control framework has been defined by using a top-down, risk-based approach. We also periodically review our compliance status with all relevant laws and regulations.
- We have established an audit committee which (i) makes recommendations to our Board on the appointment and removal of external auditors; and (ii) reviews the financial statements and renders advice in respect of financial reporting as well as oversees internal control procedures of our Company.
- We have established a compliance committee that covers all business areas and functions within the Company and enables effective monitoring of different parts of the Group. The compliance committee meets at regular intervals to discuss emerging compliance risks. The compliance management system consists of anti-corruption, anti-bribery, reporting and investigation, conflicts of interest, related party transaction, protection of intellectual property, environment protection, occupational health and safety, etc. We integrate the compliance awareness into employees' daily work to ensure the business is conducted in compliance and effectiveness.

Corporate Governance Report

- We have conducted periodic trainings about these measures and procedures to our employees as part of our employee training program. To strengthen compliance awareness, we have provided our employees with employee code of conduct and disciplinary policy, as amended from time to time.
- We have engaged PRC law firms, US law firms as well as EU Data Protection Officer to advise us on and keep us abreast with PRC and all the applicable local laws and regulations on a regular basis. We will continue to arrange various trainings from time to time when necessary and/or any appropriate accredited institution to update our directors, senior management, and relevant employees on the latest PRC and applicable local laws and regulations.
- We have maintained strict anti-corruption and anti-bribery policies to promote an ethical culture with the Company, to control the operation risks and to protect the Company and its Shareholders' interests as a whole. We will also ensure that our sales and marketing personnel comply with applicable promotion and advertising requirements, and therefore be less affected by the increasingly stringent measures taken by the PRC and all the applicable governments to correct corruptive practices in the pharmaceutical industry.
- We also have a whistleblowing policy that serves the purpose of establishing whistleblowing procedures for any staff and/or external parties in any matter related to the Company, to report and escalate any suspicious misconduct or malpractice or unethical acts.

COMPANY SECRETARY

Ms. Leung Kwan Wai of Tricor Services Limited, external service provider, has been engaged by the Company as its Company Secretary. The primary contact person at the Company, whom Ms. Leung can contact, is Ms. Wei Wang, the secretary to the Board and Vice President, Investor Relations & Capital Markets Department of the Company.

During the Review Period, Ms. Leung has taken no less than 15 hours of relevant professional training to update her skills and knowledge.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Corporate Governance Report

CONVENING OF EXTRAORDINARY GENERAL MEETINGS ("EGM") BY SHAREHOLDERS

Pursuant to article 71 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two Months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Law of Cayman Islands (as revised and amended from time to time) or the Articles of Association. However, shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an extraordinary general meeting following the procedures set out in paragraph above.

Detailed procedures for Shareholders to propose a person for election as a director of the Company are published on the Company's website.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: B6-501, 218 Xinghu Street, Biobay B6-501, Suzhou 215123, China
Telephone: 021-6237-0929*6000
Email: ir@transcenta.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The information of the Shareholders may be disclosed as required by law.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has in place a shareholders' communication policy which aims at promoting channels for shareholders to communicate their views on various matters affecting the Company and how the Company solicits and understand the views of Shareholders and stakeholders. The Board had reviewed the policy and considered that the implementation of the policy was effective.

The Company has used the following methods to communicate with Shareholders:

- publication of announcements, interim reports and annual reports
- publication of key corporate governance policies on the Company's website
- holding of annual general meeting and other general meetings of the Company

The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming AGM, Directors (or their delegates as appropriate), appropriate management executives and external auditor will use all reasonable endeavors to attend and answer enquiries from the Shareholders.

To promote effective communication, the Company maintains a website at http://www.transcenta.com/, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and does not contain any material omission, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, a new amended and restated memorandum and articles of association of the Company were approved by the Shareholders at the annual general meeting of the Company held on June 9, 2023.

For details, please refer to the Company's announcement dated May 9, 2023, the circular dated May 17, 2023 and the poll results announcement dated June 9, 2023. An up-to-date version of the memorandum and articles of association is available on the websites of the Stock Exchange and the Company. Shareholders may refer to the articles of association for further details of the rights of shareholders.

By order of the Board
Xueming Qian
Executive Director and Chief Executive Officer
Hong Kong

March 27, 2024

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF TRANSCENTA HOLDING LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Transcenta Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 97 to 175, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter

Cut-off of research and development expenses

As disclosed in consolidated statement of profit or loss and other comprehensive income, the Group incurred significant research and development ("R&D") expenses of RMB382,047,000 for the year ended 31 December 2023. Service fees of approximately RMB48,628,000 were accrued as at 31 December 2023 to outsourced service providers including contract research organisations and clinical trial centres (collectively referred to as the "Outsourced Service Providers") as set out in Note 24 to the consolidated financial statements.

We identified the cut-off of R&D expenses in relation to Outsourced Service Providers as a key audit matter due to its significant amount and risk of not accruing R&D costs incurred for services provided by the Outsourced Service Providers in the appropriate reporting period.

Our procedures in relation to the cut-off of R&D expenses included:

- Obtaining an understanding of key controls, management's basis and assessment in relation to the accrual process of the R&D expenses including service fees incurred to Outsourced Service Providers; and
- Obtaining the list of expenses accrued to the Outsourced Service Providers as of 31 December 2023, on a sample basis, reading the key terms set out in the agreements and verifying the completion status with reference to the progress reported by the representatives of the Outsourced Service Providers, to determine whether the service fees were properly accrued based on the respective contract sums, progress and/or milestones achieved, as appropriate, as of the end of the reporting period.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Cheung, Wilfred.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	Year ended 31 December **2023** **RMB'000**	2022 RMB'000
Revenue	5	**53,849**	101,892
Cost of sales		**(39,451)**	(82,003)
Gross profit		**14,398**	19,889
Other income	7	**37,312**	46,402
Other gains and losses, net	8	**2,363**	29,729
Research and development expenses		**(382,047)**	(349,781)
Administrative and selling expenses		**(117,397)**	(112,449)
Impairment losses under expected credit loss model	21	**(1,475)**	–
Share of results of a joint venture	19	**43**	(23,145)
Finance costs	9	**(16,017)**	(17,636)
Loss before tax	10	**(462,820)**	(406,991)
Income tax credit	11	**250**	246
Loss for the year		**(462,570)**	(406,745)
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign operation		**(3,100)**	(10,947)
		(465,670)	(417,692)
Loss for the year attributable to:			
– Owners of the Company		**(462,570)**	(406,745)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(465,670)**	(417,692)
Loss per share			
– Basic and diluted (RMB)	13	**(1.14)**	(0.94)

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2023

	NOTES	At 31 December 2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	15	**388,623**	418,992
Intangible assets	16	**95,860**	95,996
Right-of-use assets	17	**44,912**	31,302
Goodwill	18	**471,901**	471,901
Interests in a joint venture	19	**1,262**	1,219
Deposits paid for acquisition of property, plant and equipment		**5,922**	6,673
Other receivables	21	**496**	1,707
Time deposits	23	**–**	50,000
Pledged bank deposits	23	**280**	280
		1,009,256	1,078,070
Current assets			
Inventories	20	**17,907**	20,566
Trade and other receivables	21	**52,316**	69,623
Contract costs	22	**11,555**	17,636
Value-added-tax ("VAT") recoverable		**6,239**	5,564
Pledged bank deposits	23	**50,000**	47,636
Bank balances and cash	23	**546,026**	895,450
		684,043	1,056,475
Current liabilities			
Trade and other payables	24	**164,044**	148,381
Contract liabilities	25	**587**	1,146
Short-term overdrafts	26	**376,920**	387,600
Lease liabilities	27	**4,741**	5,243
Deferred income	28	**8,000**	8,000
		554,292	550,370
Net current assets		**129,751**	506,105
Total assets less current liabilities		**1,139,007**	1,584,175

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2023

	NOTES	At 31 December 2023 RMB'000	2022 RMB'000
Non-current liabilities			
Long-term overdrafts	26	**10,500**	16,000
Lease liabilities	27	**17,466**	2,617
Deferred income	28	**58,300**	66,300
Deferred tax liabilities	29	**25,108**	25,358
		111,374	110,275
Net assets		**1,027,633**	1,473,900
Capital and reserves			
Share capital	30	**283**	272
Treasury shares		**(17)**	(9)
Reserves		**1,027,367**	1,473,637
Total equity		**1,027,633**	1,473,900

The consolidated financial statements on pages 97 to 175 were approved and authorised for issue by the board of directors on 27 March 2024 and signed on its behalf by:

Qian Xueming
Director

Weng Xiaolu
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000 (Note)	Share-based payment reserves RMB'000	Accumulated losses RMB'000	Translation reserves RMB'000	Total RMB'000
At 1 January 2022	291	4,756,587	(7)	(231,245)	74,660	(2,639,804)	5,087	1,965,569
Loss and total comprehensive expenses for the year	–	–	–	–	–	(406,745)	(10,947)	(417,692)
Recognition of equity-settled share-based payment (Note 31)	–	–	–	–	16,817	–	–	16,817
Shares repurchased and cancellation of shares repurchased (Note 30)	(1)	(6,614)	(1)	–	–	–	–	(6,616)
Issuance of shares hold on trust (Note 30)	1	–	(1)	–	–	–	–	–
Cancellation of shares in relation to promissory note settlement (Note 30)	(19)	(84,442)	–	–	–	–	–	(84,461)
Exercise of share options	–*	452	–	–	(169)	–	–	283
At 31 December 2022	272	4,665,983	(9)	(231,245)	91,308	(3,046,549)	(5,860)	1,473,900
Loss and total comprehensive expenses for the year	**–**	**–**	**–**	**–**	**–**	**(462,570)**	**(3,100)**	**(465,670)**
Recognition of equity-settled share-based payment (Note 31)	**–**	**–**	**–**	**–**	**28,328**	**–**	**–**	**28,328**
Shares repurchased and cancellation of shares repurchased (Note 30)	**(1)**	**(9,174)**	**4**	**–**	**–**	**–**	**–**	**(9,171)**
Issuance of shares hold on trust (Note 30)	**12**	**–**	**(12)**	**–**	**–**	**–**	**–**	**–**
Exercise of share options	**–***	**819**	**–**	**–**	**(573)**	**–**	**–**	**246**
At 31 December 2023	**283**	**4,657,628**	**(17)**	**(231,245)**	**119,063**	**(3,509,119)**	**(8,960)**	**1,027,633**

Note: Other reserves include i) effect of share purchase options written to non-controlling shareholders of Suzhou Transcenta Therapeutics Co., Ltd.** (蘇州創勝集團醫藥有限公司) (formerly known as "Mabspace Biosciences (Suzhou) Co., Ltd.") and HJB (Hangzhou) Co., Ltd.** ("HJB Hangzhou") (杭州奕安濟世生物藥業有限公司) for converting their equity interests in Suzhou Transcenta Therapeutics Co., Ltd. and HJB Hangzhou to the Preferred Shares of Transcenta Holding Limited (the "Company") in the year 2020; ii) effect of exercise of such share purchase options by these non-controlling shareholders, and iii) difference between the consideration paid and share of subsidiaries net assets acquired from non-controlling shareholders.

* Amount is less than RMB1,000.

** English names are for identification only.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2023

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(462,820)**	(406,991)
Adjustments for:		
Interest on overdrafts	**15,383**	17,155
Interest on lease liabilities	**634**	481
Bank interest income	**(15,558)**	(23,829)
Promissory note interest income	**–**	(163)
Share of results of a joint venture	**(43)**	23,145
Depreciation of property, plant and equipment	**47,437**	48,324
Depreciation of right-of-use assets	**6,222**	6,775
Amortisation of intangible assets	**132**	168
Amortisation of deferred income	**(8,000)**	(8,000)
Impairment losses under expected credit loss model	**1,475**	–
Loss arising on revision of interest rate of promissory note receivables	**–**	3,299
Net foreign exchange gain	**(1,451)**	(63,142)
Loss on disposal of property, plant and equipment	**6**	51
Gain on disposal of right-of-use assets	**(16)**	(6)
Share-based payment expenses	**28,328**	16,817
Operating cash flow before movements in working capital	**(388,271)**	(385,916)
Decrease (increase) in trade and other receivables	**7,007**	(22,692)
Decrease in inventories	**2,659**	226
Decrease in contract costs	**7,093**	18,733
(Increase) decrease in VAT recoverable	**(675)**	59,083
Increase in trade and other payables	**14,703**	38,420
Decrease in amount due to a director	**–**	(268)
Increase in deferred income	**–**	31,432
Decrease in contract liabilities	**(559)**	(34,821)
Cash used in operations	**(358,043)**	(295,803)
Income tax paid	**–**	(4)
NET CASH USED IN OPERATING ACTIVITIES	**(358,043)**	(295,807)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2023

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Interest received from banks	**25,306**	11,813
Purchase of and deposits paid for property, plant and equipment	**(15,760)**	(22,184)
Payment of rental deposits	**(41)**	(527)
Refund of rental deposits	**329**	136
Purchase of intangible assets	**–**	(40)
Placement of pledged bank deposits	**–**	(41,805)
Withdrawn of pledged bank deposits	**47,636**	–
Placement of time deposits	**–**	(50,000)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**57,470**	(102,607)
FINANCING ACTIVITIES		
New overdrafts raised	**414,920**	352,034
Repayment of overdrafts	**(431,100)**	(299,163)
Repayments of lease liabilities	**(6,289)**	(7,070)
Payment on repurchase and cancellation of ordinary shares	**(9,171)**	(6,616)
Cash received from settlement of promissory note receivables	**–**	4,077
Receipt of proceeds in connection to exercise of share options	**58**	502
Interest paid	**(15,620)**	(17,041)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(47,202)**	26,723
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(347,775)**	(371,691)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR, REPRESENTING BY BANK BALANCES AND CASH	**895,450**	1,222,026
Effects of exchange rate changes	**(1,649)**	45,115
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, REPRESENTING BY BANK BALANCES AND CASH	**546,026**	895,450

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

Transcenta Holding Limited (the "Company") was incorporated in the British Virgin Islands as an exempted company with limited liability on 20 August 2010, and re-domiciled to the Cayman Islands on 26 March 2021 as an exempted company with limited liability under the laws of Cayman Islands. On 29 September 2021, the Company's shares became listed on the Main Board of The Stock Exchange of Hong Kong Limited. The respective address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" section to the annual report.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") is an integrated biopharma platform that brings drug candidates from the discovery stage to the commercial stage, spanning discovery, research, development, manufacturing and commercialization.

The functional currency of the Company is Renminbi ("RMB"), which is the same as the presentation currency of the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements.

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

2.1 Impacts on application of Amendments to IAS 12 Income Taxes International Tax Reform-Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

2.2 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

2.2 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1. Effective for annual periods beginning on or after a date to be determined.
2. Effective for annual periods beginning on or after 1 January 2024.
3. Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of these new and amendments to IFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.1 Basis of preparation of consolidated financial statements (Continued)

Going concern assessment

The Group incurred a net loss of RMB462,570,000 and a net operating cash outflow of RMB358,043,000 for the year ended 31 December 2023, and as of that date, the Group has net current assets of approximately RMB129,751,000, which consists of bank balances and cash of approximately RMB546,026,000 and short-term overdrafts of approximately RMB376,920,000 and trade and other payables of approximately RMB164,044,000. The Group's ability to continue as a going concern is dependent on its ability to obtain sufficient financing resources to meet its financial obligations when they fall due. The Group is actively improving the liquidity and cashflow by implementing different plans and measures, including but not limited to the followings:

(i) As set of in note 5 the consolidated financial statements, the Group provides contract development and manufacturing ("CDMO") services and research and development services. The Group is actively engaging new CDMO customers and up to the date of approval of these consolidated financial statements, a framework agreement with a new customer has been signed;

(ii) The Group is actively in negotiation with various parties for capital fundings. Up to the date of approval of these consolidated financial statements, the Group has received indicative offers from various counter parties regarding capital funding;

(iii) The Group's has ongoing communications with various banks and it is anticipated that it will be able to renew the existing bank borrowings upon their maturity or obtaining new bank borrowings if necessary. The directors are in of the opinion that the existing bank borrowings can be renewed giving the fact Group had renewed various bank borrowing during the year ended 31 December 2023;

(iv) The Group has been initiated discussions with a bank so that the Group can secure a borrowing through the pledge of the Group's property, plant and equipment and right of use assets. In light of the past historical record and the value of collateral for the borrowings, the directors do not foresee any circumstance that would result in the Group not being able to obtain the secured loan if necessary; and

(v) The Group is considering to implement initiatives to align its resources more effectively and efficiently with the Group's strategic objectives to continue advancing its core products, including but not limited to, the evaluation of existing projects to prioritize essential investments in research and development and optimize the task force.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.1 Basis of preparation of consolidated financial statements (Continued)

Going concern assessment (Continued)

The Group performed an assessment of the Group's future liquidity and cash flows, which included preparing a cashflow projection for the Group which cover at least twelve months from the date of approval these consolidated financial statements and a review of assumption about the likelihood of success of the plans and measures being implemented to ensure the Group's financing needs. When preparing the consolidated financial statements for the year ended 31 December 2023, the directors, are of the opinion that the Group will be able to implement the above measures and the Group will have sufficient financial resources to operate as a going concern. Accordingly, the Group continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash generating units).

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers (Continued)

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provide by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers (Continued)

Contract costs

Costs to fulfill a contract

The Group incurs costs to fulfill a contract in its service contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognizes an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognized is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee *(Continued)*

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to be exercised the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee *(Continued)*

Lease modifications *(Continued)*

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserves (attributed to non-controlling interests as appropriate).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which there are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Retirement benefit costs

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its staff's wages as contributions to the plans. Payments to such retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

A subsidiary in the United States of America (the "USA") adopted a qualified defined contribution plan covering all its eligible employees. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Employees become eligible to participate in the plan on the first of the calendar month following the date the employee meets the eligibility requirements as defined. As defined by the plan, participants may contribute up to United States dollar ("US$") 22,500 of pretax annual compensation. Participants who reach age 50 may elect to make catch-up contributions US$7,500. The subsidiary contributes matching contribution of 3% of each eligible participant's compensation.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserves. For shares/share options that vest immediately at the date of grant, the fair value of the share/share options granted is expensed immediately to profit or loss.

When share options are exercised or the restricted ordinary shares are vested, the amount previously recognized in share-based payment reserves will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payment reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each liabilities for reporting period.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Taxation (Continued)

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognized so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives, which are acquired separately, are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives when the assets are available for use. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets-research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible assets;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination that are not ready for use are reported at costs less any impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets with finite useful lives, right-of-use assets and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that may be impaired.

The recoverable amount of property, plant and equipment, intangible assets, right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (Continued)

Before the Group recognizes an impairment loss for assets capitalized as contract costs under IFRS 15 *Revenue from Contracts with Customers*, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalized as contract costs is recognized to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognized as expenses. The assets capitalized as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Cash and cash equivalents

Bank balances and cash presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a weighted average method. Net realizable value represents the estimate selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sales and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Amortised cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade and other receivables, bank balances and pledged bank deposits) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after each reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

The Group always recognizes lifetime ECL for trade receivables. The ECL on trade receivable is assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, where the corresponding adjustment is recognized through a loss allowance account.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item (Note 8) as part of the net foreign exchange losses.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the assets expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity *(Continued)*

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to a director and overdrafts are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at each end of the reporting period.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off recognized amounts, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized 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.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Research and development expenses

Development expenses incurred on the Group's drug product pipelines are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the year ended 31 December 2023, all research and development costs are expensed when incurred.

Key sources of estimation uncertainty

The key assumption concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months, is described below.

Estimated impairment of intangible assets not ready for use

Intangible assets not ready for use are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. The Group obtained in-licenses through separate acquisition to continue research and development work and commercialize the products, which are classified as intangible assets not ready for use.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of intangible assets not ready for use (Continued)

Determining whether intangible assets not ready for use is impaired requires an estimation of recoverable amount of the cash-generating unit to which the intangible assets belong, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arising from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further loss may arise.

As at 31 December 2023, the carrying amount of intangible assets not ready for use is RMB95,433,000 (2022: RMB95,433,000). No impairment loss is recognised for the year ended 31 December 2023 (2022: nil). Details of the recoverable amount calculation are disclosed in Note 16.

5. REVENUE

The Group provides contract development and manufacturing ("CDMO") services and research and development services. CDMO services stands as an integrated platform to support the development of manufacturing processes and the production of advanced intermediates and active pharmaceutical ingredients and formulation development and dosage drug product manufacturing, for preclinical, clinical trials, new drug application, and commercial supply of chemical drugs as well as wide spectrum development from early to late stage. The research and development services are mainly for investigational new drug enabling studies based on customers' needs.

The Group primarily earns revenues by providing CDMO services and research and development services to its customers through fee-for-service ("FFS") contracts. Contract duration is generally a few months to two years. Under FFS method, the contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports and/or samples, each with individual selling price specified within the contract. The Group identifies each deliverable unit as a separate performance obligation, and recognizes FFS revenue of contractual elements at the point in time upon finalization, delivery and acceptance of the deliverable units.

The Group's service contracts normally include payment schedules which require stage payments over the service period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 10% to 30% of total contract sum as part of its credit risk management policies.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

5. REVENUE *(Continued)*

Disaggregated revenue information:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
CDMO services	**53,849**	87,949
Research and development services	**–**	13,943
	53,849	101,892

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and the expected timing of recognizing revenue are as follows:

	CDMO services	**Research and development services**
	RMB'000	**RMB'000**
Within one year	**19,123**	**–**
More than one year	**2,652**	**–**
	21,775	**–**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and the expected timing of recognizing revenue are as follows:

	CDMO services	Research and development services
	RMB'000	RMB'000
Within one year	64,030	13,090
More than one year	15,190	–
	79,220	13,090

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

6. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components' of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), which is also identified as the chief executive officer of the Group, in order to allocate resources to segments and to assess their performance. During the year, the CODM assesses the operating performance and allocated the resources of the Group as a whole as the Group is primarily engaged in the discovering, developing, manufacturing and commercializing novel drugs. Therefore, the CODM considers the Group has one operating segment.

The CODM reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in Note 3 and no further analysis of the single segment is presented.

Geographical information

The Group's operations are located in the People's Republic of China (the "PRC") and the USA.

All the Group's revenue from external customers is derived from the PRC. As at 31 December 2023, no non-current assets (2022: RMB339,000) are located in the USA. The remaining non-current assets are all located in the PRC.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the corresponding years are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Customer A	**20,889**	N/A
Customer B	**7,300**	20,651
Customer C	**–**	41,809

N/A: not disclosed as amounts less than 10% of total revenue

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

7. OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Bank interest income	**15,558**	23,829
Promissory note interest income	**–**	163
Government grants (note)	**21,136**	20,683
Others	**618**	1,727
	37,312	46,402

Note: The amount represents 1) various subsidies granted by the PRC local government authorities to group entities as incentives for the Group's research and development activities. The government grants were unconditional and had been approved by the PRC local government authorities, which are recognized when payments were received; and 2) amortization of subsidies received from the PRC local government authorities to subsidize the purchase of the Group's property, plant and equipment.

8. OTHER GAINS AND LOSSES, NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Net foreign exchange gain	**2,353**	33,073
Loss on disposal of property, plant and equipment	**(6)**	(51)
Loss arising on revision of interest rate of promissory note receivables	**–**	(3,299)
Gain on disposal of right-of-use assets	**16**	6
	2,363	29,729

9. FINANCE COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest expenses on overdrafts	**15,383**	17,155
Interest expenses on lease liabilities	**634**	481
	16,017	17,636

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

10. LOSS BEFORE TAX

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss before tax for the year has been arrived at after charging:		
Selling expenses (included in administrative and selling expenses)	**2,948**	811
Depreciation of property, plant and equipment	**48,856**	51,551
Amortisation of intangible assets	**136**	179
Depreciation of right-of-use assets	**6,408**	7,228
	55,400	58,958
Capitalised in the ending balance of contract costs	**(1,012)**	(3,094)
Capitalised in construction in progress	**(597)**	(597)
	53,791	55,267
Auditors' remuneration	**2,185**	2,100
Directors' emoluments (Note 12(a)):		
– salaries and other benefits	**9,062**	14,583
– share-based payments (note)	**15,338**	1,533
	24,400	16,116
Other staff costs:		
– salaries and other benefits	**101,285**	141,168
– retirement benefit scheme contributions	**26,622**	30,045
– share-based payments (note)	**12,990**	15,284
– termination benefits	**8,553**	–
	173,850	202,613
Capitalised in the ending balance of contract costs	**(1,873)**	(3,040)
	171,977	199,573

Note: Share-based payments amounting to RMB9,513,000 (2022: RMB9,243,000) and RMB18,815,000 (2022: RMB7,574,000) are included in the research and development expenses and administrative and selling expenses, respectively, for the year ended 31 December 2023.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

11. INCOME TAX CREDIT

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	**–**	(4)
Deferred tax (Note 29)	**250**	250
	250	246

The Company was incorporated in the BVI and re-domiciled to the Cayman Islands and is exempted from income tax.

Under the two-tiered profits tax rates regime which was effective on 21 March 2018, the first Hong Kong dollar ("HK$") 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the Group, since the group entities did not have tax assessable profit subject to Hong Kong Profits Tax for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

On 1 December 2020 and 8 December 2023, HJB Hangzhou qualified as a High and New Tech Enterprise recognized by the Ministry of Science and Technology and enjoys a preferential tax rate of 15% for a period of three years starting from 2020 and 2023, respectively.

On 6 November 2023, Suzhou Transcenta Therapeutics Co., Ltd. qualified as a High and New Tech Enterprise recognized by the Ministry of Science and Technology and enjoys a preferential tax rate of 15% for a period of three years starting from 2023.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

11. INCOME TAX CREDIT *(Continued)*

The tax credit for the years can be reconciled to the loss per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss before tax	**(462,820)**	(406,991)
Income tax credit calculated at 25%	**(115,705)**	(101,748)
Tax effect of share of results of a joint venture	**(11)**	5,786
Tax effect of expenses that are not deductible for tax purpose	**27,914**	54,006
Tax effect of income not taxable for tax purpose	**–**	(59,175)
Tax effect of additional deductible research and development expenses (note)	**(65,110)**	(40,882)
Utilization of tax losses previously not recognized	**–**	(5)
Tax effect of tax losses not recognized	**107,644**	125,773
Tax effect of deductible temporary differences not recognized	**667**	5,963
Income tax effect at concessionary rate	**44,351**	10,036
Income tax credit	**(250)**	(246)

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11. INCOME TAX CREDIT *(Continued)*

At 31 December 2023, the Group has unused tax losses of approximately RMB2,479,509,000 (2022: RMB2,114,994,000). At 31 December 2023, the Group has deductible temporary differences of approximately RMB60,398,000 (2022: RMB57,730,000). Deferred taxation had not been recognized on the unused tax losses and deductible temporary differences due to the unpredictability of future profit streams.

The unused tax losses will be carried forward and expire in years as follows:

	At 31 December	
	2023	2022
	RMB'000	RMB'000
2023	**–**	772
2024	**2,867**	2,867
2025	**7,040**	7,040
2026	**43,731**	44,151
2027	**181,619**	166,867
2028	**359,961**	264,650
2029	**410,451**	410,471
2030	**249,396**	249,754
2031	**495,104**	495,104
2032	**455,093**	473,318
2033	**274,247**	–
	2,479,509	2,114,994

Note: Pursuant to Caishui [2023] circular No. 7 and Caishui [2018] circular No. 99, the subsidiaries in the PRC enjoy super deduction of 200% (2022: 175%) on qualifying research and development expenditures for the year ended 31 December 2023.

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12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid or payable to the individuals who were appointed as directors and the chief executive officer of the Company (including emoluments for services as employees/directors of the Group prior to becoming the directors of the Company) during both years are as follows:

(a) Executive and non-executive directors

	Date of appointment	Director's fee RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Discretionary bonus RMB'000 (note iv)	Share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2023							
Executive directors:							
Dr. Xueming Qian (chief executive officer) ("Dr. Qian")	August 2010	**1,680**	**1,129**	**236**	**216**	**2,301**	**5,562**
Mr. Xiaolu Weng	21 March 2022	**–**	**3,009**	**113**	**350**	**4,848**	**8,320**
		1,680	**4,138**	**349**	**566**	**7,149**	**13,882**
Non-executive directors:							
Dr. Yining Zhao ("Dr. Zhao")	31 March 2021	**700**	**621**	**26**	**110**	**8,135**	**9,592**
Independent non-executive directors:							
Mr. Jiasong Tang	14 September 2021	**200**	**–**	**–**	**–**	**19**	**219**
Dr. Jun Bao (note v)	14 September 2021	**200**	**–**	**–**	**–**	**(10)**	**190**
Mr. Zhihua Zhang	14 September 2021	**200**	**–**	**–**	**–**	**19**	**219**
Dr. Kumar Srinivasan (note vi)	9 June 2023	**200**	**–**	**–**	**–**	**26**	**226**
Ms. Wei Chen	23 August 2023	**72**	**–**	**–**	**–**	**–**	**72**
		872	**–**	**–**	**–**	**54**	**926**
		3,252	**4,759**	**375**	**676**	**15,338**	**24,400**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(a) Executive and non-executive directors (Continued)

	Date of appointment	Director's fee RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Discretionary bonus RMB'000 (note iv)	Share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2022							
Executive directors:							
Dr. Qian	August 2010	**1,608**	**1,261**	**167**	**2,224**	**417**	**5,677**
Mr. Xiaolu Weng	21 March 2022	**–**	**2,805**	**106**	**1,037**	**–**	**3,948**
Dr. Michael Ming Shi ("Dr. Shi") (note vii)	31 March 2021	**–**	**2,151**	**245**	**2**	**–**	**2,398**
Mr. Albert Da Zhu ("Mr. Zhu") (note viii)	31 March 2021	**–**	**973**	**64**	**2**	**1,011**	**2,050**
		1,608	**7,190**	**582**	**3,265**	**1,428**	**14,073**
Non-executive directors:							
Dr. Zhao	31 March 2021	**670**	**657**	**11**	**–**	**–**	**1,338**
Dr. Kumar Srinivasan	19 December 2022	**–**	**–**	**–**	**–**	**–**	**–**
		670	**657**	**11**	**–**	**–**	**1,338**
Independent non-executive directors:							
Mr. Jiasong Tang	14 September 2021	**200**	**–**	**–**	**–**	**35**	**235**
Dr. Jun Bao	14 September 2021	**200**	**–**	**–**	**–**	**35**	**235**
Mr. Zhihua Zhang	14 September 2021	**200**	**–**	**–**	**–**	**35**	**235**
		600	**–**	**–**	**–**	**105**	**705**
		2,878	**7,847**	**593**	**3,265**	**1,533**	**16,116**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(a) Executive and non-executive directors (Continued)

Notes:

i None of the directors nor the chief executive officer of the Company waived or agreed to waive any emoluments during the years.

ii During the years, no emoluments were paid by the Group to any of the directors nor the chief executive officer of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

iii The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group and the Company. The non-executive director's and the independent non-executive director's emoluments shown above were for their services of the Company.

iv The discretionary bonuses were determined with reference to their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

v Dr. Jun Bao was an independent non-executive directors of the Company until 23 August 2023 on which day he resigned.

vi Dr. Kumar Srinivasan was a non-executive director of the Company until 9 June 2023 on which date he was redesignated as independent non-executive director of the Company.

vii Dr. Shi was an executive director of the Company until 20 July 2022 on which day he resigned.

viii Mr. Zhu was an executive director of the Company until 26 June 2022 on which day he passed away.

(b) Five Highest Paid Employees

The five highest paid individuals of the Group during the year included 3 (2022: 2) directors, details of whose remuneration are set out above. Details of the remuneration for the year of the remaining 2 (2022: 3) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries and other benefits	**5,912**	5,569
Discretionary bonus (note)	**155**	1,762
Retirement benefit scheme contributions	**494**	619
Share-based payments	**3,774**	3,496
	10,335	11,446

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

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FOR THE YEAR ENDED 31 DECEMBER 2023

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(b) Five Highest Paid Employees (Continued)

The emoluments of the five highest paid employees are within the following bands:

	Year ended 31 December	
	2023	2022
	No. of employees	No. of employees
HK$4,000,001 to HK$4,500,000	**1**	4
HK$5,500,001 to HK$6,000,000	**–**	–
HK$6,000,001 to HK$6,500,000	**1**	1
HK$7,000,001 to HK$7,500,000	**1**	–
HK$9,000,001 to HK$9,500,000	**1**	–
HK$10,500,001 to HK$11,000,000	**1**	–
	5	5

During the year, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss for the year attributable to the owners of the Company for the purpose of calculating basic and diluted loss per share	**(462,570)**	(406,745)

Number of shares

	Year ended 31 December	
	2023	2022
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**407,032,399**	432,827,091

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

13. LOSS PER SHARE *(Continued)*

Number of shares (Continued)

The weighted average number of shares for the year shown above has been arrived after deducting treasury shares as set out in Note 30.

Diluted loss per share is calculated by adjusting weighted average number of ordinary shares outstanding assuming conversion of all dilutive ordinary shares. The computation of diluted loss per share did not assume the exercise of share options before expiration since their assumed exercise would result in a decrease in loss per share.

14. DIVIDENDS

No dividend was paid or declared by the Company for ordinary shareholders of the Company during 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2022	174,178	5,977	398,278	303	2,731	3,397	584,864
Additions	–	1,174	1,045	–	–	33,272	35,491
Transfers	764	–	17,307	–	45	(18,116)	–
Disposals	–	–	(1,064)	–	–	–	(1,064)
At 31 December 2022	174,942	7,151	415,566	303	2,776	18,553	619,291
Additions	–	–	690	–	221	17,582	18,493
Transfers	3,923	–	7,578	–	15	(11,516)	–
Disposals	–	(692)	(7,080)	–	(5)	–	(7,777)
At 31 December 2023	178,865	6,459	416,754	303	3,007	24,619	630,007
DEPRECIATION							
At 1 January 2022	23,027	4,085	120,348	258	2,043	–	149,761
Provided for the year	8,086	1,453	41,691	30	291	–	51,551
Eliminated on disposals	–	–	(1,013)	–	–	–	(1,013)
At 31 December 2022	31,113	5,538	161,026	288	2,334	–	200,299
Provided for the year	8,381	790	39,469	–	216	–	48,856
Eliminated on disposals	–	(692)	(7,074)	–	(5)	–	(7,771)
At 31 December 2023	39,494	5,636	193,421	288	2,545	–	241,384
CARRYING AMOUNT							
At 31 December 2022	143,829	1,613	254,540	15	442	18,553	418,992
At 31 December 2023	139,371	823	223,333	15	462	24,619	388,623

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15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of the residual value, over the following period:

Buildings	20 years
Leasehold improvements	Over the shorter of the relevant lease terms or 5 years
Machinery	3-10 years
Motor vehicles	4 years
Furniture and fixtures	5 years

As at the end of the reporting period, none of the machinery (2022: RMB106,027,000) was pledged to banks to secure the overdrafts as disclosed in Note 26.

16. INTANGIBLE ASSETS

	Software RMB'000	IPR&D RMB'000	In-licenses RMB'000 (note i)	Total RMB'000
COST				
At 1 January 2022	3,091	51,656	95,433	150,180
Additions	40	–	–	40
At 31 December 2022	3,131	51,656	95,433	150,220
Additions	–	–	–	–
At 31 December 2023	3,131	51,656	95,433	150,220
AMORTISATION AND IMPAIRMENT				
At 1 January 2022	2,389	51,656	–	54,045
Provided for the year	179	–	–	179
At 31 December 2022	2,568	51,656	–	54,224
Provided for the year	136	–	–	136
At 31 December 2023	2,704	51,656	–	54,360
CARRYING AMOUNT				
At 31 December 2022	563	–	95,433	95,996
At 31 December 2023	427	–	95,433	95,860

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FOR THE YEAR ENDED 31 DECEMBER 2023

16. INTANGIBLE ASSETS *(Continued)*

The above intangible assets other than IPR&D and in-licenses are amortised on a straight-line basis over the following periods:

Software	2-3 years

(i) Licensing Agreement with Eli Lilly and Company ("Lilly")

In March 2019, HJB Hangzhou, a subsidiary of the Company, entered into a license agreement with Lilly with respect to certain technology, patent rights and proprietary materials related to certain compounds.

Under the terms of the agreement, the total upfront fee was comprised of non-refundable cash consideration of US$10,000,000 (equivalent to RMB67,531,000) and a non-cash consideration satisfied by the Company issuing certain number of preferred shares worthy of US$4,000,000. The total number of Series B-5 preferred shares issued by the Company to Lilly as a result was 2,797,514. As at 31 December 2023, the Group capitalized a total amount of RMB95,433,000 (equivalent to US$14,000,000) (2022: RMB95,433,000 (equivalent to US$14,000,000)) as an intangible asset. The Group also agreed to pay Lilly clinical development milestone payments up to US$21 million, commercial milestone payments up to US$8.5 million, as well as tiered royalties on sales of each licensed product.

Impairment test

Intangible assets not yet ready for use are tested annually based on the recoverable amount of the cash-generating unit to which the intangible asset is related. The appropriate cash-generating unit is at the product level. The annual impairment test was performed for the drug by engaging an independent qualified professional valuer to estimate value in use as the recoverable amount of the drug. The value in use is estimated using discount cash flow approach.

With the assistance of an external appraiser, management determined the recoverable amount of the intangible assets based on the following approach and the key assumptions:

- The intangible asset will generate cash inflows starting from year 2029 based on the timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential till year 2038, and up to the end of the exclusivity for the product. The management considers the length forecast period is appropriate because generally takes longer for a biopharma company to generate positive cash flows, compared to companies in other industries, especially when the related products are under clinical trial. Hence, the management believes that a forecast period for the cash-generating unit longer than five years is justifiable and consistent with industry practice;
- The expected market penetration rate was based on the expected selling conditions considering the features of marketing and technology development;
- The discount rate used is pre-tax and reflect specific risks relating to the relevant products that would be considered by market participants; and
- The expected success rate of commercialization by reference to practices of pharmaceutical industries, development of technologies and related regulations from administrations.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

16. INTANGIBLE ASSETS *(Continued)*

(i) Licensing Agreement with Eli Lilly and Company ("Lilly") (Continued)

Impairment test (Continued)

The key assumptions used for value in use calculation as at the end of the reporting period are as follows:

	As at 31 December	
	2023	2022
Pre-tax discount rate	**18.3%**	17.5%
Expected annual growth rates till 2038 (note)	**13.2%-263.3%**	1.5%-140.9%
Expected market penetration rate	**0.5%-11.3%**	1.0%-10.0%
Expected success rate of commercialization	**38%**	38%

Note: The compound growth rates calculated based on the expected annual growth rates from 2029 to 2038 were 47% as at the end of the reporting period.

Based on the result of impairment assessment, there was no impairment as at 31 December 2023 (2022: nil).

Impairment test – sensitivity

The Company performed sensitivity test by increasing 1% of discount rate or decreasing of 1% revenue compound growth rate, which are the key assumptions determine the recoverable amount of the intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Headroom	**37,306**	149,279
Impact by increasing discount rate	**(9,021)**	(55,640)
Impact by decreasing revenue compound growth rate	**(20,332)**	(22,532)

Considering there was still sufficient headroom based on the assessment, the management believe that a reasonably possible change in any of the key assumptions would not cause the aggregate carrying amount of the cash-generating unit to exceed its recoverable amount.

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FOR THE YEAR ENDED 31 DECEMBER 2023

17. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Leased properties RMB'000	Total RMB'000
As at 31 December 2022			
Carrying Amount	23,865	7,437	31,302
As at 31 December 2023			
Carrying Amount	**23,387**	**21,525**	**44,912**
For the year ended 31 December 2022			
Depreciation charge for the year	1,051	6,177	7,228
For the year ended 31 December 2023			
Depreciation charge for the year	**478**	**5,930**	**6,408**

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Total cash outflow for leases	**6,289**	7,070
Additions to right-of-use assets	**20,002**	467

For both years, the Group leases various pieces of land and various properties for its operations. Lease contracts are entered into for fixed term of approximately 2 years to 45 years (2022: 2 years to 45 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There were no extension options in the lease contracts. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Restrictions or covenants on leases

As at 31 December 2023, lease liabilities of RMB22,207,000 (2022: RMB7,860,000) are recognized with related right-of-use assets of RMB21,525,000 (2022: RMB7,437,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

18. GOODWILL

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Carrying amount	**471,901**	471,901

The goodwill arose from acquisition of Perfusion Biologics Co., Limited (formerly known as "Just Biotherapeutics Asia Inc.") ("Just Cayman") in 2019. The goodwill is not be deductible for tax purpose.

Impairment test

Goodwill arising from the business combination is allocated to a group of cash-generating units that are expected to benefit from the synergies of such business combination for the purpose of impairment testing.

For the year ended 31 December 2023

Impairment review on the goodwill of the Group has been conducted by management of the Company based on fair value less estimated cost to disposal.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the group of cash-generating units exceeded its carrying amount as at 31 December 2023. Thus, no impairment is noted.

For the year ended 31 December 2022

Impairment review on the goodwill of the Group has been conducted by the management of the Company with reference to a report prepared by independent qualified professional valuer. For the purpose of impairment review, the recoverable amount of the group of cash-generating units is determined based on value-in-use calculations.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the group of cash-generating units exceeded its carrying amount as at 31 December 2022. Thus, no impairment is noted.

19. INTERESTS IN A JOINT VENTURE

Details of the Group's investment in a joint venture are as follow:

	At 31 December 2023	At 31 December 2022
	RMB'000	RMB'000
Cost of investment in a joint venture	**500**	500
Other adjustments (note)	**26,816**	26,816
Accumulated share of loss and other comprehensive expenses	**(26,054)**	(26,097)
	1,262	1,219

Notes to the Consolidated Financial Statements

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19. INTERESTS IN A JOINT VENTURE *(Continued)*

In November 2020, Suzhou Transcenta Therapeutics Co., Ltd. (formerly known as Mabspace Biosciences (Suzhou) Co., Ltd), a wholly-owned subsidiary of the Company, and Alebund Pharmaceuticals, an independent third party entered into a framework agreement to set up Lisheng, a joint venture, to co-develop pipeline TST004. In accordance with the framework agreement, Mabspace Suzhou shall pay RMB500,000 as investment cost in Lisheng which represents the entire ownership interest of Lisheng initially. Alebund Pharmaceuticals shall then contribute a total of RMB60,837,000 (equivalent to approximately US$9,000,000) into Lisheng in five instalments subject to the achievement of certain research and development milestones as stipulated in the framework agreement.Upon the entire amount being contributed by Alebund Parmaceuticals, the ownership interest in Lisheng will eventually be owned as 50% by Mabspace Suzhou and 50% by Alebund Pharmaceuticals. As part of the framework agreement, an ancillary collaboration and licensing agreement (the "Agreement") were entered into between Mabspace Suzhou, Alebund Pharmaceuticals and Lisheng in December 2020 pursuant to which Mabspace Suzhou shall out-license an irrevocable, permanent, exclusive and sub-licensable license to research, develop, commercialize, use, import, commit to sell, export and sell a licensed product, which is defined as a formulation with TST004 as the only active pharmaceutical ingredient, in Greater China to Lisheng.

As of 31 December 2023 and 31 December 2022, the proportion of Suzhou Transcenta Therapeutics Co., Ltd. paid-up registered capital was 55.56%. However, Suzhou Transcenta Therapeutics Co., Ltd. was not in a position to control the joint venture. According to the framework agreement, the ultimate and sole purpose of the establishment of the joint venture is the research and development of TST004. In addition, the framework agreement stipulates that the company's business plan needs to be implemented in accordance with the Development Plan and Budget, which should be mutual approved by joint shareholders. At this time, in essence, Suzhou Transcenta Therapeutics Co., Ltd. and Alebund Pharmaceuticals, jointly controlled the joint venture.

Note: Other adjustments represents the differences between the Group's share of contribution made by Alebund Pharmaceuticals amounting to RMB27,038,000 and the Group's carrying amount of the deemed disposed interests amounting to RMB222,000.

Details of the Group's joint venture at the end of each reporting period are as follows:

Name of entity	**Country of incorporation registration and nature of the legal entity**	**Principal place of business**	**Proportion of Ownership Interest held by the Group**		**Proportion of voting rights held by the Group**		**Principal activity**
			At 31 December 2023	At 31 December 2022	**At 31 December 2023**	At 31 December 2022	
Lisheng	The PRC Limited liability company	The PRC	**55.56%**	55.56%	**55.56%**	55.56%	Research, development and commercialization of innovation therapies

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19. INTERESTS IN A JOINT VENTURE *(Continued)*

Summarised financial information of the joint venture

Summarised financial information in respect of the Group's the joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint venture is accounted for using the equity method in the consolidated financial statements.

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Current assets	**6,641**	12,615
Non-current assets	**60,692**	60,737
Current liabilities	**4,720**	10,816
The above amounts of assets include the following: Cash and cash equivalents	**6,641**	12,615

	The year ended 31 December 2023 RMB'000	The year ended 31 December 2022 RMB'000
Research and development expenses	**(129)**	(41,809)
Profit (loss) and total comprehensive income (expenses) for the year	**77**	(41,657)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognized in the consolidated financial statements:

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Net assets of Lisheng	**62,613**	62,536
Proportion of the Group's ownership interest in Lisheng	**55.56%**	55.56%
	34,788	34,745
Elimination (note)	**(33,526)**	(33,526)
Carrying amount of the Group's interest in Lisheng	**1,262**	1,219

Note: The amount represents the unrealized gain from the out-license of TST004 by the Group to Lisheng.

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FOR THE YEAR ENDED 31 DECEMBER 2023

20. INVENTORIES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Raw materials	**17,907**	20,566

21. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables	**38,856**	34,012
Less: Allowance for credit losses	**(1,200)**	–
Trade receivables, net of allowance for credit losses	**37,656**	34,012
Interest receivables	**2,268**	12,016
Prepayments for:		
Research and development services	**8,028**	18,719
Legal and professional services	**2,182**	2,083
Purchase of raw materials	**1,074**	2,039
	11,284	22,841
Other receivables		
Refundable rental deposits	**1,419**	1,707
Others	**460**	754
	1,879	2,461
Less: Allowance for credit losses	**(275)**	–
Other receivables, net of allowance for credit losses	**1,604**	2,461
Total	**52,812**	71,330
Analyzed as:		
Non-current	**496**	1,707
Current	**52,316**	69,623
	52,812	71,330

The Group normally grants a credit period of 30-90 days or a particular period agreed with customers effective from the date when the services have been completed and accepted by customers.

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21. TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivable net of allowance for credit losses presented based on the date of completion of service at the end of each reporting period:

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Within 30 days	**8,191**	31,965
31 – 60 days	**314**	1,936
61 – 90 days	**4**	96
91 – 120 days	**361**	–
121 – 365 days	**11,140**	15
Above 365 days	**17,646**	–
	37,656	34,012

Analysis of trade and other receivables of the Group denominated in currencies other than the functional currency of the relevant group entities is set out below:

	At 31 December	
	2023	2022
	RMB'000	RMB'000
US$	**1,182**	1,461

22. CONTRACT COSTS

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Costs to fulfill contracts	**11,555**	17,636

Contract costs capitalized relate to the costs incurred to fulfill contracts. Contract costs are recognized as part of cost of sales in the consolidated statements of profit or loss in the period in which revenue is recognized. The amount of capitalized costs recognized in profit or loss during the year ended 31 December 2023 was RMB39,451,000 (2022: RMB82,003,000). There was no impairment in relation to the opening balance of capitalized costs or the cost capitalized during the year ended 31 December 2023 (2022: nil).

Notes to the Consolidated Financial Statements

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23. BANK BALANCES AND CASH, PLEDGED BANK DEPOSITS AND TIME DEPOSITS

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances and short-term bank deposits carry interests at market rates ranging from 0.01% to 3.10% (2022: 0.01% to 3.10%).

As at 31 December 2023, the pledged bank deposits of the Group amounting to RMB50,000,000 (2022: RMB41,788,000) was related to overdrafts. The pledged bank deposits carried interest at market rates ranging from 0.01% to 3.25% (2022: 0.01% to 2.75%). As at 31 December 2023, the pledged bank deposits related to overdrafts are disclosed in Note 26.

Bank balances and cash, pledged bank deposits and time deposits are denominated in the following currencies:

	At 31 December	
	2023	2022
	RMB'000	RMB'000
RMB	**511,207**	900,606
US$	**84,671**	88,471
HK$	**428**	4,289
	596,306	993,366

24. TRADE AND OTHER PAYABLES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables	**91,841**	48,154
Accrued research and development expenses	**48,628**	51,246
Other payables:		
Purchase of property, plant and equipment	**11,905**	10,520
Legal and professional fee	**1,095**	1,125
Others	**2,736**	7,351
Interest payables	**339**	576
Other tax payables	**2,127**	1,238
Accrued staff costs and benefits	**5,373**	27,022
Other accruals	**–**	1,149
	164,044	148,381

The average credit period on purchases of goods and services of the Group is 30-90 days.

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24. TRADE AND OTHER PAYABLES *(Continued)*

The following is an aged analysis of trade payables, presented based on earlier of the date of goods and services received and the invoice dates at the end of each reporting period:

	At 31 December	
	2023	2022
	RMB'000	RMB'000
0 – 30 days	**31,279**	32,579
31 – 60 days	**6,329**	1,669
61 – 90 days	**13,351**	4,271
91 – 120 days	**4,096**	287
121 – 365 days	**25,870**	9,240
Over 365 days	**10,916**	108
	91,841	48,154

Analysis of trade and other payables of the Group denominated in currencies other than the functional currency of relevant group entities is set out below:

	At 31 December	
	2023	2022
	RMB'000	RMB'000
US$	**7,622**	2,900
HKD	**311**	–
EUR	**81**	–
GBP	**5**	–
	8,019	2,900

25. CONTRACT LIABILITIES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Provision of CDMO services	**587**	1,146

As at 1 January 2022, contract liabilities amounted to RMB35,967,000. Revenue recognised that was included in the contract liabilities balance at the beginning of the years during each of the two years ended December 31, 2023 and 2022 amounted to RMB1,146,000 and RMB35,967,000 respectively.

The Group normally invoices its customers a percentage of the price on acceptance of manufacturing orders to commence work, which gives rise to contracts liability at the start of a contract.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

26. SHORT-TERM OVERDRAFTS/LONG-TERM OVERDRAFTS

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Secured	**42,000**	82,100
Unsecured	**345,420**	321,500
	387,420	403,600
Fixed-rate borrowings	**285,500**	333,600
Variable-rate borrowings	**101,920**	70,000
	387,420	403,600
Carrying amount repayable*:		
Within one year	**376,920**	387,600
Within a period of more than one year but not exceeding two years	**6,000**	16,000
Within a period of more than two years but not exceeding five years	**4,500**	–
	387,420	403,600
Less: Amounts due within 12 months shown under current liabilities	**(376,920)**	(387,600)
Amounts shown under non-current liabilities	**10,500**	16,000

The ranges of the effective interest rates on the Group's borrowings are as follows:

	Year ended 31 December	
	2023	2022
Fixed – rate borrowings	**3.15%-4.50%**	3.15%-5.025%
Variable – rate borrowings	**4%**	4%

As at 31 December 2023, borrowings amounting to RMB42,000,000 are secured by pledged bank deposits of RMB50,000,000.

As at 31 December 2022, borrowings amounting to RMB49,100,000 and RMB33,000,000 are secured by property, plant and equipment with carrying amount of RMB106,027,000 and pledged bank deposits of RMB41,788,000, respectively.

All the Group's borrowings are denominated in the functional currencies of the relevant group entities.

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes to the Consolidated Financial Statements

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27. LEASE LIABILITIES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**4,741**	5,243
Within a period of more than one year but not exceeding two years	**2,541**	2,481
Within a period of more than two years but not exceeding five years	**3,398**	136
Within a period of more than five years	**11,527**	–
	22,207	7,860
Less: Amounts due for settlement with 12 months shown under current liabilities	**(4,741)**	(5,243)
Amounts due for settlement after 12 months shown under non-current liabilities	**17,466**	2,617

The weighted average incremental borrowing rates applied to the lease liabilities range from 2.98% to 5.49% (2022: 2.98% to 4.65%) for the year ended 31 December 2023.

28. DEFERRED INCOME

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Government grants		
Conditional (note i)	**50,300**	50,300
Assets-related grants (note ii)	**16,000**	24,000
	66,300	74,300
Less: current portion	**(8,000)**	(8,000)
Non-current portion	**58,300**	66,300

Notes:

i The deferred income represents the government grant received from the local government to support the business operations of the Group. They are conditional upon meeting specific requirements based on the relevant grant documents. The Group received government grants with total amount of RMB50,300,000 but not yet recognized as other income, which is expected to be recognised when the relevant conditions fulfilled.

ii The asset-related grants are the subsidies received from the government for the purpose of compensation for purchase of the Group's property, plant and equipment. Amortisation of RMB8,000,000 was recognized in profit or loss in the current year.

Notes to the Consolidated Financial Statements

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29. DEFERRED TAX LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purpose.

	Fair value adjustments of property, plant and equipment RMB'000	Intangible assets RMB'000	Total RMB'000
At 1 January 2022	1,750	23,858	25,608
Credited to profit or loss	(250)	–	(250)
At 31 December 2022	1,500	23,858	25,358
Credited to profit or loss	(250)	–	(250)
At 31 December 2023	**1,250**	**23,858**	**25,108**

30. SHARE CAPITAL

	Number of shares	Share capital US$'000
Ordinary shares		
Ordinary shares of US$0.0001 each		
Authorized		
At 31 December 2022 and 2023	**10,000,000,000**	**1,000**

Notes to the Consolidated Financial Statements

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30. SHARE CAPITAL *(Continued)*

	Number of shares	Amount US$'000	Equivalent amount of ordinary shares RMB'000
Issue and fully paid			
At 1 January 2022	445,331,917	45	291
Issuance of ordinary shares in relation to exercise of share options (Note 31)	205,415	–*	–*
Cancellation of shares in relation to promissory note settlement (note i)	(25,704,680)	(3)	(19)
Cancellation of shares repurchased (note ii)	(1,899,000)	–*	(1)
Issuance of shares hold on trust (note iii)	1,986,000	–*	1
At 31 December 2022	419,919,652	42	272
Issuance of ordinary shares in relation to exercise of share options (Note 31)	114,218	–*	–*
Cancellation of shares repurchased (note iv)	(2,280,000)	–*	(1)
Issuance of shares hold on trust (note v)	17,449,505	2	12
At 31 December 2023	**435,203,375**	**44**	**283**

* Amount is less than US$1,000 or RMB1,000.

Notes to the Consolidated Financial Statements

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30. SHARE CAPITAL *(Continued)*

The details of the treasury shares held in trust are set out as below:

	Number of treasury shares	Amount US$'000	Equivalent amount of ordinary shares RMB'000
At 1 January 2022	10,136,230	1	7
Shares repurchased	1,899,500	929	6,616
Cancellation of shares repurchased (note ii)	(1,899,000)	(929)	(6,615)
Issuance of shares hold on trust (note iii)	1,986,000	-*	1
At 31 December 2022	12,122,730	1	9
Shares repurchased	2,279,500	1,292	9,171
Cancellation of shares repurchased (note iv)	(2,280,000)	(1,292)	(9,175)
Issuance of shares hold on trust (note v)	17,449,505	2	12
At 31 December 2023	**29,571,735**	**3**	**17**

* Amount is less than US$1,000.

Notes:

i On 25 November 2022, the Company entered into various promissory notes settlement agreements with related participated employees and directors, pursuant to which that the Company cancelled 25,704,680 shares held by Success Link International L.P. to settle the relevant promissory notes.

ii On 28 November 2022 and 30 December 2022, the Company cancelled 1,607,000 and 292,000 shares, respectively, at average price of RMB3.48, total RMB6,615,000.

iii On 30 December 2022, the Company issued 1,986,000 ordinary shares to Success Connect Trust to hold on behalf of future participants of the Post-IPO Share Award Scheme of the Company. Success Connect Trust is an irrevocable trust established by the Company for the benefit of certain participants under the Post-IPO Share Award Scheme as fully explained in Note 31.

iv On 30 June 2023 and 29 December 2023, the Company cancelled 1,040,500 and 1,239,500 shares, respectively, at average price of RMB4.02, total RMB9,175,000.

v On 2 February 2023, 25 April 2023, 21 July 2023 and 27 December 2023, the Company issued 5,035,160, 1,470,360, 6,816,185, and 4,127,800 ordinary shares to Success Connect Trust to hold on behalf of future participants of the Post-IPO Share Award Scheme of the Company.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

31. SHARE-BASED PAYMENT TRANSACTIONS

a) Pre-IPO Equity Incentive Plan

The Transcenta Holding Limited 2019 Equity Incentive Plan ("Pre-IPO Equity Incentive Plan") was effective since 1 January 2019. The purpose of the Pre-IPO Equity Incentive Plan was to provide incentives to employees, directors and consultants in order to promote the success of the business of the Company.

Under the Pre-IPO Equity Incentive Plan, the board of directors may grant share options or pledged share units to eligible employees, directors and consultants. The maximum number of shares which may be issued pursuant to all awards granted under the Pre-IPO Equity Incentive Plan is 69,325,254, subject to any adjustments to reflect any share dividends, share splits, or similar transactions. The Pre-IPO Equity Incentive Plan will expire on its 10th anniversary.

During the year ended 31 December 2023, 4,400,000 shares options were granted to employees, directors and consultants (2022: 2,400,000).

Set out below are details of the movements of the outstanding restricted share units/share options granted under the Pre-IPO Equity Incentive Plan during both years:

	At 1 January 2022 '000	Granted during the year '000	Forfeited during the year '000	Exercised/ vested during the year '000 (note ii)	At 31 December 2022 '000	Granted during the year '000	Forfeited during the year '000	Exercised/ vested during the year '000	**At 31 December 2023 '000**
Milestone-based (note i)	2,336	300	(44)	–	2,592	1,000	(240)	–	**3,352**
Time-based									
Category A	7,844	–	(3,672)	(187)	3,985	–	(1,052)	(84)	**2,849**
Category B	–	–	–	–	–	–	–	–	**–**
Category C	1,733	–	(270)	(10)	1,453	–	(15)	(25)	**1,413**
Category D	9,939	2,100	(2,687)	(213)	9,139	3,400	(751)	(1,968)	**9,820**
Category E	600	–	–	–	600	–	–	–	**600**
Category F	20	–	(20)	–	–	–	–	–	**–**
	22,472	2,400	(6,693)	(410)	17,769	4,400	(2,058)	(2,077)	**18,034**
Directors	7,160	1,000	(4,935)	–	3,225	4,400	–	(1,700)	**5,925**
Consultants	2,076	–	(9)	(327)	1,740	–	(1,035)	–	**705**
Employees	13,236	1,400	(1,749)	(83)	12,804	–	(1,023)	(377)	**11,404**
	22,472	2,400	(6,693)	(410)	17,769	4,400	(2,058)	(2,077)	**18,034**
Weighted average exercise price (US$)	0.52	–*	0.31	0.10	0.54	–*	0.48	0.72	**0.47**
Exercisable									
Directors	2,802				2,900				**3,131**
Consultants	1,884				1,613				**1,679**
Employees	8,101				8,577				**8,712**
	12,787				13,090				**13,522**

* Amount is less than US$0.01.

Notes to the Consolidated Financial Statements

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31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

b) Post-IPO Share Award Scheme

On 18 June 2021, the Company adopted a post-IPO share award scheme (the"Post-IPO Share Award Scheme"). Under the Post-IPO Share Award Scheme, the board of directors may grant restricted share units/share options to eligible employees, directors and consultants. The maximum number of shares/share options which may be issued pursuant to all awards granted under the Post-IPO Share Award Scheme is 44,551,933.

	At 31 December 2021 '000	Granted during the year '000	Forfeited during the year '000	Exercised/ vested during the year '000	At 31 December 2022 '000	Granted during the year '000	Forfeited during the year '000	Exercised/ vested during the year '000	**At 31 December 2023 '000**
Milestone-based (note i)	–	9,150	–	–	9,150	9,137	(200)	–	**18,087**
Time-based									
Category B	–	103	–	–	103	665	(30)	–	**738**
Category C	–	3,961	(337)	(378)	3,246	6,259	(801)	(542)	**8,162**
Category D	–	4,405	–	–	4,405	1,554	(530)	(945)	**4,484**
Category F	–	2,578	–	(2,016)	562	2,521	(403)	–	**2,680**
	–	20,197	(337)	(2,394)	17,466	20,136	(1,964)	(1,487)	**34,151**
Directors	–	11,357	(68)	(142)	11,147	15,670	(20)	(802)	**25,995**
Employees	–	8,840	(269)	(2,252)	6,319	4,466	(1,944)	(685)	**8,156**
	–	20,197	(337)	(2,394)	17,466	20,136	(1,964)	(1,487)	**34,151**
Weighted average exercise price (US$)	–	0.24	0.15	–	0.27	0.17	0.12	–	**0.23**
Exercisable									
Directors	–				1,688				**13,687**
Employees	–				754				**1,684**
	–				2,442				**15,371**

Note i: Milestone-based restricted share units/share options are granted conditionally upon the achievement of specific performance targets including but not limited to completion of various research and development milestones. The expected vesting period is estimated by directors of the Company based on the expected timeline of each milestone achievement.

The vesting schedule for category A options is over 4 years with 25% of the options vesting on the one year anniversary of the vesting commencement date as stipulated in respective grant notices and the remaining 75% of the options vesting in 36 equal monthly installments from such one year anniversary of the vesting commencement date.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

b) Post-IPO Share Award Scheme (Continued)

The vesting schedule for category B options is over 2 years in 2 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category C options is over 3 years in 3 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category D options is over 4 years in 4 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category E options is over 5 years in 5 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category F options is over 1 year in 1 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

Fair value of restricted share units/share options granted

Back-solve method was used to determine the underlying equity fair value of the Company and binomial option pricing model was used to determine the fair value of the options granted. The fair value of the options at grant date was valued by directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer. Key assumptions, such as years to liquidity event, risk-free interest rate and volatility, are required to be determined by the directors with best estimate.

These key inputs into the model were as follows:

	Granted during the year ended 31 December	
	2022	**2023**
Grant date option fair value per share	US$0.73 – US$1.18	**US$0.10 – US$0.66**
Grant date ordinary share fair value	US$0.35 – US$1.18	**US$0.31 – US$0.65**
Exercise price	US$0.0000 – US$0.4143	**US$0.0000 – US$0.3864**
Expected volatility	75%	**75%**
Expected life	10 years	**10 years**
Risk-free rate	0.39%~3.57%	**3.15%~3.93%**
Expected dividend yield	0%	**0%**

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Expected dividend yield is based on management estimation at the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. The Group recognized the total expense of RMB28,328,000 for the year ended 31 December 2023 (2022: RMB16,817,000) in relation to restricted share units/share options granted by the Company.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

32. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Relationships	Nature of balances/transactions	As at 31 December		For the year ended 31 December	
		2023	2022	**2023**	2022
		RMB'000	RMB'000	**RMB'000**	RMB'000
A joint venture	Provision of research and development and CDMO services	**–**	–	**–**	41,809
	Trade receivables	**4,720**	10,814	**–**	–
Directors and senior management	Interest income from promissory note	**–**	–	**–**	141
	Loss arising on revision of interest rate of promissory note	**–**	–	**–**	2,863

Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the year were as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Short term benefits	**17,698**	20,736
Discretionary bonus (note)	**836**	5,869
Post-employment benefits	**1,472**	1,882
Share-based payments	**20,623**	5,168
	40,629	33,655

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

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33. CAPITAL COMMITMENT

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– Property, plant and equipment	**39,938**	60,017

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to share holders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of net debts, which includes overdrafts disclosed in Note 26, lease liabilities disclosed in Note 27 net of bank balances, pledged bank deposits and time deposits disclosed in Note 23 and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Financial assets		
Amortised cost	**637,649**	1,041,101
Financial liabilities		
Amortised cost	**543,964**	523,721

Notes to the Consolidated Financial Statements

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35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, bank balances and cash, pledged bank deposits, time deposits, trade and other payables and overdrafts. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks.

(i) Currency risk

Certain bank balances and cash, trade and other receivables, and trade and other payables are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are mainly as follows:

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Assets		
US$	**85,405**	89,932
HK$	**428**	4,289
Liabilities		
US$	**7,622**	2,900

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35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$ and HK$, the foreign currency with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A negative/positive number below indicates an increase/decrease in loss where RMB strengthens 5% against US$ and HK$. For a 5% weakening of RMB against US$ and HK$, there would be an equal and opposite impact on loss for the year.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Impact on profit or loss		
US$	**(3,889)**	(4,352)
HK$	**(21)**	(214)

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to fixed-rate overdrafts and lease liabilities. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate overdrafts. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on overdrafts. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate overdrafts is insignificant, therefore no sensitivity analysis on such risk has been prepared.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies (Continued)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the amount of each class of financial assets as disclosed in the consolidated statements of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivable are assessed individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each period. The expected credit loss rate of trade receivables as at 31 December 2023 were 3% (2022: 0%).

In order to minimize the credit risk with customers, the management of the Group has delegated its finance team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

As of 31 December 2023, RMB19,915,000 (2022: RMB12,282,000), representing 51% (2022: 36%) of total trade receivables from the Group's largest debtors and RMB36,409,000 (2022: RMB31,838,000) of the trade receivables was due from the five largest debtors, representing 94% (2022: 94%) of total trade receivables as at 31 December 2023.

Other receivables

For other receivables, the Group has applied 12m ECL in IFRS 9 to measure the loss allowance. The ECL on other receivables are assessed individually based on historical settlement records and past default experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period. The allowance for credit loss of other receivables is RMB275,000 at 31 December 2023 (2022: Nil). Management considered the ECL provision of other receivables is insignificant.

Bank balances, pledged bank deposits and time deposits

The credit risk on bank balances, pledged bank deposits and time deposits is limited because the counterparties are reputable financial institutions. The Group assesses 12m ECL for bank balances, pledged bank deposits and time deposits with reference to information relating to average loss rates of the respective credit rating grades published by external credit rating agencies based on the average loss rate. Management considered the ECL on bank is balances, pledged bank deposits and time deposits is insignificant.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Bank balances, pledged bank deposits and time deposits *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

				The Group	
	Notes	**Internal credit rating**	**12m or lifetime ECL**	**As at 31 December 2023 Gross carrying amount RMB'000**	As at 31 December 2022 Gross carrying amount RMB'000
Financial assets at amortised cost					
Trade receivables	21	Low risk	Lifetime ECL – not credit – impaired	**18,941**	34,012
	21	Loss	Lifetime ECL – credit-impaired	**19,915**	–
				38,856	34,012
Other receivables	21	Low risk	12m ECL	**1,419**	2,461
	21	Loss	Lifetime ECL – credit-impaired	**460**	–
				1,879	2,461
Interest receivables	21	Low risk	12m ECL	**2,268**	12,016
Bank balances and cash	23	N/A	12m ECL	**546,026**	895,450
Pledged bank deposits	23	N/A	12m ECL	**50,280**	47,916
Time deposits	23	N/A	12m ECL	**–**	50,000

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Bank balances, pledged bank deposits and time deposits *(Continued)*

The following table shows reconciliation of loss allowances has been recognized for trade receivables and other receivables:

	Trade receivables Lifetime ECL (credit-impaired) RMB'000	**Other receivables Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
At 31 December 2022	–	–	–
Impairment losses recognized	1,200	275	1,475
At 31 December 2023	**1,200**	**275**	**1,475**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on overdrafts as significant sources of liquidity.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Within 1 year and on demand	1 to 2 years	2 to 5 years	More than 5 years	Total	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023							
Trade and other payables	**–**	**156,544**	**–**	**–**	**–**	**156,544**	**156,544**
Overdrafts	**3.625**	**347,316**	**51,614**	**5,017**	**–**	**403,947**	**387,420**
Lease liabilities	**4.20**	**4,951**	**2,771**	**3,869**	**13,703**	**25,294**	**22,207**
		508,811	**54,385**	**8,886**	**13,703**	**585,785**	**566,171**
At 31 December 2022							
Trade and other payables	–	120,121	–	–	–	120,121	120,121
Overdrafts	3.927	403,121	17,309	–	–	420,430	403,600
Lease liabilities	4.77	5,474	2,705	148	–	8,327	7,860
		528,716	20,014	148	–	548,878	531,581

(c) Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with general accepted pricing models based on discounted cash flow analysis using prices from observable current market conditions.

Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

36. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of the state-sponsored retirement benefit scheme organized by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC is RMB19,724,000 for the year ended 31 December 2023 (2022: RMB24,094,000).

The Group has a defined contribution plan in the USA where participating employees may contribute up to US$22,500 (2022: US$20,500) annually. The Group makes a matching contribution of 3.0% of each eligible participant's compensation. The total cost in respect to the above mentioned defined contribution plan amounted to approximately RMB1,047,000 for the year ended 31 December 2023 (2022: RMB866,000). There was no forfeited contribution under the Group's defined contribution plan for the year ended 31 December 2023.

37. PARTICULARS OF SUBSIDIARIES

As at 31 December 2022 and 2023, the Group's subsidiaries are as follows:

Name of subsidiaries	Place/country and date of establishment/ incorporation/ operations and nature of the legal entity	Issued and fully paid share/registered capital	Equity interest attributable to the Group as at 31 December		Principal activities
			2023	2022	
Directly held					
Transcenta Therapeutics Co., Limited (formerly known as "Mabspace Biosciences Co., Limited")	Hong Kong 6 April 2011	HK$10,000	**100%**	100%	Investment holding
Perfusion Biologics Co., Limited (formerly known as "Transcenta Biotherapeutics Inc.")	Cayman 15 November 2018	US$50,000	**100%**	100%	Investment holding
Transcenta Therapeutics Inc.	USA 26 September 2016	US$2,750,000	**100%**	100%	Research, development and commercialization of innovation therapies

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

37. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place/country and date of establishment/ incorporation/ operations and nature of the legal entity	Issued and fully paid share/registered capital	Equity interest attributable to the Group as at 31 December 2023	Equity interest attributable to the Group as at 31 December 2022	Principal activities
Indirectly held					
HJB (Hangzhou) Co., Ltd. (note b)*	The PRC 18 February 2016 Limited Liability Company	RMB346,832,160	**100%**	100%	Research, development and commercialization of pharmaceutical drug candidates and provision of related technical services
YJ Biosciences Co., Ltd. (杭州奕健生物科技有限公司) (note c and d)*	The PRC 3 February 2016 Limited Liability Company	RMB19,607,844	**N/A**	100%	Research, development and commercialization of pharmaceutical drug candidates and provision of related technical services
Suzhou Transcenta Therapeutics Co., Ltd (note b)*	The PRC 18 October 2012 Limited Liability Company	US$61,657,153	**100%**	100%	Research, development and commercialization of pharmaceutical drug candidates and provision of related technical services
Transcenta Diagnostics (Suzhou) Co., Ltd. (創勝診斷科技(蘇州) 有限公司) (note c)*	The PRC 18 September 2013 Limited Liability Company	RMB5,000,000	**100%**	100%	Research, development and commercialization of innovative therapies
Transcenta Therapeutics (Shanghai) Co., Ltd. (創勝生物醫藥(上海) 有限公司) (note a)*	The PRC 22 May 2019 Limited Liability Company	US$12,500,000	**100%**	100%	Research, development and commercialization of innovative therapies
Perfusion Biologics (HK) Co., Limited (formerly known as "HJB (Hong Kong) Limited.")	Hong Kong 7 March 2016	HK$1	**100%**	100%	Investment holding
Transcenta Therapeutics (Beijing) Co., Ltd. (邁博斯生物科技(北京)有限公司) (note c)*	The PRC 21 September 2020 Limited Liability Company	RMB20,000,000	**100%**	100%	Research, development and commercialization of innovative therapies

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

37. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place/country and date of establishment/ incorporation/ operations and nature of the legal entity	Issued and fully paid share/registered capital	Equity interest attributable to the Group as at 31 December 2023	Equity interest attributable to the Group as at 31 December 2022	Principal activities
Transcenta Therapeutics (Guangzhou) Co., Ltd. (創勝生物醫藥(廣州)有限公司) (note c)*	The PRC 24 June 2020 Limited Liability Company	RMB42,000,000	**100%**	100%	Research, development and commercialization of innovative therapies
Transcenta Therapeutics (Hangzhou) Co., Ltd. (創勝生物醫藥(杭州)有限公司) (note c)*	The PRC 7 January 2022 Limited Liability Company	RMB160,160,000	**100%**	100%	Research, development and commercialization of innovative therapies
Perfusion Biologics (Suzhou) Co., Limited (普福生物(蘇州)有限公司) (note b)*	The PRC 6 July 2022 Limited Liability Company	US$10,000,000	**100%**	100%	Research, development and commercialization of innovative therapies
Transcenta Therapeutics BV (Amsterdam)	Netherlands 21 December 2022	EUR18,000	**100%**	100%	Research, development and commercialization of innovative therapies
Transcenta (Suzhou) Pharmaceutical Co., Ltd (蘇州創勝製藥有限公司) (note c) *	The PRC 30 August 2022 Limited Liability Company	RMB60,000,000	**100%**	100%	Research, development and commercialization of innovative therapies
HJB Biologics, Inc.	USA 9 May 2023	US$10	**100%**	N/A	Research, development and commercialization of innovative therapies

Notes:

* English name for identification purpose only

a. This Company is a sino-foreign joint venture.

b. This Company is a wholly-foreign owned enterprise

c. This Company is a wholly-domestic owned enterprise.

d. This Company was deregistered on 7 February 2023.

All of the subsidiaries adopted 31 December as financial year end.

None of the subsidiaries has issued any debt securities as of 31 December 2023.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

38. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's assets and liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Overdrafts	Interest payables	Consideration payable for repurchase and cancellation of shares	Consideration received for exercising share options	Lease liabilities	Promissory note receivables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021	350,729	462	–	340	13,982	(84,594)	280,919
Financing cash flow	52,871	(17,041)	(6,616)	502	(7,070)	4,077	26,723
Share capital	–	–	1	–*	–	19	20
Reserve	–	–	6,614	(283)	–	84,442	90,773
Finance cost	–	17,155	–	–	481	–	17,636
Promissory note interest income	–	–	–	–	–	(163)	(163)
Loss arising on revision of interest rate of promissory note receivables	–	–	–	–	–	3,299	3,299
New leases entered	–	–	–	–	467	–	467
Exchange difference	–	–	–	–	–	(7,080)	(7,080)
At 31 December 2022	403,600	576	(1)	559	7,860	–	412,594
Financing cash flow	**(16,180)**	**(15,620)**	**(9,171)**	**58**	**(6,289)**	**–**	**(47,202)**
Share capital	**–**	**–**	**–***	**–***	**–**	**–**	**–***
Reserve	**–**	**–**	**9,172**	**(246)**	**–**	**–**	**8,926**
Finance cost	**–**	**15,383**	**–**	**–**	**634**	**–**	**16,017**
New leases entered	**–**	**–**	**–**	**–**	**20,002**	**–**	**20,002**
At 31 December 2023	**387,420**	**339**	**–**	**371**	**22,207**	**–**	**410,337**

* Amount is less than RMB1,000.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current assets		
Investment in subsidiaries	**648,307**	615,406
Amounts due from subsidiaries	**1,968,249**	1,498,688
Loan to a subsidiary	**145,817**	141,404
	2,762,373	2,255,498
Current asset		
Bank balances and cash	**108,277**	561,204
	108,277	561,204
Current liability		
Other payables	**5,142**	5,305
Net current assets	**103,135**	555,899
Total assets less current liability	**2,865,508**	2,811,397
Non-current liability	**–**	–
Net assets	**2,865,508**	2,811,397
Capital and reserves		
Share capital	**283**	272
Treasury shares	**(17)**	(9)
Reserves	**2,865,242**	2,811,134
Total equity	**2,865,508**	2,811,397

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movement in the Company's reserves

	Share premium RMB'000	Share-based payment reserve RMB'000	Retained profits (Accumulated losses) RMB'000	Total RMB'000
At 31 December 2021	4,756,587	74,660	(1,267,950)	3,563,297
Loss and total comprehensive expense for the year	–	–	(678,207)	(678,207)
Recognition of equity-settled share-based payment	–	16,817	–	16,817
Cancellation of shares repurchased	(6,614)	–	–	(6,614)
Cancellation of shares in relation to promissory note settlement	(84,442)	–	–	(84,442)
Exercise of share options	452	(169)	–	283
At 31 December 2022	4,665,983	91,308	(1,946,157)	2,811,134
Profit and total comprehensive income for the year	**–**	**–**	**34,708**	**34,708**
Recognition of equity-settled share-based payment	**–**	**28,328**	**–**	**28,328**
Cancellation of shares repurchased	**(9,174)**	**–**	**–**	**(9,174)**
Exercise of share options	**819**	**(573)**	**–**	**246**
At 31 December 2023	**4,657,628**	**119,063**	**(1,911,449)**	**2,865,242**

Five Year Financial Summary

Condensed Consolidated Income Statements

	For the year ended December 31,				
	2019 (RMB'000)	2020 (RMB'000)	2021 (RMB'000)	2022 (RMB'000)	**2023 (RMB'000)**
Revenue	44,140	80,980	50,242	101,892	**53,849**
Cost of Sales	(37,226)	(62,778)	(40,874)	(82,003)	**(39,451)**
Gross Profit	6,914	18,202	9,368	19,889	**14,398**
Other income	7,554	11,944	32,906	46,402	**37,312**
Other gains and losses, net	(93,099)	26,745	(1,199,972)	29,729	**2,363**
Research and development expenses	(214,563)	(200,312)	(344,370)	(349,781)	**(382,047)**
Administrative and selling expenses	(122,918)	(157,949)	(145,215)	(112,449)	**(117,397)**
Listing expenses	–	(5,570)	(48,605)	–	**–**
Impairment losses under expected credit loss model	–	–	(1,641)	–	**(1,475)**
Share of results of a joint venture	–	–	(2,952)	(23,145)	**43**
Finance costs	(10,408)	(16,070)	(15,167)	(17,636)	**(16,017)**
Loss before tax	(426,520)	(323,010)	(1,715,648)	(406,991)	**(462,820)**
Income tax (expense) credit	(10,834)	110	105	246	**250**
Loss for the year	(437,354)	(322,900)	(1,715,543)	(406,745)	**(462,570)**
Other comprehensive (expense) income for the year	(266)	3,359	1,751	(10,947)	**(3,100)**
Loss and total comprehensive expenses for the year	(437,620)	(319,541)	(1,713,792)	(417,692)	**(465,670)**

Five Year Financial Summary

Condensed Consolidated Statements of Financial Position

	For the year ended December 31,				
	2019 (RMB'000)	2020 (RMB'000)	2021 (RMB'000)	2022 (RMB'000)	**2023 (RMB'000)**
Current assets	487,945	891,457	1,395,602	1,056,475	**684,043**
Inventories	6,315	7,901	20,792	20,566	**17,907**
Trade and other receivables	18,721	31,635	43,380	69,623	**52,316**
Contract costs	4,809	38,329	33,275	17,636	**11,555**
Amounts due from related parties	–	–	76,129	–	**–**
VAT recoverable	–	–	–	5,564	**6,239**
Pledged bank deposits	–	–	–	47,636	**50,000**
Bank balances and cash	458,100	813,592	1,222,026	895,450	**546,026**
Current liabilities	149,979	194,537	425,810	550,370	**554,292**
Trade and other payables	49,562	88,690	101,964	148,381	**164,044**
Amount due to a director	708	–	268	–	**–**
Contract liabilities	16,576	7,029	35,967	1,146	**587**
Short-term overdrafts	79,820	91,312	273,339	387,600	**376,920**
Lease liabilities	3,313	7,506	6,272	5,243	**4,741**
Deferred income	–	–	8,000	8,000	**8,000**
Net current assets	337,966	696,920	969,792	506,105	**129,751**
Non-current assets	1,077,770	1,199,467	1,149,353	1,078,070	**1,009,256**
Non-current liabilities	2,051,896	2,712,632	153,576	110,275	**111,374**
Net assets (liabilities)	(636,160)	(816,245)	1,965,569	1,473,900	**1,027,633**
Total equity (deficits)	(636,160)	(816,245)	1,965,569	1,473,900	**1,027,633**

Definitions

"AGM"	the annual general meeting of the Company to be held on Friday, June 7, 2024
"Articles of Association"	the memorandum and articles of association of the Company adopted on June 18, 2021 with effect from the Listing Date, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Award"	the grant of Award Shares to the Eligible Persons in accordance with the terms of the Share Incentive Scheme
"Award Shares"	the Shares granted under the Share Incentive Scheme
"Board" or "Board of Directors"	the board of directors of our Company
"CDMO"	contract development and manufacturing organization
"CG Code"	the Corporate Governance Code set out in Appendix C1 of the Listing Rules, as amended, supplemented or otherwise modified from time to time
"China" or the "PRC"	the People's Republic of China, and for the purpose of this annual report only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"CIC Report"	the report prepared by China Insights Industry Consultancy Limited (灼識企業管理諮詢(上海)有限公司), a market research and consulting company, an Independent Third Party

Definitions

"CMC"	chemistry, manufacturing and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "the Company" or "Transcenta"	Transcenta Holding Limited (創勝集團醫藥有限公司) (formerly named Mabspace International Limited), a limited liability company incorporated under the laws of the British Virgin Islands on August 20, 2010 and continued in the Cayman Islands on March 26, 2021 as an exempted company with limited liability under the laws of Cayman Islands
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transactions"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of our Company
"FDA"	U.S. Food and Drug Administration
"Global Offering"	the Hong Kong Public Offering and the International Offering as defined and described in the Prospectus
"GMP"	good manufacturing practice, the regulations provided by the FDA that guide the design, monitoring, and maintenance of manufacturing facilities and processes
"Group", "our Group", "the Group", "we", "us" or "our"	the Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

Definitions

"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules
"IPO"	initial public offering
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	September 29, 2021, the date on which the Shares are listed and on which dealings in the Shares are fist permitted to take place on the Stock Exchange
"Listing Rules"	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules

Definitions

"NMPA"	National Medical Products Administration of China (國家藥品監督管理局), the successor of the China Food and Drug Administration (國家食品藥品監督管理總局), the State Food and Drug Administration (國家食品藥品監督管理局), and the State Drug Administration (國家藥品監督管理局)
"Nomination Committee"	the nomination committee of the Board
"Pre-IPO Equity Incentive Plan"	the employee equity plan approved and adopted by the Company and effective since January 1, 2019 (as amended from time to time)
"Prospectus"	the prospectus of the Company dated September 14, 2021
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended December 31, 2023
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC
"Scheme Administrator"	the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) to administer the Share Incentive Scheme in accordance with its rules
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share Incentive Scheme"	the Share Incentive Scheme conditionally adopted by the Company on June 18, 2021 and amended on November 4, 2022
"Share Incentive Scheme Limit"	44,551,933, the 10.0% of the total issued and outstanding Shares under Share Incentive Scheme as at November 4, 2022

Definitions

"Share(s)"	ordinary share(s) in the share capital of the Company, currently with a par value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"%"	per cent