Akesobio

康方生物科技(開曼)有限公司
Akeso, Inc.

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)
Stock Code 股份代號：9926

2023 ANNUAL REPORT 年報

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COMPANY PROFILE

Akeso, Inc. is a biopharmaceutical company dedicated to the research, development, manufacturing and commercialization of innovative antibody drugs that are affordable to patients worldwide. Since the Company's inception, the Company has established an end-to-end comprehensive drug development platform (ACE Platform), encompassing fully integrated drug discovery and development functions, including target validation, antibody drug discovery and development, CMC production process development, and GMP compliant production. The Company has also successfully developed a bi-specific antibody drug development technology (Tetrabody technology), which helps us overcome three CMC challenges in the development and manufacture of bi-specific antibodies, including low expression levels, process development hurdles, and antibody stability and druggability. The Company currently has a pipeline of over 50 innovative programs covering the areas of oncology, autoimmune and metabolic diseases. 19 of these products are in the clinical trial stage (including 3[1] marketed products, and 4[2] outlicensed products) and 6 of which are potential first-in-class or best-in-class bi-specific antibodies. The Company's vision is to become a global leading biopharmaceutical company through research and development of highly effective and innovative new drugs that are either first-in-class or best-in-class therapies.

1 開坦尼® (cadonilimab, PD-1/CTLA-4), ANNIKO® (penpulimab, PD-1) and 普佑恒™ (pucotenlimab, PD-1), which was licensed out by the Group and developed by Lepu Biopharma Co., Ltd (stock code: 2157.HK)

2 Including AK107, which was licensed out to MSD, 普佑恒™ (pucotenlimab, PD-1), which was licensed out to Lepu Biopharma Co., Ltd (stock code: 2157.HK), tagitanlimab (PD-1), which was licensed out to Kelun Pharmaceutical (stock code: 002422.SS) and ivonescimab (AK112, PD-1/VEGF), which was licensed out to SUMMIT (NASDAQ: SMMT)

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings.

"AACR"	American Association for Cancer Research
"安尼可®", "Penpulimab" or "AK105"	Penpulimab antibody injection, a new PD-1 monoclonal antibody with IgG1 subtype and Fc segment modification, which is structurally stable and less prone to aggregation
"ASCO"	American Society of Clinical Oncology Annual Meeting
"ASCO GI"	Gastrointestinal Cancers Symposium
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	the board of Directors
"BVI"	British Virgin Islands
"CDE"	Center for Drug Evaluation of NMPA
"CG Code"	the "Corporate Governance Code" as contained in Appendix C1 (formerly known as Appendix 14) to the Listing Rules
"Chia Tai Tianqing"	Chia Tai Tianqing Pharmaceutical Group Co., Ltd. (正大天晴藥業集團股份有限公司), a subsidiary of Sino Biopharmaceutical Limited (the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1177)) and a shareholder of CTTQ-Akeso, a non-wholly owned and significant subsidiary of the Group
"China" or "PRC"	the People's Republic of China, which, for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company", "our Company"	Akeso, Inc. (康方生物科技(開曼)有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 30, 2019
"CRO"	contract research organization
"CTTQ-Akeso"	CTTQ-Akeso (Shanghai) Biomed. Tech. Co., Ltd. (正大天晴康方(上海)生物醫藥科技有限公司), a limited liability company incorporated under the law of the PRC on August 30, 2019, one of the Group's non-wholly owned and significant subsidiaries
"Director(s)"	the director(s) of the Company
"EMA"	European Medicines Agency

"EADV"	European Academy of Dermatology and Venereology
"ESMO"	European Society for Medical Oncology
"FDA"	the Food and Drug Administration of the United States
"GMP"	good manufacturing practice
"Group", "our Group", "our", "we", "us" or "Akeso Group"	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"HCC"	hepatocellular carcinoma
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars and cents respectively, 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 or clinical trial notification in Australia
"Independent Third Party" or "Independent Third Parties"	a person or entity who is not a connected person of the Company under the Listing Rules
"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)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix C3 (formerly known as Appendix 10) to the Listing Rules
"NDA"	new drug application
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局) (formerly known as the China National Drug Administration and the China Food and Drug Administration)
"NSCLC"	non-small-cell lung cancer, any carcinoma (as an adenocarcinoma or squamous cell carcinoma) of the lungs that is not a small-cell lung carcinoma

“Pre-IPO RSU Scheme” or “Restricted Share Unit Scheme”	the restricted share unit scheme approved and adopted by our Company on August 29, 2019 as amended from time to time, for the benefit of any director, employee, adviser or consultant of the Company or any of our subsidiaries
“Prospectus”	the prospectus of the Company dated April 14, 2020
“R&D”	Research and Development
“Reporting Period”	the financial year ended December 31, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with nominal value of US$0.00001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SITC”	Society for Immunotherapy of Cancer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TACE”	transcatheter arterial chemoembolization
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US$”	United States dollars, the lawful currency of the United States
“%”	per cent

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. XIA Yu
(*Chairwoman, president, and chief executive officer*)
Dr. LI Baiyong
Dr. WANG Zhongmin Maxwell
Mr. XIA Yu (Ph.D.)

Non-executive Directors

Dr. ZHOU Yi
Mr. XIE Ronggang

Independent Non-executive Directors

Dr. ZENG Junwen
Dr. XU Yan
Mr. TAN Bo

AUDIT COMMITTEE

Mr. TAN Bo *(Chairman)*
Dr. ZENG Junwen
Dr. XU Yan

REMUNERATION COMMITTEE

Dr. ZENG Junwen *(Chairman)*
Dr. XIA Yu
Dr. XU Yan

NOMINATION COMMITTEE

Dr. XIA Yu *(Chairwoman)*
Dr. ZENG Junwen
Dr. XU Yan

COMPANY SECRETARY

Mr. XI Xiaojie (Resigned on May 3, 2023)
Ms. LEUNG Wai Yan

AUTHORIZED REPRESENTATIVES

Dr. XIA Yu
Ms. LEUNG Wai Yan

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

LEGAL ADVISER

As to Hong Kong and United States laws:
Davis Polk & Wardwell

As to Cayman Islands law:
Campbells

PRINCIPAL BANKS

In Hong Kong:
CMB Wing Lung Bank Limited
Hongkong and Shanghai Banking Corporation Limited

In the PRC:
Industrial and Commercial Bank of China Limited, Zhongshan Branch
China Merchants Bank, Zhongshan Branch
China Merchants Bank, Guangzhou Branch
Shanghai Pudong Development Bank Corporation Limited, Guangzhou Branch

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

CORPORATE HEADQUARTERS

No. 6, Shennong Road
Torch Development Zone
Zhongshan City
Guangdong Province 528437
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Campbells Corporate Services Limited
Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

STOCK CODE

9926

COMPANY'S WEBSITE

www.akesobio.com

LISTING DATE

April 24, 2020

CHAIRWOMAN'S STATEMENT

Dear Shareholders,

I would like to express my sincere gratitude for your continuous trust and support to Akeso on behalf of the Board of Directors.

In the year 2023, amidst the tide of epochal change, the momentum of innovation in China's biopharmaceutical sector continued to surge. Facing these changes, Akeso relied on its robust in-house innovation capability, clear strategic layout and efficient execution to achieve breakthrough development in new drug research and development, clinical development, commercialization, corporate operation and management, and further enhanced the Company's global competitiveness.

We have become a more mature Biopharma. Since its establishment, Akeso has always positioned itself in the global pharmaceutical market based on the development level and efficiency of first-in-class/best-in-class innovative drugs. In 2023, the Company had three marketed drugs in commercialization stage, and eight registrational trials reached their primary endpoints, including the first-in-class bi-specific antibodies, ivonescimab (PD-1/VEGF) and 開坦尼® (PD-1/CTLA-4, cadonilimab). The New Drug Applications (NDA/sNDA) for seven indications of four new drugs are under review. Among the marketed products, 開坦尼® achieved sales of RMB1.36 billion in 2023, with cumulative sales amount exceeding RMB1.9 billion in 18 months since its launch, which not only demonstrated the significant value and potential of first-in-class bi-specific antibody drugs, but also validated and shaped the Company's commercialization system.

The two core bi-specific antibodies, ivonescimab (PD-1/VEGF) and 開坦尼®, are now undergoing a total of 12 registrational Phase III clinical trials. With 開坦尼®, ivonescimab and 安尼可® covering more tumor indications and advancing into first-line therapies, as well as commercialization of products such as Ebdarokimab (IL-12/IL-23), Ebronucimab (PCSK9) and Gumokimab (IL-17) in non-tumor therapeutic area, and the successful completion of multiple registrational clinical trials, the Company's commercial development has been infused with strong momentum. The Company as a whole will quickly transition to a higher development track and rapidly surpass the breakeven point, thereby becoming a mature biopharma.

Our global advantage of bi-specific antibody development has become increasingly prominent. As now, the NDA of Ivonescimab, our second in-house developed first-in-class bi-specific antibody, for the treatment of advanced lung cancer has been successfully submitted and granted "Priority Review". Ivonescimab is expected to obtain approval within 2024, hopefully becoming the world's first approved bi-specific antibody with a tumor immune and anti-vascular mechanism. The sNDA of 開坦尼® , the marketed product, for the first line treatment of advanced gastric cancer has been accepted in January 2024. According to the results of its Phase III clinical study, 開坦尼® demonstrated superior efficacy in all comers of gastric cancer patients, regardless of PD-L1 expression/status. The results have been presented orally at the 2024 AACR conference and have received widespread attention from the global academic community. Four FIC/BIC bi-specific antibodies independently developed by the Company have all entered the clinical development stage. The Company has conducted over 80 combination therapy studies concentrating on 6 innovative bi-specific antibodies, including 4 phase III clinical studies which are evaluating the superiority versus globally leading (in terms of sales) PD-1 monoclonal antibody products, and 2 international multicenter clinical studies.

The rapid construction of combination therapies for tumor based on innovative bi-specific antibody has facilitated the synergy in product portfolio of the Company, and fully enhanced the comprehensive value and competitiveness of the product portfolio on a global scale from the perspective of product lifecycle management.

Our advantages in drug innovation and development are still expanding. Leveraging on the Company's new drug development, coverage and commercialization capabilities, the product pipeline of the Company can effectively support Akeso's future all-rounded, high-speed, and high-quality development. In the biopharmaceutical industry driven by technological innovation, the coverage and development of new mechanisms, therapies, and technologies have always been the competitive advantage of an enterprise. After gaining a first mover advantage in the field of bi-specific antibody, we have made full coverage in areas such as antibody conjugation (ADC) technology, mRNA technology, and cell therapy technology, which will provide guarantees for the Company's global competitive advantage in the future for a longer period of time.

Our advantages at the capability level of the overall organization system have become increasingly prominent. It is not easy for us to achieve the current development performance in just 11 years, which is mainly due to our internationalized strategic layout, leading R&D technology, and efficient development capability and commercialization strength. The formation of these capabilities is based on our unique system of information analysis and decision-making, technology application and enhancement, resource integration and synergy, and team cohesion and motivation. As the revolution in the industry and the iteration in the market, the capability of building an excellent organization system can ensure that enterprises continue to maintain a leading competitive advantage.

Innovation drives market development and competition, and the era of China's biopharmaceutical industry development has arrived. The market of clinical application and the medical demand brings huge social and commercial value, which drives the biopharmaceutical industry to accelerate into a new stage of real and sustainable development of innovation in the long term.

Looking ahead, Akeso will always maintain an unparalleled enthusiasm for the medical career, an everlasting curiosity for science, and more importantly, a belief and determination in the truth, so as to seek out the chances of success that lie along with the daily efforts.

Dr. XIA Yu
Chairwoman, CEO, and president

FINANCIAL HIGHLIGHTS

1. REVENUE

The Group's revenue increased by 440% from RMB837.7 million for the year ended December 31, 2022 to RMB4,526.3 million for the year ended December 31, 2023. For the year ended December 31, 2023, the total sales generated from marketed products was approximately RMB1,631.1 million, including sales revenue of 開坦尼® (cadonilimab, PD-1/CTLA-4) of RMB1,357.8 million, representing a significant year-on-year increase of 149% as compared to approximately RMB546.3 million for the corresponding period in 2022. Besides, the Company recognized license income of RMB2,922.8 million for the year ended December 31, 2023, mainly because the Company received the upfront payment of the license agreement of ivonescimab (AK112, PD-1/VEGF) from Summit Therapeutics Inc (NASDAQ: SMMT) (SUMMIT).

2. GROSS PROFIT

The Group's gross profit increased by 491% from RMB743.5 million for the year ended December 31, 2022 to RMB4,393.0 million for the year ended December 31, 2023. It was mainly attributable to the strong increase in the license income recognized by the Company.

3. PROFIT FOR THE YEAR

For the reasons discussed above, profit for the year was RMB1,942.4 million for the year ended December 31, 2023, as compared to loss of RMB1,422.2 million for the year ended December 31, 2022.

During the Reporting Period, the Company recorded a revenue of approximately RMB4,526.3 million, as compared to approximately RMB837.7 million for the corresponding period in 2022, representing a significant year-on-year increase of 440%. For the year ended December 31, 2023, the total sales generated from marketed products was approximately RMB1,631.1 million, including sales revenue of 開坦尼® (cadonilimab, PD-1/CTLA-4) of RMB1,357.8 million, representing a significant year-on-year increase of 149% as compared to approximately RMB546.3 million for the corresponding period in 2022. Besides, the Company recognized license income of RMB2,922.8 million for the year ended December 31, 2023, mainly because the Company received the upfront payment of the license agreement of ivonescimab (AK112, PD-1/VEGF) from Summit Therapeutics Inc (NASDAQ: SMMT) (**SUMMIT**). As a result, the Company recorded annual profits for the first time, which rose significantly to approximately RMB1,942.4 million, as compared to a loss for the year ended December 31, 2022 of approximately RMB1,422.2 million.

As of the date of this report, 3 in-house developed innovative products of the Company have been commercialized, and 3 New Drug Application (NDA) of ivonescimab, ebronucimab and ebdarokimab are under review by the National Medical Products Administration (NMPA). The Company is expanding its commercialization-stage pipeline portfolio, with a number of products achieving milestones during the Reporting Period.

開坦尼® (cadonilimab, PD-1/CTLA-4)

During the Reporting Period, the commercial performance of 開坦尼® (cadonilimab, PD-1/CTLA-4) remained excellent, achieving product sales of approximately RMB1,357.8 million during the year ended December 31, 2023, as compared to approximately RMB546.3 million for the year ended December 31, 2022, representing a significant year-on-year increase of 149%. With outstanding clinical data and extensive clinical applications, 開坦尼® has been included in nearly ten definitive guidelines and expert consensus. During the Reporting Period, the results of nearly 20 clinical studies covering various tumors of cadonilimab were published at the international academic conferences and journal articles. In terms of market access and channel coverage, the Company has been actively promoting the hospital admission and commercial insurance inclusion of 開坦尼®. Currently, 開坦尼® has been included in the commercial insurance and was covered by commercial insurance products, which has significantly improved the accessibility of the drug by patients.

During the Reporting Period, major milestones were achieved in two Phase III clinical studies of cadonilimab. In November 2023, the Phase III clinical trial of cadonilimab in combination with chemotherapy as the first-line treatment of unresectable, locally advanced, recurrent or metastatic gastric or gastroesophageal junction (G/GEJ) adenocarcinoma reached its primary endpoint of overall survival (OS) in the interim analysis. The results of this trial demonstrates a long-term survival benefit in all patients with gastric cancer regardless of PD-L1 expression. The Company had submitted supplemental new drug application (sNDA) for this indication in January 2024. In November 2023, the Phase III clinical trial of cadonilimab in combination with chemotherapy with or without bevacizumab as the first-line treatment for persistent, recurrent or metastatic cervical cancer achieved the primary endpoint of progression-free survival (PFS) in the interim analysis. The Company had submitted supplemental new drug application (sNDA) for this indication in April 2024. The Company believes that cadonilimab will further bring a more efficacious first-line therapy for patients with gastric and cervical cancers.

The clinical development plan of cadonilimab has covered 16 indications and more than 20 clinical trials for various tumors, including lung cancer, liver cancer, gastric cancer, cervical cancer, kidney cancer, esophageal cancer and colorectal cancer, etc., with combination therapy. The Company will continue to explore the market potential of cadonilimab, and accelerate to establish a higher marketing-entry barrier through a clinical development strategy of comprehensive combination therapy to expand 開坦尼®'s commercial potential in the future.

Ivonescimab (AK112, PD-1/VEGF)

The Phase III clinical trials of ivonescimab in combination with chemotherapy for the treatment of locally advanced or metastatic non-squamous NSCLC patients with EGFR mutation who progressed after the treatment of EGFR TKI, reached primary endpoint in 2023, and the NDA was accepted and granted "Priority Review" by NMPA in August 2023, which represented the second bi-specific antibody independently developed by the Company is entering the commercialization stage. Ivonescimab has been engaged in several clinical trials in various lung cancer patient groups, such as the Phase III clinical trials of ivonescimab monotherapy versus pembrolizumab as the first-line treatment for NSCLC with PD-L1 positive expression, the Phase III clinical trial of ivonescimab in combination with chemotherapy versus tislelizumab in combination with chemotherapy as the treatment for locally advanced or metastatic squamous NSCLC, which are advancing effectively. During the Reporting Period, the clinical trial results and mechanism of action of ivonescimab were published in several international academic conferences and journals.

In overseas markets, the Company collaborated with SUMMIT to jointly advance the clinical development of ivonescimab. In May 2023, SUMMIT announced that its first US-based patient was treated in the HARMONi Phase III trial (NCT05184712), which is the global multi-regional clinical trial in patients with EGFR-mutant locally advanced or metastatic non-squamous NSCLC who have progressed after third-generation EGFR-TKI. In November 2023, SUMMIT also announced the first patient treated in the HARMONi-3 Phase III trial (NCT05899608), which is the global multi-regional trial of ivonescimab in combination with chemotherapy versus pembrolizumab in combination with chemotherapy as the first line treatment of metastatic squamous NSCLC. The Chinese part of HARMONi-3 will be undertaken by the Company to accelerate the overall advancement of global clinical trials. The effective execution will rapidly advance the global trials of ivonescimab. We believe these global trials can bring valuable next-generation innovative therapies to patients around the world.

ANNIKO® (penpulimab, PD-1)

In January 2023, the sNDA of ANNIKO® in combination with chemotherapy as first-line treatment of locally advanced or metastatic squamous NSCLC was approved by NMPA. In December 2023, the Company submitted the sNDA of ANNIKO® in combination with chemotherapy as first-line treatment of recurrent or metastatic nasopharyngeal carcinoma (NPC). In 2023, ANNIKO® has been included in a number of clinical guidelines and the Chinese Medicare lists in various provinces and cities. The Company also continues to expand the indications of ANNIKO® to accelerate it potential into commercial value from clinical application.

In overseas markets, CTTQ-Akeso, a joint venture of the Company and Chia Tai Tianqing, entered into a licence agreement with Specialised Therapeutics Asia Pte Ltd ("**ST**") in April 2023, and granted ST the exclusive right to sell ANNIKO® in Australia, New Zealand, Papua New Guinea and 11 Southeast Asian countries, including Singapore and Malaysia.

Ebronucimab (AK102, PCSK9) and ebdarokimab (AK101, IL-12/IL-23)

Two of the Company's non-oncology products also entered into the pre-marketing stage. In the area of metabolism diseases, the Company has submitted the NDA of ebronucimab (AK102, PCSK9) in June 2023 for the treatment of two indications: (i) essential hypercholesterolemia and mixed hypercholesterolemia; and (ii) heterozygous familial hypercholesterolaemia (HeFH). In the area of autoimmune diseases, the Company has submitted the NDA of ebdarokimab (AK101, IL-12/IL-23) in August 2023 for the treatment of moderate-to-severe plaque psoriasis. The Company is preparing for manufacturing, marketing and commercialization of these two products.

DEVELOPMENT OF PRODUCT PORTFOLIO

As of December 31, 2023, the Company had over 50 innovative programs covering the areas of oncology, autoimmune and metabolic diseases. 19 of these products are in the clinical trial stage (including 3 marketed products, and 4 out-licensed products) and 6 of which are potential first-in-class or best-in-class bi-specific antibodies.

Oncology is one of the Company's focused therapeutic areas. We are conducting several clinical trials of 開坦尼® (cadonilimab, PD-1/CTLA-4) which has obtained marketing approval, ivonescimab (AK112, PD-1/VEGF) which has submitted the NDA, ANNIKO® (penpulimab, PD-1) which has obtained marketing approval, ligufalimab (AK117, CD47), drebuxelimab (AK119, CD73), pulocimab (AK109, VEGFR-2), AK127 (TIGIT), AK115 (NGF), AK129 (PD-1/LAG-3) and AK130 (TIGIT/TGF-β), and AK131 (PD-1/CD73) and AK132 (Claudin18.2/CD47), which have newly entered into clinical stage in 2023. Such drugs and drug candidates cover various indications including solid tumors and hematological tumors. Based on cadonilimab and ivonescimab, as our two backbone drugs, we expect to target broader indications with huge market potential through combination strategy with high quality in-house developed products and external drugs.

We also have ebronucimab (AK102, PCSK9), an innovative product targeting metabolic diseases, of which the NDA was accepted in June 2023. In autoimmune diseases, we also have a strong and broad pipeline. In particular, the NDA of ebdarokimab (AK101, IL-12/IL-23) has been accepted in August 2023. Meanwhile, we are also accelerating the clinical development of gumokimab (AK111, IL-17) and manfidokimab (AK120, IL-4Rα).

In the pre-clinical stage, the Company prospectively stepped into a number of therapeutic areas with broad potential, including but not limited to tumors, autoimmune diseases, metabolic diseases, and neurodegenerative diseases. The Company is also actively establishing in-house technology platforms to comprehensively explore the fields of ADC, cell therapy and mRNA, and efficiently promote more candidates to the clinical stage.

The following chart highlighted the clinical development plan of the Company's main product portfolio as of the date of this report:

Oncology — Core products				Current Status			
Product (Target)	Areas	Mono/Combo Therapy	Indication	Phase Ia	Phase Ib/II	Pivotal/Phase III	NDA Submitted/ Approved
Cadonilimab AK104 (PD-1/CTLA-4)	CerAvical cancer	Mono	2L/3L cervical cancer				Approved on 2022.6.29
		+Chemo±Bevacizumab	1L cervical cancer				sNDA submitted in 2024.4
		Mono	Neoadjuvant cervical cancer				
	Gastric cancer	+XELOX	1L G/GEJ adenocarcinoma				sNDA submitted in 2024.1
		+AK109+chemo	G/GEJ adenocarcinoma progressed after PD-(L)1 treatment			Initiated	
		+AK117+chemo	1L G/GEJ adenocarcinoma				
		+AK117+chemo	Neoadjuvant/adjuvant G/GEJ adenocarcinoma				
	Hepatocellular carcinoma	Mono	HCC adjuvant therapy			Enrollment in process	
		+Lenvatinib+TACE	HCC, intermediate			Initiated	
		+Lenvatinib	1L HCC				
		+AK109	HCC progressed after PD-(L)1 treatment				
		+AK112	1L HCC				
	Lung cancer	+chemo	1L PD-L1(-) NSCLC			Enrollment in process	
		+Chiauranib	≥2L SCLC				
		+Docetaxel	NSCLC progressed after platinum-based chemo and PD-(L)1 treatment				
		+AK109±Docetaxel	NSCLC progressed after PD-(L)1 treatment				
		+AK112±chemo	Advanced NSCLC				
	Esophageal cancer	±AK117+chemo	1L ESCC				
	Pancreatic cancer	+chemo	1L PDAC				
	Others	+AK117 (CD47)	Adv. solid tumors				
		+AK119 (CD73)	Adv. solid tumors				
		+AK127 (TIGIT)	Adv. solid tumors				
Ivonescimab AK112 (PD-1/VEGF)	Lung cancer	+Chemo	EGFRm NSCLC progressed after EGFR-TKI treatment			HARMONi China part	NDA submitted in 2023.8
		Mono	1L PD-L1(+) NSCLC				
		+Chemo	1L adv. sqNSCLC with driver gene negative				
		+Chemo	1L metastatic sqNSCLC			HARMONi-3 China part	
		±chemo	Neoadjuvant/adjuvant NSCLC				
		+Chemo	1L NSCLC with driver gene negative				
		+Docetaxel	IO-R NSCLC				
		+AK119±chemo	EGFRm NSCLC progressed after EGFR-TKI treatment				
		+AK104±chemo	Advanced NSCLC				
	Gastrointestinal cancer	+chemo±AK117	1L G/GEJ adenocarcinoma, BTC, pancreatic cancer				
	Biliary tract cancer	+chemo±AK117	1L BTC				
	Pancreatic cancer	+chemo±AK117	1L pancreatic cancer				
	Breast cancer	+chemo±AK117	1L TNBC				
	Head and neck cancer	±AK117±chemo	HNSCC				
	Hepatocellular carcinoma	Mono	Unresectable HCC				
		+AK104	1L HCC				
		+AK127	1L HCC				
		+AK130	1L HCC				
	Colorectal cancer	±AK117+chemo	1L CRC				
		+AK119±chemo	pMMR/MSS advanced CRC				
	Ovarian cancer	Mono	Platinum resistant OC				
	Others	Mono	Adv. solid tumors				
		+AK119	Adv. solid tumors				
		+AK127	Adv. solid tumors				
Ligufalimab AK117 (CD47)	Hematological tumor	+ azacitidine	1L MDS				
		+ azacitidine	1L MDS				
		+ azacitidine	1L AML				
		+ azacitidine+venetoclax	1L AML				
	Solid tumor	+AK112+chemo	1L G/GEJ adenocarcinoma				
		+AK112+chemo	1L BTC				
		+AK112+chemo	1L pancreatic cancer				
		+AK112±chemo	HNSCC				
		+AK112+chemo	1L CRC				
		+Chemo±AK112	1L TNBC				
		+AK104+chemo	1L G/GEJ adenocarcinoma				
		+AK104+chemo	1L ESCC				
	Others	Mono	Adv solid tumors/lymphoma	Completed			
		+AK104	Adv solid tumors	Completed			

Global NMPA approval Registrational Trials Breakthrough Therapy

Oncology — Other Products				Current Status			
Product (Target)	**Mono/Combo Therapy**	**Indication**		**Phase Ia**	**Phase Ib/II**	**Pivotal/Phase III**	**NDA Submitted/Approved**
Penpulimab AK105 (PD-1)	Mono	3L R/R cHL					Approved on 2021.8
	+Chemo	1L sq NSCLC					Approved on 2023.1
	Mono	≥3L NPC					sNDA submitted in China
	+Chemo	1L NPC					sNDA submitted in China
	+Anlotinib	1L HCC					
	+Anlotinib	dMMR					
	+Anlotinib	NSCLC, SCLC, HNC, thyroid cancer, mesothelioma and thymic cancer					
	+Anlotinib	ESCC, UC, GC/GEJ, cholangiocarcinoma, neuroendocrine tumor (NET)					
AK119 (CD73)	+AK112±chemo	EGFR-TKI failed EGFRm NSCLC					
	+AK112±chemo	pMMR/MSS advanced CRC					
	+AK104	Adv. solid tumors					
	+AK112	Adv. solid tumors					
	Mono	Adv. solid tumors					
	+AK104	Adv. solid tumors					
AK109 (VEGFR-2)	+AK104+chemo	G/GEJ adenocarcinoma progressed after PD-(L)1 treatment				Initiated	
	+AK104	HCC progressed after PD-(L)1 treatment					
	+AK104±Docetaxel	NSCLC progressed after PD-(L)1 treatment					
	Mono	Adv. solid tumors					
AK127 (TIGIT)	+AK104	Adv. solid tumors					
	±AK104	Adv. solid tumors					
	+AK112	Adv. solid tumors					
	+AK112	1L HCC					
	Mono	Adv. solid tumors					
AK115(NGF)	Mono	Pain (including cancer pain)					
AK129 (PD-1/LAG-3)	Mono	Adv. solid tumors					
AK130 (TIGIT/TGF-β)	Mono	Adv. solid tumors					
	+AK112	1L HCC					
AK131 (PD-1/CD73)	Mono	Adv. solid tumors					
AK132 (CLDN18.2/CD47)	Mono	Adv. solid tumors					

Global NMPA approval Registrational Trials

Auto-immunity/Metabolism			Current Status			
Product (Target)	**Mono/Combo Therapy**	**Indication**	**Phase Ia**	**Phase Ib/II**	**Pivotal/Phase III**	**NDA Submitted**
AK102 (PCSK9)	+ Statin/Ezetimibe	Primary hypercholesterolemia and mixed hyperlipidemia				NDA submitted in 2023.6
	+ Statin/Ezetimibe	HeFH				NDA submitted in 2023.6
AK101 (IL-12/IL-23)	Mono	Moderate-to-severe plaque psoriasis				NDA submitted in 2023.8
	Mono	Moderate-to-severe ulcerative colitis				
AK111 (IL-17)	Mono	Moderate-to-severe psoriasis				
	Mono	Ankylosing spondylitis				
AK120 (IL-4Rα)	Mono	Moderate-to-severe atopic dermatitis			In planning	
	Mono	Moderate-to-severe atopic dermatitis				

Registrational Trials

Oncology

- ***開坦尼® (cadonilimab, PD-1/CTLA-4)***

  1. *Significant Clinical Progress during the Reporting Period*

     — In March, we completed patient enrollment of pivotal Phase III registration trial of cadonilimab in combination with chemotherapy as first line treatment of unresectable locally advanced or metastatic gastric/gastroesophageal junction (G/GEJ) adenocarcinoma.

     — In March, we commenced R&D collaboration with Shanghai Pharmaceuticals Holding Co., Ltd. (02607.HK; 601607.SH) to initiate combination therapies of cadonilimab in combination with SPH4336 (CDK4/6) for the treatment of well-differentiated liposarcomas (WDLS)/dedifferentiated liposarcoma (DDLS).

     — In April, we obtained NMPA approval to initiate Phase II trial of cadonilimab in combination with AK117 as neoadjuvant treatment of G/GEJ adenocarcinoma.

     — In May, we obtained NMPA approval to initiate Phase II trial of cadonilimab in combination with chemotherapy for the treatment of pancreatic cancer.

     — In July, we completed first patient enrollment of Phase Ia/Ib trial of cadonilimab in combination with AK127 for treatment of advanced solid tumor.

     — In July, we obtained NMPA approval to initiate Phase III trial of cadonilimab in combination with chemotherapy, versus tislelizumab in combination with chemotherapy, as first line treatment of locally advanced or metastatic NSCLC patients with PD-L1 negative expression.

     — In September, we commenced collaboration with RemeGen Co., Ltd. (09995.HK; 688331.SH) to initiate Phase II trials of cadonilimab in combination with Disitamab Vedotin (HER2 ADC) for the treatment of gastric cancer.

     — In November, Phase III trial of cadonilimab in combination with XELOX chemothrapy as first-line treatment for unresectable locally advanced or metastatic gastric or gastroesophageal junction adenocarcinoma (GC/GEJC) (AK104-302) reached primary endpoint of overall survival (OS) at interim analysis.

     — In November, Phase III trial of cadonilimab in combination with platinum-based chemotherapy with or without bevacizumab as first-line treatment of cervical cancer (AK104-303) reached primary endpoint of progression-free-survival (PFS) at interim analysis.

2. *Included in Guidelines and Publication during the Reporting Period*

— In March, mechanism studies of cadonilimab was published at *mAbs*.

— In April, 開坦尼® was recommended in *Gynecologic Tumor Immune Checkpoint Inhibitor Clinical Practice (2023)*.

— In June, two-year follow-up data of Phase Ib/II trial of cadonilimab in combination with chemotherapy as first line treatment of G/GEJ adenocarcinoma was published at 2023 ASCO Annual Meeting.

— In June, preliminary data of cadonilimab in combination with AK117 and chemotherapy as first line treatment of advanced G/GEJ adenocarcinoma was published at 2023 ASCO.

— In June, 開坦尼® was included in *Chinese Experts Concensus on the Diagnosis and Treatment of Gastric-type Endocervical Adenocarcinomas (2023)*.

— In August, 開坦尼® was recommended in *Chinese Gynecologic Tumor Clinical Practice 7th version (2023)*.

— In October, Phase Ib/II trial data of cadonilimab as treatment of advanced solid tumor was published at *The Lancet Oncology*.

— In October, Phase I Australian trial data of cadonilimab as treatment of advanced solid tumor was published at *Cell*.

— In October, Phase Ib/II trial data of cadonilimab in combination with lenvatinib as first-line treatment of hepatocellular carcinoma was published at 2023 European Society for Medical Oncology (ESMO).

— In November, Phase Ib/II trial data of cadonilimab in combination with lenvatinib as first-line treatment of hepatocellular carcinoma was published at *Frontiers In Immunology*.

— In December, 開坦尼® was recommended in *NCCN Clinical Practice Guidelines 2023.V1:China Version*, as priority alternative as second- or later-line treatment of recurrent or metastatic cervical cancer.

— In December, 開坦尼® was included in *Chinese Guidelines for Radiotherapy of Esophageal Cancer (2023)*.

3. *Recent Development After the Reporting Period*

— In January 2024, NMPA accepted the sNDA for cadonilimab in combination with chemotherapy as first-line treatment for G/GEJ adenocarcinoma.

— In January 2024, Phase II clinical data of cadonilimab in combination with lenvatinib and TACE for intermediate to advanced unresectable hepatocellular carcinoma (uHCC) was published at 2024 Gastrointestinal Cancers Symposium of the American Society of Clinical Oncology (ASCO GI).

— In January 2024, cadonilimab was included in *Chinese Expert Consensus on Immunotherapy for Gastric Cancer based on PD-L1 expression (2023 Edition)*.

— In February 2024, we had first patient treated in the Phase III clinical trial of cadonilimab in combination with chemotherapy, versus tislelizumab in combination with chemotherapy, as first line treatment of locally advanced or metastatic NSCLC patients with PD-L1 negative expression.

- ***Ivonescimab (AK112, PD-1/VEGF)***

1. *Significant Clinical Progress during the Reporting Period*

— In March, we commenced collaboration with LaNova Medicines to initiate a series of clinical trials of Ivonescimab in combination with LM-302(Claudin18.2 ADC) for treatment of solid tumors including advanced gastrointestinal cancer.

— In April, we obtained NMPA approval to initiate Phase I clinical trial of Ivonescimab in combination with AK127 for the treatment of advanced solid tumor.

— In May, our partner SUMMIT have first patient treated in US in the Phase III HARMONi trial. The HARMONi trial is ivonescimab in combination with chemotherapy for treatment of EGFR-mutated locally advanced or metastatic nsqNSCLC patients who progressed after the third generation EGFR-TKI treatment.

— In May, we initiated Phase III trial of ivonescimab in combination with chemotherapy, versus tislelizumab in combination with chemotherapy, as first line treatment of sqNSCLC.

— In August, we completed patient enrollment of Phase III trial of ivonescimab monotherapy versus pembrolizumab monotherapy as first line treatment of NSCLC with PD-L1 positive expression.

— In August, Phase III clinical trial of ivonescimab in combination with chemotherapy, versus tislelizumab in combination with chemotherapy, for the treatment of sqNSCLC have first patient treated.

— In November, our partner SUMMIT have first patient treated in US in the Phase III HARMONi-3 trial. The HARMONi-3 trial is ivonescimab in combination with chemotherapy versus pembrolizumab in combination with chemotherapy as first-line treatment of metastatic squamous NSCLC.

2. *Publication during the Reporting Period*

— In June, Phase II clinical data of ivonescimab in combination with chemotherapy as first line treatment advanced or metastatic NSCLC without actionable genomic alterations (AGA) in EGFR/ALK was published at 2023 ASCO.

— In August, phase II clinical data of ivonescimab in combination with chemotherapy for the treatment of advanced NSCLC was published at eclinical medicine.

— In October, Phase Ib data of ivonescimab monotherapy as first- or second-line treatment for advanced or metastatic immunotherapy naive NSCLC was published at Journal of Thoracic Oncology.

— In November, mechanism of action of ivonescimab was published at 2023 EORTC-NCI-AACR, hosted by American Association for Cancer Research (AACR), National Cancer Institute (NCI) and European Organisation for Rearch and Treatment of Cancer (EORTC), and 2023 Society for Immunotherapy of Cancer (SITC).

3. *Recent Development After the Reporting Period*

— In January 2024, we obtained NMPA approval to initiate Phase Ib/II trial of ivonescimab in combination with cadonilimab or AK130(TIGIT/TGF-β) or AK127(TIGIT) for treatment of hepatocellular carcinoma.

• ***Ligufalimab (AK117, CD47)***

1. *Significant Clinical Progress during the Reporting Period*

— In April, we obtained CDE approval to initiate Phase II trial of AK117 in combination with chemotherapy as neoadjuvant treatment G/GEJ.

— In September, we obtained FDA approval to initiate a global, multi-regional Phase II trial of AK117 in combination with azacitidine as first-line treatment of high-risk myelodysplastic syndromes (MDS).

2. *Publication during the Reporting Period*

— In June, preliminary data of AK117 in combination with cadonilimab with chemotherapy as first line treatment of advanced G/GEJ was published at 2023 ASCO.

— In December, Phase Ib updated data of AK117 monotherapy or in combination with azacitidine for treatment of mid- or high-risk myelodysplastic syndromes (MDS) was published at 2023 American Society of Hematology (ASH).

— In December, Phase Ib updated data of AK117 in combination with azacitidine for treatment of acute myelogenous leukemia (AML) was published at 2023 ASH.

3. *Recent Development After the Reporting Period*

— In January 2024, we obtained NMPA approval to initiate Phase II clinical trial of AK117 in combination with azacitidine and venetoclax for treatment of AML patient who are not eligible for standard induction chemotherapy as first treatment.

- ***Pulocimab (AK109, VEGFR2)***

1. *Publication during the Reporting Period*

— In March, Phase I clinical data of AK109 were published at *ESMO Open*.

- ***AK115 (NGF)***

1. *Selective Significant Clinical Progress during the Reporting Period*

— In March, we completed Phase I trial of AK115 for alleviating pain (including cancer pain).

- ***AK127 (TIGIT)***

1. *Selective Significant Clinical Progress during the Reporting Period*

— In April, we obtained NMPA approval to initiate Phase I clinical trial of AK127 in combination with ivonescimab for the treatment of advanced malignant tumor.

2. *Recent Development After the Reporting Period*

— In July, Phase Ia/Ib clinical trial of AK127 in combination with cadonilimab for treatment of advanced malignant tumor completed dosing first patient.

- ***AK129 (PD-1/LAG3)***

1. *Selective Significant Clinical Progress during the Reporting Period*

— In March, Phase I clinical trial of AK129 for treatment of advanced malignant tumor completed dosing of first patient.

- ***AK130 (TIGIT/TGF-β)***

1. *Selective Significant Clinical Progress during the Reporting Period*

— In February, Phase I clinical trial of AK130 for treatment of advanced malignant tumor completed dosing of first patient.

- ***AK131 (PD-1/CD73)***

  1. *Selective Significant Clinical Progress during the Reporting Period*

     — In September, we obtained NMPA approval to initiate Phase I clinical trial of AK131 for treatment of advanced malignant tumors.

  2. *Recent Development After the Reporting Period*

     — In January 2024, Phase I clinical trial of AK131 for treatment of advanced solid tumor completed dosing of first patient.

- ***AK132 (Claudin18.2/CD47)***

  1. *Selective Significant Clinical Progress during the Reporting Period*

     — In September, we obtained NMPA approval to initiate Phase I clinical trial of AK132 for treatment of advanced malignant tumors.

  2. *Recent Development After the Reporting Period*

     — In January 2024, Phase I clinical trial of AK132 for treatment of advanced solid tumor completed dosing of first patient.

Autoimmune and Other Therapeutic Areas

- ***Ebronucimab (AK102, PCSK9)***

  1. *Regulatory Approval Progress during the Reporting Period*

     — In June, NMPA accepted NDA for ebronucimab injection for the treatment of two indications: primary hypercholesterolemia and mixed hyperlipidemia, and heterozygous familial hypercholesterolaemia (HeFH).

  2. *Publication during the Reporting Period*

     — In May, results of a pivotal Phase III trial of AK102 for the treatment of primary hypercholesterolemia and mixed hyperlipidemia were published at 2023 European Atherosclerosis Society (EAS).

- ***Ebdarokimab (AK101, IL-12/IL-23)***

  1. *Commercialization and NDA progress during the Reporting Period*

     — In August, NMPA accepted NDA for ebdarokimab injection for the treatment of moderate-to-severe plaque psoriasis.

2. *Significant Clinical Progress during the Reporting Period*

— In February, Phase III trial of AK101 for the treatment of moderate-to-severe plaque psoriasis reached its primary endpoint.

3. *Publication during the Reporting Period*

— In June, results of Phase I trial of AK101 for the treatment of moderate-to-severe active ulcerative colitis were published at 2023 Federation of Clinical Immunology Societies (FOCIS).

— In October, Phase III data of AK101 for the treatment of moderate-to-severe plaque psoriasis was published at 2023 European Academy of Dermatology and Venereology (EADV).

- ***Gumokimab (AK111, IL-17)***

1. *Significant Clinical Progress during the Reporting Period*

— In August, we completed patient enrollment of Phase III trial of AK111 for the treatment of moderate-to-severe plaque psoriasis.

— In November, we completed dosing first patient of Phase III trial of AK111 for the treatment of ankylosing spondylitis.

— In December, Phase III trial of AK111 for the treatment of moderate-to-severe plaque psoriasis reached all efficacy endpoints.

2. *Publication during the Reporting Period*

— In February, results of Phase Ib trial of AK111 for the treatment of moderate-to-severe psoriasis was published at Dermotal Therapy.

- ***Manfidokimab (AK120, IL-4Rα)***

1. *Significant Clinical Progress during the Reporting Period*

— In March, we completed patient enrollment of Phase II trial of AK120 for the treatment of moderate-to-severe atopic dermatitis.

2. *Publication during the Reporting Period*

— In September, results of Phase I trial of AK120 for the treatment of moderate-to-severe atopic dermatitis was published at Dermotal Therapy.

Warning under Rule 18A.08(3) of the Listing Rules: There is no assurance that Ivonescimab (AK112, PD-1/VEGF), Ligufalimab (AK117, CD47), Pulocimab (AK109, VEGFR2), Drebuxelimab (AK119, CD73), AK127 (TIGIT), AK115 (NGF), AK129 (PD-1/LAG-3), AK130 (TIGIT/TGF-β), AK131(PD-1/CD73), AK132 (Claudin18.2/CD47), Ebronucimab (AK102, PCSK9), Ebdarokimab (AK101, IL-12/IL-23), Gumokimab (AK111, IL-17) and Manfidokimab (AK120, IL-4Rα) will ultimately be successfully developed and/or marketed by the Company. As of the date of this report, no material adverse changes had occurred with respect to the regulatory approvals we had received in relation to our drug candidates.

HUMAN RESOURCES MANAGEMENT

As of December 31, 2023, we had a total of 2,778 employees. With the goal to enhance our integrated platform of R&D, manufacturing and commercialization, the Company continues to recruit more talents, upgrade the employee training system and development mechanism, and committed to creating a diversified, fair, open and inclusive platform for employees.

	Number of employees As of December 31, 2023	Number of employees As of December 31, 2022
Research and Development (Pre-clinical)	**320**	275
Clinical	**679**	532
Manufacturing, quality assurance and quality control	**687**	605
Selling and Marketing	**788**	652
Sourcing, General and Administrative	**304**	277
Total	**2,778**	2,341

MANUFACTURING FACILITIES

As of December 31, 2023, the Company had a total production capacity of 54,000L in operation. We have a continuous and steady capacity expansion plan to cope with our future clinical development and commercialization requirement. Our GMP-compliant manufacturing facilities are designed and validated according to the FDA, the EMA, and the NMPA regulations, to support the entire drug development process, from drug discovery to process development, GMP-compliant and commercial manufacturing, which will effectively support the Company's clinical and commercialization development.

— National Health Technology Park (Zhongshan): The production capacity in operation is 3,500L.

— Knowledge City Biopharmaceutical Base (Guangzhou): The production capacity in operation is 36,000L.

— Greater Bay Area Technology Park (Zhongshan): 14,500L of phase I project capacity has been in operation at the end of 2023. The total production capacity in planning exceeds 100,000L.

FUTURE DEVELOPMENT

Looking forward, we will further enrich our marketed product portfolio, accelerate the clinical development, manufacturing and commercialization of new drug candidates globally, and promote a series of global leading pre-clinical candidates into clinical stage.

In the area of oncology, focusing on the two bi-specific antibodies cadonilimab and ivonescimab as our backbone products, we will continuously speed up the exploration and application in different indications. We are conducting over 20 clinical trials for cadonilimab based on combination therapies, covering 16 indications such as gastric cancer, liver cancer, lung cancer, cervical cancer, ESCC, colorectal cancer, etc., including 6 Phase III pivotal trials. Ivonescimab (AK112, PD-1/VEGF) has fully covered large sub-group patient populations with lung cancer, with various head-to-head studies undergoing. We also conducted multiple clinical trials covering 16 indications such as gastrointestinal, hepatocellular carcinoma and colorectal cancer. In global market, we collaborated with SUMMIT to jointly advance the global clinical development plan of ivonescimab. Two global multiregional phase III clinical trials are conducted by our partners, with the mission to bring valuable next-generation innovative therapies to patients. Serving as foundation of combination therapies, the Company is conducting multiple trials of these two cornerstone drugs targeting various indications to improve overall efficacy and will further expand our portoforlio's market potential in the future. There are also four in-house developed bi-specific antibodies at clinical stage, including AK129 (PD-1/LAG-3), AK130 (TIGIT/TGF-β), AK131 (PD-1/CD73) and AK132 (Claudin18.2/CD47). We will actively explore these antibodies in various solid tumors through the combination with other products in the pipeline, such as pulocimab (AK109, VEGFR2), ligufalimab (AK117, CD47), AK127 (TIGIT) and AK119 (CD73).

In the non-oncology area, we are actively preparing for the manufacturing and commercialization of ebronucimab (AK102, PCSK9) and ebdarokimab (AK101, IL-12/IL-23), and the Company will also accelerate the phase III clinical development and commercialization of AK111 (IL-17) and AK120 (IL-4Rα) which are in late clinical stages in the autoimmune disease area.

In the early-stage drug discovery, we have prospectively tapped into a number of therapeutic areas with broad potential, including but not limited to oncology, autoimmune diseases, metabolic diseases, and neurodegenerative diseases by constructing numerous in-house developed technology platforms, such as ADC platform, cell therapy and mRNA platform. We believe more high potential candidates could be delivered into clinical stage by those endeavors.

Facing potential cooperation opportunities in China and even around the world, we will also take the mission and vision of "providing differentiated and innovative therapies that can bring significant clinical benefits to patients around the world", keep exploring value-added strategic partnerships, and create more co-development, cooperation and license opportunities for our independently-developed products globally.

FINANCIAL REVIEW

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

	December 31, 2023 ***RMB'000***	December 31, 2022 *RMB'000*
Product sales	**1,631,111**	1,104,385
License income	**2,922,775**	3,920
Total sales from products and license	**4,553,886**	1,108,305
Less: Distribution cost	**(27,633)**	(270,649)
REVENUE	**4,526,253**	837,656
Cost of sales	**(133,248)**	(94,117)
Gross profit	**4,393,005**	743,539
Gross profit margin	**97.06%**	88.76%
Other income and gains, net	**454,180**	158,613
Administrative expenses	**(200,094)**	(199,007)
Selling and distribution expenses	**(890,384)**	(552,661)
Research and development expenses	**(1,254,023)**	(1,323,098)
Other expenses	**(281,450)**	(206,312)
Share of loss of a long-term equity investment	**(191,722)**	–
Finance costs	**(86,987)**	(43,290)
PROFIT/(LOSS) BEFORE TAX	**1,942,525**	(1,422,216)
Income tax expense	**(174)**	–
PROFIT/(LOSS) FOR THE YEAR	**1,942,351**	(1,422,216)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(95,025)**	(294,663)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	**89,139**	423,297
Other comprehensive (loss)/income for the year, net of tax	**(5,886)**	128,634
Total comprehensive income/(loss) for the year	**1,936,465**	(1,293,582)

1. Products Sales

The Group's total product sales increased by 48% from RMB1,104.4 million for the year ended December 31, 2022 to RMB1,631.1 million for the year ended December 31, 2023. The rapid growth in sales was attributable to the following reasons:

(i) With the outstanding clinical value, the Company's innovative product 開坦尼® (cadonilimab, PD-1/CTLA-4), since its launch on June 29, 2022, has recorded significant increase of the patients as well as product sales, which has contributed revenue of RMB1,357.8 million for the year ended December 31, 2023;

(ii) Other products achieved sales of RMB273.4 million for the year ended December 31, 2023, including Anniko® (penpulimab, PD1) which was approved and commercialized in late August 2021 and the investigational products for ivonescimab (AK112, PD-1/VEGF) supplied to SUMMIT.

	For the year ended December 31					
	Products Sales*			Consolidated Revenue**		
Million (RMB)	**2023**	2022	**% change**	**2023**	2022	**% change**
開坦尼® (cadonilimab, PD-1/CTLA-4)	**1,357.8**	546.3	+149%	**1,357.8**	546.3	+149%
Other products	**273.3**	558.1	–51%	**245.7**	287.4	–15%
Total	**1,631.1**	1,104.4	+48%	**1,603.5**	833.7	+92%

* Products sales is the sales from 開坦尼® (cadonilimab, PD-1/CTLA-4) and other products.

** Consolidated revenue is the Group's total sales from products net of the distribution cost.

2. License income

The Group's license income was RMB2,922.8 million for the year ended December 31, 2023, as compared to RMB3.9 million for the year ended December 31, 2022. The significant increase was mainly attributable to the total upfront payment received by the Company during the year ended December 31, 2023 pursuant to the collaborative and licensing agreement the Company entered into with SUMMIT for its independently-developed bi-specific antibody, ivonescimab (AK112, PD-1/VEGF), part of which was recognized as license income which significantly contributed to the revenue of the Company for the year ended December 31, 2023.

3. Cost of Sales

The cost of sales increased by 42% from RMB94.1 million for the year ended December 31, 2022 to RMB133.2 million for the year ended December 31, 2023, which was mainly attributable to the increase in the cost of sales associated with the increase of the sales volume of 開坦尼® (cadonilimab,PD-1/CTLA-4). Cost of sales of the Group mainly represents cost of raw materials, direct labor, depreciation and other manufacturing overhead.

4. Gross Profit

The Group's gross profit increased by 491% from RMB743.5 million for the year ended December 31, 2022 to RMB4,393.0 million for the year ended December 31, 2023. It was mainly attributable to the strong increase in the license income recognized by the Company.

5. **Other Income and Gains, net**

Other income and gains, net increased by 186% from RMB158.6 million for the year ended December 31, 2022 to RMB454.2 million for the year ended December 31, 2023, which was mainly attributable to the increase in exchange gains, bank interest income and investment income from financial product.

The Group's other income and gains primarily consisted of exchange gains, subsidies from local government, bank interest income and investment income from financial product.

6. **Research and Development Expenses**

Research and development expenses decreased by 5% from RMB1,323.1 million for the year ended December 31, 2022 to RMB1,254.0 million for the year ended December 31, 2023, mainly due to the strong clinical team strategically built up by the Group, which had reduced the Group's reliance on CRO vendors. The Group's clinical trials of each pipelines are progressing smoothly and have reached the expected goals. The New Drug Applications (NDA) of the first-inclass ivonescimab (PD-1/VEGF, AK112), ebronucimab (PCSK9, AK102) and ebdarokimab (AK101, IL-12/IL-23) have been accepted by the National Medical Products Administration (NMPA).

The Group's research and development expenses primarily consisted of: (i) clinical trial sites fees, central laboratory bioanalysis fees, third-party assessment fees, costs associated with purchasing reference listed drugs and concomitant drugs, third-party contract fees signed by clinical trial site management service providers and other trial related service providers; (ii) employee salaries and related benefit costs in connection with our research and development activities; (iii) third-party contracting costs relating to testing expenses for pre-clinical programs; and (iv) costs associated with purchasing raw materials for research and development of our drug candidates.

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

	Year Ended December 31	
	2023	2022
	RMB'000	*RMB'000*
Clinical trial related expenditure	**1,015,333**	970,734
Pre-clinical trial related expenditure	**8,247**	5,808
Others	**230,443**	346,556
	1,254,023	1,323,098

7. **Selling and Marketing Expenses**

Selling and marketing expenses increased by 61% from RMB552.7 million for the year ended December 31, 2022 to RMB890.4 million for the year ended December 31, 2023. The increase in selling and marketing expenses was mainly attributable to the increase in marketing activities for the approved and commercialized product 開坦尼® (cadonilimab, PD-1/CTLA-4), which was launched on June 29, 2022.

8. Administrative Expenses

Administrative expenses were RMB200.1 million for the year ended December 31, 2023, which remained stable as compared to RMB199.0 million for the year ended December 31, 2022.

Administrative expenses primarily consisted of employee salaries and benefits, depreciation, professional fees, taxes and other administrative expenses include travel expenses and other expenses in connection with administrative activities.

9. Finance Costs

Finance costs were RMB87.0 million for the year ended December 31, 2023, as compared to RMB43.3 million for the year ended December 31, 2022, representing a year-on-year increase of 101%. The increase in finance costs was mainly due to the increase in interest expenses on bank and other borrowings, and finance costs on lease liabilities.

10. Profit for the Year

For the reasons discussed above, profit for the year was RMB1,942.4 million for the year ended December 31, 2023, as compared to loss of RMB1,422.2 million for the year ended December 31, 2022.

11. Liquidity and Source of Funding and Borrowing

In 2023, we actively explored financing channel, improved business capabilities and managed our cash to further enrich our cash position so as to provide strong capital support for the Company's sustainable and high efficient development.

As of December 31, 2023, the current assets of the Group were RMB5,676.8 million, of which aggregate balance of cash and cash equivalent, time deposits and financial products amounted to RMB4,894.4 million and other current assets amounted to RMB782.3 million.

The aggregate balance of cash and cash equivalent, time deposits and financial products of the Group increased by RMB2,606.0 million to RMB4,894.4 million as of December 31, 2023, from RMB2,288.4 million as of December 31, 2022.

As of December 31, 2023, the current liabilities of the Group were RMB1,204.6 million, including trade payables of RMB354.8 million, other payables and accruals of RMB443.6 million and interest-bearing bank and other borrowings of RMB390.5 million.

As of December 31, 2023, the Group had short-term loan and mid-long-term loan due within next one year of RMB390.5 million and long term loans of RMB2,577.3 million, among which, interest rate of commercial bank borrowings ranging from 1.6% to 4.45% based on annual interest rate over or below loan prime rate (LPR).

The Group follows a set of funding and treasury policies to manage its capital resources and mitigate potential risks.

12. Pledge of Assets

As at December 31, 2023, the Group had a total pledge of RMB793.3 million of buildings and land use right pledged to secure its loans and banking facilities.

13. Key Financial Ratios

	As at December 31, 2023	As at December 31, 2022
Quick ratio[1]	**4.39**	2.0
Gearing ratio[2]	**Not meaningful[2]**	Not meaningful[2]

Notes:

(1) Quick ratio is calculated by dividing current assets less inventories as of a given date by current liabilities as of such date.

(2) Gearing ratio is calculated using interest-bearing bank and other borrowings less cash and cash equivalents divided by total equity and multiplied by 100%. Gearing ratio is not meaningful as our interest-bearing bank and other borrowings less cash and cash equivalents were negative.

14. Significant Investments

As at December 31, 2023, the Group did not hold any significant investments. Save as disclosed in this report, the Group did not have other plans for significant investments or capital assets as at the date of this report.

15. Material Acquisitions and Disposals

The Group did not have material acquisitions or disposals of subsidiaries, associates and joint ventures for the year ended December 31, 2023.

16. Contingent Liabilities

The Group did not have any material contingent liabilities as at December 31, 2023.

17. Capital Commitment

The capital commitments of the Group as at December 31, 2023 were RMB770.0 million, as compared to RMB981.1 million as at December 31, 2022, primarily attributable to the development of world-class manufacturing equipment in Knowledge City Biopharmaceutical Base (Guangzhou) and Greater Bay Area Technology Park (Zhongshan). These projects are currently under smooth progress and have been put into operation gradually. Besides, our Shanghai & Guangzhou research and development bases were under construction.

18. Foreign Exchange Risk Exposure

For the year ended December 31, 2023, the Group mainly operated in China and a majority of its transactions were settled in Renminbi, the functional currency of the Company's primary subsidiaries.

For the year ended December 31, 2023, a portion of the Group's cash and cash equivalents were dominated in Hong Kong dollars and US dollars. Except for certain cash and cash equivalents, time deposits, financial products, other receivables, payables, other payables and accrued expenses denominated in foreign currencies, the Group did not have significant foreign exchange risk exposure from its operations during the Reporting Period.

Our Group currently does not have a foreign currency hedging policy, however, we manage our foreign exchange risk by performing regular reviews of our net foreign exchange risks and uses forward contracts to eliminate the foreign exchange risk exposures.

19. Employees and Remuneration

As at December 31, 2023, the Group had a total of 2,778 employees.

The following table sets forth the total number of employees by function:

Function	December 31, 2023 Number of employees	December 31, 2022 Number of employees
Research and Development (Pre-clinical)	**320**	275
Clinical	**679**	532
Manufacturing, quality assurance and quality control	**687**	605
Selling and Marketing	**788**	652
Sourcing, General and Administrative	**304**	277
Total	**2,778**	2,341

The total remuneration cost incurred by the Group was RMB847.1 million for the year ended December 31, 2023, and RMB624.1 million for the year ended December 31, 2022. The increase in remuneration cost was primarily attributable to the increase in the number of employees, which led to an increase in employees' salaries and benefits.

The remuneration of the employees of the Group comprises salaries, bonuses, employees' provident fund and social security contributions, other welfare payments and equity-settled share award and share option expenses. In accordance with applicable PRC laws, the Group has 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 the Group's employees. We provide training programs to employees, including new hire orientation and continuous on-the-job training in order to accelerate the learning progress and improve the knowledge and skill levels of our employees.

The Company has adopted the Pre-IPO RSU Scheme on August 29, 2019 and the 2021 restricted share unit scheme on December 6, 2021. For details, please refer to the paragraph headed "D. Share Incentive Schemes — 1. Restricted Share Unit Scheme" in Appendix IV to the Prospectus and the announcement of the Company dated December 7, 2021, respectively.

The Company has also adopted the share option scheme on June 28, 2022. For details, please refer to the announcement of the Company dated June 1, 2022.

USE OF NET PROCEEDS

(a) Use of Net Proceeds from Global Offering

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the IPO and the exercise of Over-allotment Option of approximately HK$2,894.1 million (equivalent to approximately RMB2,647.2 million).

As at December 31, 2022, net proceeds from the IPO and over-allotment had been fully utilized. During the year ended December 31, 2022, the proceeds from the IPO were used according to the intentions and in the same manner and proportions as previously disclosed by the Company in the Prospectus.

(b) Use of Net Proceeds from 2021 Placing

On January 14, 2021, an aggregate of 30,000,000 new shares were issued at a price of HK$39.60 per share to not less than six professional, institutional or other investors that are Independent Third Parties pursuant to the share placing agreement (the "**Placing Agreement**") dated January 7, 2021 (the "**2021 Placing**"), representing approximately 3.67% of the enlarged issued share capital of the Company immediately following the 2021 Placing.

The placing price of HK$39.60 per share represents (i) a discount of approximately 4.58% to the closing price of HK$41.50 per Share as quoted on the Stock Exchange on January 6, 2021, being the trading day immediately preceding the date of the Placing Agreement; and (ii) a discount of approximately 1.02% to the average closing price of HK$40.01 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the date of the Placing Agreement.

The net price per share for the subscription after deducting related costs and expenses is approximately HK$39.04 per share and the net proceeds raised from the 2021 Placing were HK$1,171.3 million (equivalent to RMB978.1 million). The 2021 Placing is being taken for the funding of the intended purposes as set out below.

The following table sets forth the status of use of net proceeds from the 2021 Placing as at December 31, 2023:

Item	**Percentage**	**Amount of proceeds allocated** (HK$' million)	**Proceeds unutilized as at January 1, 2023** (HK$' million)	**Proceeds utilized during the year ended December 31, 2023** (HK$' million)	**Proceeds utilized up to December 31, 2023** (HK$' million)	**Proceeds unutilized as at December 31, 2023** (HK$' million)
Build the Group's commercialization team to prepare for the launch of AK104 (PD-1/CTLA-4) and to continue to recruit and retain talents in both international and domestic markets	40%	468.5	203.4	203.4	468.5	–
Fund increased international clinical trial needs for leading oncology programs including PD-1/CTLA-4, PD-1/VEGF, CD47, and non-oncology programs	20%	234.3	–	–	234.3	–
Build and develop new production facilities in Guangzhou and Zhongshan Cuiheng New District in the PRC for additional capacity to commensurate with the Group's growth	10%	117.1	69.1	69.1	117.1	–
Fund and expedite the development of other clinical programs including, among others, PCSK9, IL12/IL23	10%	117.1	–	–	117.1	–
Other general corporate purposes	20%	234.3	132.7	132.7	234.3	–
Total	100%	1,171.3	405.2	405.2	1,171.3	–

Further details of the 2021 Placing are set out in the announcements of the Company dated January 7, 2021 and January 14, 2021, respectively. As at December 31, 2023, the proceeds from the 2021 Placing had been fully utilized. During the year ended December 31, 2023, the proceeds from the 2021 Placing were used according to the intentions and in the same manner and proportions as previously disclosed by the Company in the announcement dated January 7, 2021.

(c) Use of Net Proceeds from 2022 Placing

An aggregate of 24,000,000 Placing Shares have been placed by the Placing Agent to not less than six Placees at the Placing Price of HK$24.27 per Placing Share pursuant to the terms and conditions of the Placing Agreement on July 15, 2022, representing approximately 2.85% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the Placing.

The Company received net proceeds from the Placing, after deducting the placing commission and other related expenses and professional fees, of approximately US$73,459,261 (equivalent to approximately HK$576,655,200).

The following table sets forth the status of use of net proceeds from the 2022 Placing as at December 31, 2023:

Item	Percentage	Amount of proceeds allocated (HK$' million)	Proceeds unutilized as at January 1, 2023 (HK$' million)	Proceeds utilized during the year ended December 31, 2023 (HK$' million)	Proceeds utilized up to December 31, 2023 (HK$' million)	Proceeds unutilized as at December 31, 2023 (HK$' million)
Marketing and commercialization of 開坦尼® (Cadonilimab, PD-1/CTLA-4, AK104)	40%	230.6	–	–	230.6	–
Expediting the phase III clinical trials of Ivonescimab (PD-1/VEGF, AK112), including head-to-head trial with Keytruda for 1L PD-L1(+) NSCLC, and for EGFRTKI failed NSCLC	20%	115.3	38.4	38.4	115.3	–
Expediting several phase III clinical trials of Cadonilimab (AK104, PD-1/CTLA-4) including for 1L gastric cancer, 1L cervical cancer, and etc, to substantiate marketing activities for Cadonilimab	20%	115.3	85.0	85.0	115.3	–
Expediting the phase III trials and NDA application for Ebronucimab (PCSK9, AK102) and Ebdarokimab (IL-12/IL-23, AK101)	10%	57.7	57.7	41.0	41.0	16.7
Other general corporate purposes where appropriate	10%	57.7	57.7	57.7	57.7	–
Total	100%	576.6	238.8	222.1	559.9	16.7

Further details of the 2022 Placing are set out in the announcements of the Company dated July 8, 2022 and July 15, 2022, respectively. During the year ended December 31, 2023, the proceeds from the 2022 Placing were used, and are proposed to be used, according to the intentions and in the same manner and proportions as previously disclosed by the Company in the announcement dated July 8, 2022.

The remaining balance of proceeds unutilized, approximately HK$16.7 million has been deposited into the bank. The Company expects such net proceeds shall be utilized within the upcoming 6 months (by June 30, 2024) instead of by December 31, 2023 as disclosed in its 2023 interim report dated August 29, 2023 as a result of the latest progress of the phase III trials and NDA application for Ebronucimab (PCSK9, AK102) and Ebdarokimab (IL-12/IL-23, AK101). This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and remains subject to change based on current and future development of market conditions and actual business needs.

2024 PLACING

On March 28, 2024, an aggregate of 24,800,000 new shares were issued at a price of HK$47.68 per share (the "**2024 Placing**") to not less than six professional, institutional or other investors that are Independent Third Parties pursuant to the share placing agreement (the "**2024 Placing Agreement**") dated March 21, 2024, representing approximately 2.86% of the enlarged issued share capital of the Company immediately following the 2024 Placing. The placing price of HK$47.68 per Share represented (i) a discount of approximately 6.02% to the closing price of HK$50.70 per Share as quoted on the Stock Exchange on the last full trading day prior to the date of the 2024 Placing Agreement; and (ii) a discount of approximately 6.81% to the average closing price of approximately HK$51.13 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to and including the last full trading day prior to the date of the 2024 Placing Agreement. The net placing price per Share after deducting related costs and expenses was approximately HK$47.18 per Share and the net proceeds raised from the 2024 Placing were approximately US$149.53 million. As disclosed in the announcement of the Company dated March 21, 2024, the net proceeds from the 2024 Placing will be used for the following purposes: (i) 65% will be used for research and development in terms of: (a) various preclinical programs advancing to IND stage; (b) development of technology platforms (i.e. ADC platform); and (c) expediting the global clinical trial of Cadonilimab (AK104, PD-1/CTLA-4), ligufalimab (AK117, CD47), etc; (ii) 25% will be used for the commercialization of Cadonilimab and Ivonescimab; and (iii) 10% will be used for other general corporate purposes where appropriate.

The Placing Shares have a market value of approximately HK$1,180.5 million based on the closing price of HK$47.60 per share as at March 21, 2024 and an aggregate nominal value of US$248. Further details of the 2024 Placing were set out in the announcements of the Company dated March 21, 2024 and March 28, 2024, respectively. As at the date of this report, none of the net proceeds from the 2024 Placing has been used and there is no change in the intended use net proceeds.The Company expects such net proceeds shall be utilized by December 31, 2025. This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and remains subject to change based on current and future development of market conditions and actual business needs.

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

DIRECTORS

Executive Directors

Dr. XIA Yu (夏瑜), the key founder of our Group, aged 57, was appointed as the chairwoman, president and CEO of our Group since its inception on March 19, 2012, and she was re-designated as the executive Director and appointed as the chairwoman, president and CEO of our Company on November 16, 2019. In these roles, Dr. XIA has been mainly responsible for the overall strategic and operational management of the Company. Dr. XIA also holds the following positions with the other members of our Group and has been primarily responsible for these companies' decision- making:

- director, president, CEO and chairwoman of Akeso Biopharma (since March 2012);
- director of Akeso Tiancheng (since May 2016);
- director and general manager of Akeso R&D Institute (since July 2016);
- director and general manager of AD Pharma (since February 2017);
- director, general manager (since August 2017) and chairwoman (since November 2018) of Akeso Pharma;
- executive director and general manager of AD Pharma Guangzhou (since March 2018);
- chairwoman and general manager of Zhong Kang Tai He (since September 2018); and
- general manager of CTTQ-Akeso (since August 2019).

Dr. XIA has over 30 years of experience in the pharmaceutical industry and academic research. Prior to founding our Group, Dr. XIA held senior leadership roles (with a position as senior vice president) from April 2008 to March 2012 at Crown Bioscience Inc., where she played a decisive role in constructing Crown Bioscience's platform, building its team, setting and implementing its strategies, and forging its joint venture with Pfizer (the Pfizer-Crown Asian Cancer Research Centre). From July 2006 to March 2008, Dr. XIA served as a senior scientist and group leader at PDL BioPharma, Inc. (later acquired by AbbVie). From January 2006 to June 2006, Dr. XIA served as a senior process development scientist at Bayer Corporation in the U.S.. At both PDL BioPharma and Bayer, Dr. Xia oversaw CMC, process development and manufacturing of therapeutic protein and antibody drugs. Dr. XIA began her pharmaceutical career at Axys Pharmaceuticals, Inc. (later acquired by Celera Genomics), where she held both scientific and managerial roles in drug discovery programs from December 2000 to December 2005, overseeing a broad range of activities from target validation through IND-enabling studies.

Dr. XIA received her bachelor's degree in biochemistry from Sun Yat-sen University (中山大學) in the PRC in 1988. She earned her Ph.D. degree in molecular biology and microbiology from Newcastle University in the U.K. in 1994. Dr. XIA completed her postdoctoral research training at the University of Glasgow in the U.K. from 1993 to 1996, and she also conducted the cancer immune therapy research at the University of Louisville School of Medicine in the U.S from 1996 to 2000. Dr. XIA has published numerous articles in peer-reviewed journals. Dr. XIA is also the grantee of 16 issued patents and pending patent applications.

Over the years, Dr. XIA has served important roles in numerous influential organizations, including a member of the Special Committee for Monoclonal Antibody of the China Medicinal Biotech Association, a committee member of the Special Committee for Science and Technology Innovation of China Overseas Returnee Entrepreneur Investment Association, an advisory committee member of the Chinese Antibody Society, and a director of Tongxieyi Antibody Talent Club. Dr. XIA has also received numerous awards and recognitions for her contributions to both the pharmaceutical industry and commercial enterprises, such as "The Seventh National Overseas Returnee Contributions Award" in June 2018, and the Innovative and Entrepreneurial Talent awarded by the Ministry of Science and Technology of the PRC in March 2014. In July 2015, Dr. XIA and her team were awarded the "Top Chinese Overseas Returnee Star-up Company" by the Overseas Chinese Affairs Office of the State Council, and Dr. XIA was also recognized for her role as the team leader of selected innovation and entrepreneurial team winners of the Pearl River Talents Scheme of Guangdong Province in April 2018.

Mr. XIA Yu (Ph.D.) (夏羽) is the brother of Dr. XIA (夏瑜).

Dr. LI Baiyong (李百勇), a co-founder of our Group, aged 55, was appointed as the vice president and chief scientific officer of our Group since its inception in March 2012. Dr. Li was re-designated as an executive Director and was appointed as the senior vice president and chief scientific officer of our Company on November 16, 2019. Dr. Li has been the executive vice president and chief scientific office of our Company since 2021. Dr. Li has been mainly responsible for leading scientific direction, drug discovery and development, and participating in overall strategic planning and business direction. Dr. Li has over 24 years of experience in the therapeutics biologics industry. Dr. Li also holds the following positions with other members of our Group:

- director (since March 2012), vice president and the chief scientific officer (since April 2012) of Akeso Biopharma;
- director, the vice president and the chief scientific officer of AD Pharma (since February 2017);
- director and deputy general manager of Akeso Pharma (since November 2018); and
- director of Zhong Kang Tai He (since September 2018).

Prior to the establishment of our Group, Dr. Li worked at Pfizer Inc in the US from 1999 to late 2011, where he led drug discovery work on a series of cancer immune therapy new drug projects. His last position at Pfizer was associate director, focusing on oncology research and leading a series of key innovative immuno-oncology therapy projects.

Prior to joining Pfizer, Dr. Li was a post-doctoral research fellow with Dr. Richard Flavell, a world- renowned immunologist, the department head of the Immunology department at Yale University and a member of the US National Academy of Science, with the focus of his studies in the field of T cell immunology.

Dr. Li obtained his bachelor's degree in biochemistry from Nankai University (南開大學) in the PRC, in 1991. He subsequently obtained his Ph.D. degree in molecular and cell biology from the Pennsylvania State University in the U.S. in 1996.

Dr. Li was recognized as a Level 5 talent of the Shortage of High Level Talents of Zhongshan (中山市第五層次緊缺適用高層次人才) in December 2014, and was selected in the Pearl River Talents Scheme (珠江人才計劃) in April 2017. In May 2019, Dr. Li was an awardee in the Zhongshan Top Talents Programme (中山市拔尖人才).

Dr. WANG Zhongmin Maxwell (王忠民), a co-founder of our Group, aged 55, was appointed as the vice president of our Group since its inception in March 2012 and he was re-designated as an executive Director and was appointed as the senior vice president of our Company on November 16, 2019. Dr. Wang has been mainly responsible for clinical operations, sourcing and legal affairs. Dr. Wang has served as a director of Akeso Biopharma since March 2012, a vice president of AD Pharma since February 2017, and a director of Akeso Pharma since November 2018.

Prior to the establishment of our Group, Dr. Wang had extensive experience for over 23 years in the therapeutics biologics industry. He served as the senior research scientist from June 2002 and as a consultant starting from January 2006 at New Century Pharmaceuticals Inc. in the U.S., and was responsible for advising on structure determination and modelling of drug targets. Dr. Wang joined Trimeris Inc. as a senior consultant in February 2006 and later, he also served an executive consultant at Ardea Biosciences Inc. from February 2007 to October 2008, mainly responsible for structure based drug development with Kinases. After returning to China, he joined Crown Bioscience Inc. (中美冠科生物技術有限公司) in January 2009 as senior director, and was responsible for the management of the structural biology group and for the business development of protein science department. From January 2011 to May 2012, Dr. Wang served as the deputy general manager of Taicang CrownBio Analytical and Testing Company Limited (中美冠科生物技術（太倉）有限公司).

Dr. Wang obtained his bachelor's degree in physics from University of Science and Technology of China (中國科學技術大學), China in July 1991. He subsequently pursued his master's degree in physics at Northeastern University in the U.S. Dr. Wang obtained his Ph. D. degree in structural & computational biology and molecular biophysics from Baylor College of Medicine in the U.S., in May 1998. He had published eight scientific papers in international peer-reviewed journals and is the inventor of five patents during his stay in the U.S.

Dr. Wang was recipient of the Pearl River Talents Scheme (珠江人才計劃) in April 2017. He has also been recognized as a Level 3 talent of Shortage of High Level Talents of Zhongshan (中山市第三層次緊缺適用高層次人才) in December 2017. In May 2019, Dr. Wang was an awardee in the Zhongshan Top Talents Program (中山市拔尖人才).

Mr. XIA Yu (Ph.D.) (夏羽), aged 53, has been a Director since November 1, 2019. Mr. Xia (Ph. D.) was re-designated as an executive Director and was appointed as the senior vice president of our Company on November 16, 2019, and is mainly responsible for manufacturing, quality and regulatory affairs. Mr. Xia (Ph.D.) joined our Group in May 2017 where he served as the vice president, and the head of the quality department of both Akeso Biopharma and AD Pharma. He has also served as the deputy general manager and the head of the production team of Akeso Pharma since November 2018.

Prior to joining our Group, Mr. Xia (Ph.D.) primarily focused on the pharmaceutical and biopharmaceutical sector in Canada and U.S. Mr. Xia (Ph.D.) joined Cardiome Pharma Corp. in October 2005 as a manager and led its analytical development department, where he focused specifically in the development of drug substances and drug products, regulatory submissions and regulatory inspections. Since March 2011, Mr. Xia (Ph.D.) joined APOTEX Inc. as the associate director until December 2013, where he led the product development department. He was responsible for drug product development and worldwide drug marketing applications. From January 2014 to August 2016, Mr. Xia (Ph.D.) served as the global quality director at Albany Molecular Research Inc. and was responsible for its product development and quality system across multiple sites, as well as the handling of regulatory inspections from the FDA.

Mr. Xia (Ph.D.) obtained his bachelor's degree in applied chemistry from Peking University (北京大學) in July 1992, he subsequently obtained a Ph.D. degree in chemistry from the University of Wales in the United Kingdom, in January 2001.

Mr. Xia (Ph.D.) has published and contributed to four scientific publications. Mr. Xia (Ph.D.) is an awardee of the Pearl River Talents Scheme (珠江人才計劃) in April 2017, and has been recognized as a Level 3 talent of the Shortage of High Level Talents of Zhongshan (中山市第三層次緊缺適用高層次人才) in December 2017.

Dr. XIA (夏瑜) is the sister of Mr. XIA Yu (Ph.D.) (夏羽).

Non-executive Directors

Dr. ZHOU Yi (周伊), aged 43, has been a Director since November 1, 2019. Dr. Zhou was re- designated as a non-executive Director on November 16, 2019. Dr. Zhou joined our Group as a Director of Akeso Biopharma since July 2015 until November 2019.

Dr. Zhou was an analyst in pharmaceutical industry at Shenzhen Capital Group Co., Ltd from May 2012 to September 2017. Since October 2017, Dr. Zhou has served as the general manager of health industry fund in Shenzhen Capital Group Co., Ltd.

Dr. Zhou obtained a bachelor's degree in chemistry from Hengyang Normal University in June 2006, a master's degree in organic chemistry from Hunan Normal University in June 2007, and further received a Ph.D. degree in medicinal chemistry from Peking University in July 2011.

Mr. XIE Ronggang (謝榕剛), aged 39, was appointed as a non-executive Director from August 19, 2020. Mr. Xie has around 13 years of investment experience. He obtained a bachelor's degree and a master's degree in biomedical engineering from Southeast University, the PRC in 2008 and 2011, respectively. Mr. Xie worked at Oriza Holdings from April 2011 to October 2015 and has been the managing director of Loyal Valley Capital since 2018.

Independent Non-executive Directors

Dr. ZENG Junwen (曾駿文), aged 62, an independent non-executive Director, is responsible for supervising and providing independent advice and judgment to our Board.

Dr. Zeng has over 24 years' experience in ophthalmic industry. From September 1984 to June 1986, Dr. Zeng was a resident physician at the Zhongshan Ophthalmic Center (the "**Zhongshan Ophthalmic Center**") of the Sun Yat-sen University (中山大學). He was appointed as adjunct assistant professor of ophthalmology and visual sciences at the University of Louisville between July 1998 and June 2001. Dr. Zeng returned to Zhongshan Ophthalmic Center in March 1998 as the director of technology development and the assistant to the head of Zhongshan Ophthalmic Center, then served as the deputy head and deputy supervisor of Zhongshan Ophthalmic Center from January 1999 until February 2002. From March 2002 to February 2012, he was the head of the optometry center at the same institution. From February 2012 to November 2017, Dr. Zeng also served as the head of ophthalmology department and optometry department of the Zhongshan Ophthalmic Center. Since November 2017, Dr. Zeng has been working as the head of refractive department of the Zhongshan Ophthalmic Center.

Dr. Zeng obtained his bachelor's degree in clinical medicine in August 1984 from Sun Yat-sen University School of Medicine. He received his Ph.D. degree in Biochemistry in May 1993 from Meharry Medical College in Nashville, the U.S. Dr. Zeng is currently licensed to practice medicine in the PRC. Dr. Zeng has served as an independent director of Doctorglass Chain Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300622), since January 2018.

Dr. XU Yan (徐岩), aged 60, an independent non-executive Director, is responsible for providing independent advice and judgment to our Board. Dr. Xu's experience prior to joining our group is set forth below.

Between 1987 and 1992, Dr. Xu worked as a lecturer at the Department of Management in the Beijing University of Post and Telecommunications. From September 1997 to June 2004, he first worked as a visiting assistant professor, and beginning in September 1999, as an assistant professor of information and systems management in the Department of Information and Systems Management, School of Business and Management at the Hong Kong University of Science and Technology ("**HKUST**"). Dr. Xu served as an associate professor from July 2004, and from July 2019 onwards served as a professor in the Department of Information Systems, Business Statistics and Operations Management, School of Business and Management of HKUST. Since 2011, he has also served as the associate dean of the EMBA Program for Chinese executives, executive education and China strategy in the School of Business and Management at HKUST.

Dr. Xu obtained his bachelor's degree in radio communications engineering and master's degree in communications and electronic system from the Beijing University of Post and Telecommunications, PRC in July 1984 and July 1987 respectively. He further received his Ph.D. degree in telecommunications policy from University of Strathclyde, UK in July 1997.

Dr. Xu has served as the independent non-executive director of China Display Optoelectronics Technology Holdings Limited, a company listed on the Stock Exchange (stock code: 00334), since June 2015.

Mr. TAN Bo, aged 50, is an independent non-executive Director with effect from the Listing Date. He is responsible for supervising and providing independent advice and judgment to our Board.

Mr. Tan has extensive experience within the financial and pharmaceutical industries, and has worked in private equity, equity research and commercial sectors. He worked as a senior analyst at Macquarie Securities Asia in Hong Kong from October 2004 to February 2006. From March 2006 to March 2007, he served as a vice president in the equity research division of Lehman Brothers Asia Limited. From April 2007 to September 2008, he served as an executive director and a member of the investment committee of Bohai Industrial Investment Fund Management Company, a private equity fund in China. From 2009 to December 2019, Mr. Tan worked at 3SBio Inc., a company listed on the Stock Exchange (stock code: 1530), and served as its vice president, chief financial officer, and executive director.

Mr. Tan has served as an independent non-executive director of Globe Metals & Mining (a company listed on the Australian Securities Exchange with stock code of GBE) since October 9, 2013.

Mr. Tan has served as an independent non-executive director of Everest Medicines Limited, a company listed on the Stock Exchange (stock code: 1952) since September 2020.

Mr. Tan obtained a bachelor's degree in economics from Renmin University of China in July 1994, a master's degree in economics from the University of Connecticut in December 1996 and a master of International Management from American Graduate School of International Management in August 1998.

SENIOR MANAGEMENT

Dr. XIA Yu (夏瑜) is the president and chief executive officer of our Company. Please refer to the paragraph headed "— Directors — Executive Directors" above for her biographical details.

Dr. LI Baiyong (李百勇), is the executive vice president and chief scientific officer of our Company. Please refer to the paragraph headed "— Directors — Executive Directors" above for his biographical details.

Dr. WANG Zhongmin Maxwell (王忠民), is the senior vice president of our Company. Please refer to the paragraph headed "— Directors — Executive Directors" above for his biographical details.

Mr. XIA Yu (Ph.D.) (夏羽), the senior vice president of our Company. Please refer to the paragraph headed "— Directors — Executive Directors" above for his biographical details.

COMPANY SECRETARY

Ms. LEUNG Wai Yan (梁慧欣), was appointed as a joint company secretary of our Company on August 23, 2022. Ms. Leung is currently a manager of corporate services of Vistra Corporate Services (HK) Limited. She has over 16 years of experience in providing company secretarial services to numerous listed and private companies.

Ms. Leung obtained a Bachelor of Business (Administrative Management) from University of South Australia. She has been an associate member of The Hong Kong Chartered Governance Institute and an associate member of The Chartered Governance Institute in United Kingdom since 2009.

CHANGES IN DIRECTORS' INFORMATION

Save as disclosed in this annual report and as at the date of this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

DIRECTORS

The Directors who held office during the year ended December 31, 2023 and up to the date of this annual report are:

Executive Directors:

Dr. XIA Yu (夏瑜)*(Chairwoman, president, and chief executive officer)*
Dr. LI Baiyong (李百勇)
Dr. WANG Zhongmin Maxwell (王忠民)
Mr. XIA Yu (Ph.D.) (夏羽)

Non-executive Directors:

Dr. ZHOU Yi (周伊)
Mr. XIE Ronggang (謝榕剛)

Independent Non-executive Directors:

Dr. ZENG Junwen (曾駿文)
Dr. XU Yan (徐岩)
Mr. TAN Bo

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 35 to 40 of this annual report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Company's subsidiaries were involved in research and development, production and commercialization of biopharmaceutical products.

The activities and particulars of the Company's subsidiaries are shown under Note 1 to the financial statements. An analysis of the Group's results for the year ended December 31, 2023 by principal activities of the Group is set out in the section headed "Management Discussion and Analysis" in this annual report.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this annual report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Important Events After The Reporting Period" in this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to achieving environmental sustainability. 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. For instance, the in-house facilities of the Group operate in compliance with the relevant environmental rules and regulations. The Group reviews its environmental policies on a regular basis.

Further details of the Company's environmental policies and performance are disclosed in the environmental, social and governance report of the Company for the year ended December 31, 2023 which shall be published separately.

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, details of which could be referred to the section headed "Regulatory Overview" in the Prospectus. The Group has compliance policies and procedures in place and would seek professional legal advice from its legal advisers to ensure that transactions and business to be performed by the Group are in compliance with the applicable laws and regulations. Save as disclosed in this report, during the year ended December 31, 2023, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

HUMAN RESOURCES

As at December 31, 2023, the Group had a total of 2,778 (2022: 2,341) employees and the total staff costs for the Reporting Period (including directors' emoluments) were RMB847.1 million (2022: RMB624.1 million). Remuneration of our employee is determined with reference to market conditions and individual employees' performance, qualification and experience. In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and contributions to benefit plans (including pensions). During the Reporting Period, the relationship between the Group and our employees has been stable. We had not experienced any strikes or other labor disputes which materially affected our business activities. We provide training programs to employees, including new hire orientation and continuous on-the-job training in order to accelerate the learning progress and improve the knowledge and skill levels of our employees.

RETIREMENT BENEFITS SCHEME

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme. During the year ended December 31, 2023, under the PRC retirement benefits scheme, no forfeited contribution will be used by the employers to reduce the existing level of contributions.

In addition, the Group has 2 employee who is required to participate in the Mandatory Provident Fund in Hong Kong. Under the Mandatory Provident Fund scheme participated by the Group (the "**MPF Scheme**"), the Group is required to make contributions at 5% of the employees' relevant income, capped at HK$1,500 per month. The Group's employer contributions vest fully when contributed into the MPF Scheme. During the year ended December 31, 2023, there were no contributions forfeited by the Group on behalf of its employees who leave the plan prior to vesting fully in such contribution, nor had there been any utilization of such forfeited contributions to reduce future contributions. No forfeited contributions were available for utilization by the Group to reduce the existing level of contributions.

Details of the pension obligations of the Company are set out in Note 2.4 and Note 6 to the financial statements in this annual report.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended December 31, 2023 are set out in Note 35 to the financial statements contained herein. For the year ended December 31, 2023, the Company conducted the following continuing connected transactions which should be disclosed pursuant to Chapter 14A of the Listing Rules.

A. The Exclusive Sales Agreement

On December 20, 2021, the Company's subsidiaries, CTTQ-Akeso and Akeso Biopharma entered into an exclusive sales agreement of Penpulimab Monoclonal Antibody Injection ("**MAb Products**") with Chia Tai Tianqing and LYG Tianqing (the "**Exclusive Sales Agreement**") to set forth details of the terms and conditions of the exclusive right to sell granted to Chia Tai Tianqing. Pursuant to the Exclusive Sales Agreement, (i) CTTQ-Akeso, a subsidiary of the Company, authorized LYG Tianqing (or the subsidiaries of Chia Tai Tianqing and LYG Tianqing) as the sole sales unit of MAb Products in the PRC which is fully responsible for the sales activities of MAb Products. Chia Tai Tianqing will devote resources in the market development and product promotion and sales to assist LYG Tianqing in sales network construction. CCTQ-Akeso shall pay selling and marketing costs to Chia Tai Tianqing (or the subsidiaries of Chia Tai Tianqing and LYG Tianqing) in accordance with the Exclusive Sales Agreement; and (ii) CTTQ-Akeso shall supply MAb Products to LYG Tianqing and its subsidiaries, which shall pay the purchase price to CTTQ-Akeso in accordance with the Exclusive Sales Agreement.

In light of the fact that (i) Chia Tai Tianqing holds 50% equity interest in CTTQ-Akeso, a non-wholly owned subsidiary of the Company; and (ii) LYG Tianqing is wholly-owned by Chia Tai Tianqing, each of Chia Tai Tianqing and LYG Tianqing is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules, and the Exclusive Sales Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. For details, please refer to the announcements of the Company dated December 20, 2021 and January 31, 2022.

The Directors consider that the Exclusive Sales Agreement and the transactions contemplated thereunder will be beneficial to the Group given that the Group can leverage on the established sales network and resources of Chia Tai Tianqing and the commercialization of MAb Products can be facilitated.

Pricing

Pursuant to the Exclusive Sales Agreement, CTTQ-Akeso shall supply MAb Products to LYG Tianqing and its subsidiaries, which shall pay the purchase price to CTTQ-Akeso in accordance with the Exclusive Sales Agreement. The purchase price is calculated based on the public selling price of MAb Products which will be published in the China Medical Tribune (中國醫學論壇報) or other public channels from time to time, less discounts and rebates set in accordance with the market practice in the industry. LYG Tianqing or its subsidiaries shall pay the purchase price to CTTQ-Akeso in two instalments (10% as prepayment and the remaining outstanding purchase price shall be paid 60 days after delivery of the products) according to the respective purchase agreement entered into with CTTQ Akeso.

During the effective term of the Exclusive Sales Agreement, CTTQ-Akeso, as the marketing authorization holder of MAb Products, has authorized LYG Tianqing (or the subsidiaries of Chia Tai Tianqing and LYG Tianqing) to be the sole sales unit of MAb Products in the PRC which is fully responsible for the sales activities of MAb Products in accordance with the terms and conditions of the Exclusive Sales Agreement. Chia Tai Tianqing will devote resources in the market development and product promotion and sales to assist LYG Tianqing (or the subsidiaries of Chia Tai Tianqing and LYG Tianqing) in sales network construction. The selling and marketing costs shall be payable by CTTQ-Akeso to Chia Tai Tianqing within 60 days after the end of each month on a monthly basis. The selling and marketing costs are calculated by multiplying the net sales amount (i.e. sales amount after deducting discounts and rebates set in accordance with the market practice in the industry and relevant taxes) by a fixed rate for the selling costs under the Exclusive Sales Agreement. The fixed rate for the selling costs is determined with reference to the expected market development costs, sales channel maintenance fee and other selling and marketing costs (including but not limited to staff and supplies), which is not less than 35% across the term of the Exclusive Sales Agreement.

Annual caps

The annual caps for the transactions under the Exclusive Sales Agreement are set out below:

Proposed annual caps for the year ending	**Selling and marketing service costs payable by CTTQ-Akeso to Chia Tai Tianqing** *(RMB million)*	**Sale of MAb Products to LYG Tianqing and its subsidiaries** *(RMB million)*
December 31, 2021	200	300
December 31, 2022	2,000	4,000
December 31, 2023	2,500	5,000
December 31, 2024	3,000	6,000
December 31, 2025	3,500	7,000
December 31, 2026	3,500	7,000
December 31, 2027	3,500	7,000
December 31, 2028	3,500	7,000
December 31, 2029	3,500	7,000
December 31, 2030	3,500	7,000
December 31, 2031	3,500	7,000
December 31, 2032	3,500	7,000
December 31, 2033	3,500	7,000
December 31, 2034	3,500	7,000
December 31, 2035	3,500	7,000
December 31, 2036	3,500	7,000
December 31, 2037	3,500	7,000
December 31, 2038	3,500	7,000
December 31, 2039	3,500	7,000

During the Reporting Period, the selling and marketing service costs payable by CTTQ-Akeso to Chia Tai Tianqing and the amount of revenue of MAb Products Sales to LYG Tianqing and its subsidiaries under the Exclusive Sales Agreement were RMB120,000 and RMB117,116,000, respectively, which were within the proposed annual cap for the year ended December 31, 2023.

B. The Master Materials and Services Procurement Agreement

On September 20, 2022, in relation to the phase III registration trial of Penpulimab for the treatment of hepatocellular carcinoma, CTTQ-Akeso entered into the master materials and services procurement agreement with Chia Tai Tianqing (the "**Master Materials and Services Procurement Agreement**"). Pursuant to the Master Materials and Services Procurement Agreement, CTTQ-Akeso (and/or its subsidiaries (if applicable)) shall procure and Chia Tai Tianqing shall provide, in relation to the phase III registration trial of Penpulimab for the treatment of hepatocellular carcinoma, (i) certain pharmaceutical and clinical medical materials (including but not limited to reagents and control drugs) (the "**Clinical Materials**"); and (ii) certain clinical trial services (including but not limit to designing clinical trial, establishing clinical trial centres, and arranging patient enrolment in clinical trial) (the "**Clinical Services**"). The Master Materials and Services Procurement Agreement shall take effect retrospectively from January 1, 2022 for a term of three years until December 31, 2024.

In light of the fact that Chia Tai Tianqing holds 50% equity interest in CTTQ-Akeso, a non-wholly owned and significant subsidiary of the Company, Chia Tai Tianqing is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules, and the Master Materials and Services Procurement Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. For details, please refer to the announcement of the Company dated September 20, 2022.

The Directors consider that the Master Materials and Services Procurement Agreement and the Transactions contemplated thereunder will be beneficial to the Group given that the Group can leverage on the expertise and resources of Chia Tai Tianqing on the Clinical Services. Further, the Company can achieve economies of scale through procuring Clinical Materials through Chia Tai Tianqing. The business collaboration between the Group and Chia Tai Tianqing can be further strengthened through the Master Materials and Services Procurement Agreement, in particular in respect of the R&D of Penpulimab.

Pricing and payment terms

The purchase costs of the Clinical Materials shall be determined based on the actual costs incurred for the procurement or provision of the relevant Clinical Materials, without making any profit. The purchase costs of the Clinical Services shall be determined based on the actual costs incurred in connection with the provision of the relevant Clinical Services (including costs of labour involved in the provision of the Clinical Services, costs of outsourcing services and procurement costs of any materials), without making any profit. Chia Tai Tianqing shall provide the supporting documents to CTTQ-Akeso in relation to the actual costs incurred by Chia Tai Tianqing as basis of determination of the purchase costs of the Clinical Materials and Clinical Services.

The Company will only enter into an individual service agreement with Chia Tai Tianqing if the purchase costs charged by Chia Tai Tianqing in respect of the Clinical Materials and Clinical Services are not less favorable to the Company than those offered by other independent third parties in the market to the Company

CTTQ-Akeso and Chia Tai Tianqing shall reconcile the amount of Transactions semi-annually, and CTTQ-Akeso shall transfer the purchase costs of Clinical Materials and Clinical Services to Chia Tai Tianqing within 15 working days after the reconciliation or other payment date as mutually agreed by the parties.

Annual caps

The annual caps for the transactions under the Master Materials and Services Procurement Agreement are set out below:

Proposed annual caps for the year ending	Annual caps for the purchase costs payable by CTTQ-Akeso to Chia Tai Tianqing for the Clinical Services and Clinical Materials *(Note)* *(RMB'000)*
December 31, 2022	58,000
December 31, 2023	69,000
December 31, 2024	69,000

Note: As disclosed in the announcement of the Company dated September 20, 2022 in relation to the Master Materials and Services Procurement Agreement, the proposed annual caps for the purchase costs payable by CTTQ-Akeso to Chia Tai Tianqing for Clinical Services were RMB50 million, RMB60 million and RMB60 million for the years ending December 31, 2022, 2023 and 2024; and the proposed annual caps for the purchase costs payable by CTTQ-Akeso to Chia Tai Tianqing for Clinical Materials were RMB8 million, RMB9 million and RMB9 million for the years ending December 31, 2022, 2023 and 2024.

During the Reporting Period, the purchase costs payable by CTTQ-Akeso to Chia Tai Tianqing under the Master Materials and Services Procurement Agreement were RMB106.8 million, which exceeded the proposed annual cap for the year ended December 31, 2023 for RMB37.8 million.

In the course of finalising the annual results of the Group for the year ended December 31, 2023, it came to the attention of the Company that the purchase costs payable by CTTQ-Akeso to Chia Tai Tianqing for Clinical Services and Clinical Materials was approximately RMB61.7 million and RMB45.1 million, respectively, which exceeded the 2023 annual caps of RMB60 million and RMB9 million as stated in the CCT Announcement by approximately RMB1.7 million and RMB36.1 million (the "**Exceeded Purchase Costs**"), respectively. For details, please refer to the announcement of the Company dated April 28, 2024.

The Exceeded Purchase Costs are mainly attributable to the higher-than-expected orders for the Clinical Services and Clinical Materials placed by CTTQ-Akeso with Chia Tai Tianqing. As disclosed in the announcement of the Company dated September 20, 2022, the proposed annual caps for the transactions under the Master Materials and Services Procurement Agreement were determined with reference to, among others, the expected clinical progress of Penpulimab in the future and that the research and development activities on Penpulimab is expected to continue increase. As disclosed in the announcement, the Company expected that the transaction amount to be incurred for Clinical Services would increase while the transaction amount to be incurred for Clinical Materials would decrease, having considered (a) the procurement plan of Clinical Materials taking into account the clinical progress of Penpulimab; and (b) some of the Clinical Materials procured in previous year did not need to be further procured in the near future with reference to the expected clinical progress of Penpulimab. However, as a result of the latest clinical progress and research and development activities on Penpulimab undertook by the Group during 2023, the Group had procured additional Clinical Materials for the research and development activities on Penpulimab than it had expected.

C. Internal control measures

In order to ensure that the Company complies with the terms of the Master Materials and Services Procurement Agreement in accordance with the Listing Rules and the terms are fair and reasonable and that the Company complies with the pricing terms thereunder, and to ensure timely monitoring of the conduct of connected transactions, the Company has adopted the following internal control measures:

(1) The finance department is responsible to monitor the continuing connected transactions. The Company will also conduct periodic review on the guideline it adopted in relation to the conduct of connected transactions under the Listing Rules;

(2) The finance department and the compliance department of the Company will review and consider the relevant information and materials to ensure compliance with the Listing Rules;

(3) To ensure that the Company do not exceed the proposed annual caps under the Master Materials and Services Procurement Agreement, the finance department of the Company shall record the Transactions amount at least quarterly. The Company will check with Chia Tai Tianqing on the purchase costs incurred in relation to the purchase of Clinical Materials and Clinical Services to ensure the annual caps will not be exceeded, and frequently consult the auditor of the Company on the purchase costs incurred if there is any discrepancy. In the event that the purchase costs incurred and to be incurred is expected to reach the proposed annual caps, the finance department will follow up forthwith by reporting and proposing a response to the management of the Company, and in case that an amendment to the proposed annual caps is required, report particulars to the Board and hold a Board meeting for considering the matters thereabout to ensure compliance with the requirements under the Listing Rules;

(4) The legal department of the Company will monitor the individual transactions between the Group and Chia Tai Tianqing are conducted within the scope of the Master Materials and Services Procurement Agreement;

(5) The finance department of the Company will regularly obtain quotations from independent third parties to determine the prevailing price being charged by independent third parties under ordinary course of business for providing the required Clinical Materials and Clinical Services in the PRC;

(6) The independent non-executive Directors have reviewed and will continue to review the transactions under the Master Materials and Services Procurement Agreement to ensure that the terms of the transactions thereunder are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and

(7) The auditors of the Company will review the pricing policies and annual caps of the Master Materials and Services Procurement Agreement annually.

Further, to ensure timely identification of notifiable transactions and connected transactions, the following measures have been adopted by the Company:

(1) The Group conducts a compliance check on a monthly basis based on the checklist circulated by its legal adviser covering different aspects of compliance matters under the Listing Rules;

(2) Responsible persons had been identified at the Company and subsidiary level responsible for monitoring notifiable transactions and connected transactions. Trainings will be arranged and conducted by its legal adviser for these responsible persons on an ongoing basis on the classification and compliance requirements for notifiable transactions and connected transactions under the Listing Rules in order to strengthen and reinforce their existing knowledge in this regard;

(3) Prior to entering into any relevant potential notifiable or connected transaction, the finance team will perform size test analysis accordingly. Where disclosure threshold is met, the finance team will notify the management and external legal adviser on the details of the proposed transaction and discuss the necessary procedures for the purpose of complying with the Listing Rules;

(4) The Company will arrange to conduct ongoing review at least semi-annually and update the record of connected persons of the Company when necessary, such that the Company will have an updated record of connected persons for the purpose of identifying potential connected transactions in the future. The Company will work more closely with its external legal adviser on all compliance issues on a timely basis, in particular before entering into any potential notifiable or connected transactions, where necessary; and

(5) The Company will monitor the transaction amount incurred in respect of any related party transaction(s) in its management account and report to the management on a monthly basis.

The Exceeded Purchase Costs under the Master Materials and Services Procurement Agreement was an inadvertent oversight and an isolated event. In order to prevent the occurrence of similar events in the future, the Company also implemented the following enhanced measures to strengthen the internal monitoring procedures:

1. training sessions shall be provided to the Group's relevant employees of business operation and finance department, to solidify their knowledge of the relevant Listing Rules and their awareness of the importance of Listing Rules compliance;

2. the finance department of the Company shall record the transactions amount at least monthly. In the event that the transaction amounts incurred and to be incurred is expected to reach the proposed annual caps, the finance department will follow up forthwith by reporting and proposing a response to the management of the Company, and in case that an amendment to the proposed annual caps is required, report particulars to the Board and hold a Board meeting for considering the matters thereabout to ensure compliance with the requirements under the Listing Rules;

3. more frequent reviews shall be conducted on the transactions between the Group and its connected persons. In particular, finance department and the compliance department of the Company will review and consider the relevant information and materials to ensure compliance with the Listing Rules; and

4. internal supervision shall be enhanced over the transaction amounts in relation to continuing connected transactions of the Group, including the monthly reporting to the Board and the finance department of the accumulated transaction amount of the continuing connected transactions and the percentage of annual caps reached by such accumulated transaction amount.

The Company will strictly comply with the requirements under the Listing Rules should there be any necessary adjustments on the annual caps of the Master Materials and Services Procurement Agreement for the year ending December 31, 2024.

The Board reviews and monitors the abovementioned internal control measures and additional measures adopted by the Company regularly to ensure the continued implementation and effectiveness of such measures. The implementation of the abovementioned internal control measures and additional measures have been reviewed by the Board during the Reporting Period. As a result of the Exceeded Purchase Costs, the Company has also adopted enhanced internal control measures as disclosed above.

D. Annual Review by the Independent Non-executive Directors

Our independent non-executive Directors have reviewed the transactions under the Exclusive Sales Agreement and the Master Materials and Services Procurement Agreement and confirmed that the transactions have been entered into in the ordinary and usual course of business of the Company, on normal commercial terms or better, and in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interest of the Company and Shareholders as a whole.

E. Confirmation of the auditor

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued a letter containing the findings and conclusions in respect of the abovementioned continuing connected transactions (including the Exclusive Sales Agreement and the Master Materials and Services Procurement Agreement) in accordance with Rule 14A.56 of the Listing Rules, which is qualified by the Exceeded Purchase Costs disclosed above in relation to the Master Materials and Services Procurement Agreement.

Save for the Exceeded Purchase Costs disclosed above, the auditor of the Company had informed the Board and confirmed nothing has come to their attention that cause them to believe that the continuing connected transactions:

i. have not been approved by the Board;

ii. are not carried out in accordance with the pricing policies in all material respects;

iii. are not entered into in accordance with the related transaction agreement in any material respects; and

iv. exceed the relevant annual caps as disclosed in this annual report.

Pursuant to Rule 14A.101 of the Listing Rules, each of the Exclusive Sales Agreement and the Master Materials and Services Procurement Agreement is subject to the reporting, announcement and annual review requirements and is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules (except for the independent financial adviser engaged to advise on, among others, the reason for the long period of the Exclusive Sales Agreement). The Directors also confirmed that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of each of the Exclusive Sales Agreement and the Master Materials and Services Procurement Agreement.

Save as disclosed above, none of the related party transactions disclosed in Note 35 to the financial statements contained herein constitute any connected transaction or any continuing connected transaction which should be disclosed pursuant to Chapter 14A of the Listing Rules. The transactions between the Group and SUMMIT during the Reporting Period as set out in Note 35 to the financial statements were not connected transactions, as SUMMIT is not a connected person of the Company under Chapter 14A of the Listing Rules. Save as disclosed above, the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2023, the Group recognized revenue of RMB4,526.3 million, consisting of total sales of RMB4,553.9 million from products and licensing fee, net of distribution cost of RMB27.6 million. Our customers primarily consist of commercial customers and distributors with good scale advantages (or group customers). We generally provide credit terms to our customers ranging from 45 to 270 days. When determining the credit term of a customer or a distributor, we consider a number of factors, including its cash flow conditions and creditworthiness. We have policies in place to monitor and manage the settlement of trade receivables and our subsequent settlement of trade receivables with our top five major customers have been in line with those with our other customers and no provisions are necessary. To monitor the settlement of our trade receivables and avoid credit losses, we conduct annual review of each customer's or distributor's financial performance, which is primarily based on the amount and aging of the trade receivables due from such customer or distributor in the respective period. During the Reporting Period, sales from the Group's five largest customers accounted for approximately 75.4% (2022: 29.7%) of the Group's total revenue amount. The Group's largest customer for the year ended December 31, 2023 is SUMMIT, which accounted for approximately 64.8% of the Group's total revenue amount for the same year (2022: 14.1%). SUMMIT became our largest customer for the year ended December 31, 2023 as we received the upfront payment of the license agreement of ivonescimab (AK112, PD-1/VEGF) from SUMMIT. The Board believes that the Company has a diverse customer base and there was no material reliance on major customers and no material related risk was noted in the reporting period.

To the best of the Company's knowledge, Dr. XIA Yu (夏瑜), chairwoman and chief executive officer of the Company, who is also a director of SUMMIT, held options to purchase 8,750 shares of SUMMIT. Save and except disclosed, 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.

For the year ended December 31, 2023, purchases from the Group's five largest suppliers accounted for approximately 26.2% (2022: 30.3%) of the Group's total purchase amount. The Group's largest supplier for the year ended December 31, 2023 accounted for approximately 8.1% (2022: 11.0%) of the Group's total purchase 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 suppliers.

During the year ended December 31, 2023, the Group did not experience any significant disputes with its customers or suppliers.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands the importance of maintaining a good relationship with its employees, suppliers, customers and other stakeholders to meet its immediate and long-term goals. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control.

- We may need additional capital to meet our operating cash requirements;

- We may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates if our drug candidates fail to demonstrate safety and efficacy to the satisfaction to the regulatory authorities;

- We may not be able to identify, discover, develop new drug candidates;
- We may be unable to commercialize our drug candidates on a timely basis since clinical drug development involves a lengthy and expensive process with an uncertain outcome;
- We may not be able to protect our intellectual property rights throughout out the world or prevent unfair competition by third parties;
- We sometimes work with third parties to develop our drug candidates and have entered into collaborations and may form or seek collaborations or strategic alliances in the future, which is subject to risks.

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.

FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years, is set out on page 180 of this annual report. This summary does not form part of the audited consolidated financial statements.

ADVANCE TO ENTITY PROVIDED BY THE COMPANY

During the year ended December 31, 2023, the Company had not provided any advance to an entity which is subject to disclosure requirement under Rule 13.20 of the Listing Rules.

BREACH OF LOAN AGREEMENT

During the year ended December 31, 2023, the Company had not breached any terms of its loan agreements for loans that are significant to its operations.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES BY THE COMPANY

During the year ended December 31, 2023, the Company had not provided any financial assistance and guarantees to affiliated companies of the Company which is subject to disclosure requirements under Rule 13.22 of the Listing Rules.

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 OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their respective holding of the Company's securities.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 1 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2023 are set out in Note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2023 are set out in Note 28 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

DONATION

During the year ended December 31, 2023, the Group made charitable donations of approximately RMB23.6 million (2022: RMB11.8 million).

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December 31, 2023 (2022: Nil).

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2023 (2022: Nil).

RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended December 31, 2023 are set out on pages 99 to 100 of this annual report.

The Board does not recommend the payment of a final dividend to the Shareholders for the Reporting Period (year ended December 31, 2022: Nil).

As of December 31, 2023, there is no arrangement that a Shareholder has waived or agreed to waive any dividend.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director, Auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, Auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Such permitted indemnity provision is currently in force and has been in force for the year ended December 31, 2023. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

RESERVES

As at December 31, 2023, the Company had distributable reserves of RMB5,143,796,000 (2022: RMB5,169,255,000). Details of the movements in the reserves of the Company during the year ended December 31, 2023 are set out in the consolidated statement of changes in equity of the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group (including the maturity profile of borrowings and committed banking facilities) as at December 31, 2023 are set out in this annual report and Note 25 to the financial statements. There is no material seasonality of borrowing requirements for the Group.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of 3 years with effect from the Listing Date, which shall be renewed automatically for 3 years unless being terminated.

Each of the other non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of 3 years with effect from the Listing Date subject to renewal.

All of the non-executive Directors and independent non-executive Directors, excluding Mr. XIE Ronggang, have renewed a letter of appointment with the Company for a term of three years commencing from April 20, 2023. Mr. XIE Ronggang, a non-executive Director, has renewed a letter of appointment with the Company for a term of three years commencing from August 19, 2023.

None of the Directors proposed has a service contract which is not terminable 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 this annual report, 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 has entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation) during or at the end of the year ended December 31, 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2023, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries. From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are not members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which these Directors may hold directorships from time to time.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended December 31, 2023 was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

DIRECTORS' 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 or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares and underlying Shares

Name of Director	Capacity/Nature of interest	Number of Shares held(1)	Approximate percentage of shares in issue(2)
Dr. XIA Yu	Interest in controlled corporation(3)	21,000,000 (L)	2.50%
	Trustee and settlor of a discretionary trust(4)	57,771,042 (L)	6.87%
	Enforcer(5)	25,683,829 (L)	3.05%
	Interest held though voting powers entrusted by other persons(6)	132,030,582 (L)	15.70%
Dr. LI Baiyong	Interest in controlled corporation(7)	10,934,640 (L)	1.30%
	Trustee and settlor of a discretionary trust(8)	42,738,554 (L)	5.08%
Dr. WANG Zhongmin Maxwell	Interest in controlled corporation(9)	31,492,881 (L)	3.74%
	Trustee and settlor of a discretionary trust(10)	13,706,442 (L)	1.63%
Mr. XIA Yu (Ph.D.)	Beneficial interest	5,019,296 (L)	0.60%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Based on a total of 841,057,176 Shares in issue of the Company as at December 31, 2023.

(3) XIA LLC is a company incorporated in the United States, with all of its voting shares held by Dr. XIA Yu. Dr. XIA Yu is deemed to be interested in the Shares held by XIA LLC.

(4) Dr. XIA Yu is the settlor and trustee of XIA Trust, with certain of her family members as beneficiaries. She is therefore deemed to be interested in the Shares held by XIA Trust under the SFO.

(5) Aquae Hyperion Limited holds the Shares underlying the awards under the Pre-IPO RSU Scheme for the ESOP Trust. Dr. XIA Yu acts as the settlor and enforcer and is therefore deemed to be interested in the Shares held by Aquae Hyperion Limited. Zedra Trust Company (Cayman) Limited is the trustee of the ESOP Trust, which indirectly holds Shares as trust property through Aquae Hyperion Limited, and is therefore deemed to be interested in the Shares held by Aquae Hyperion Limited.

(6) Dr. LI Baiyong, Dr. WANG Zhongmin Maxwell, Dr. ZHANG Peng, and their controlled corporations entered into agreement with Dr. XIA Yu to entrust her with their voting rights in 132,030,582 Shares.

(7) LI LLC is a holding company incorporated in the United States, with all of its voting shares held by Dr. LI Baiyong. Dr. LI Baiyong is deemed to be interested in the Shares held by LI LLC.

(8) Dr. LI Baiyong is the settlor and trustee of LI Trust, with certain of his family members as beneficiaries. He is therefore deemed to be interested in the Shares held by LI Trust under the SFO.

(9) WANG LLC is a holding company incorporated in the United States, with all of its voting shares held by Dr. WANG Zhongmin Maxwell. Dr. WANG Zhongmin Maxwell is deemed to be interested in the Shares held by WANG LLC.

(10) Dr. WANG Zhongmin Maxwell is the settlor and trustee of WANG Trust, with certain of his family members as beneficiaries. He is therefore deemed to be interested in the Shares held by WANG Trust under the SFO.

Save as disclosed in this annual report and to the best knowledge of the Directors, as at December 31, 2023, none of the Directors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

So far as is known to any Director or chief executive of the Company, as at December 31, 2023, the following corporations/persons (other than the Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name of Director	Capacity/Nature of interest	Number of Shares held(1)	Approximate percentage of shares in issue(2)
Cantrust (Far East) Limited	Trustee of a discretionary trust and interest in controlled corporation(3)	49,335,282 (L)	5.87%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Based on a total of 841,057,176 Shares in issue of the Company as at December 31, 2023.

(3) Based on the information set out in the relevant disclosure made by the relevant substantial shareholder(s), Waterband Limited, which holds 34,929,065 Shares, is wholly-owned by Woodband Limited which in turn is beneficially owned by Woodband Trust, as established by Dr. ZHANG Peng as settlor with Cantrust (Far East) Limited as trustee. NineSuns Holding Limited, which holds 14,406,217 Shares, is wholly-owned by Fourxi Limited which is in turn beneficially owned by Fourxi Trust, as established by Mr. LUO Wenfeng as settlor and Cantrust (Far East) Limited as trustee.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2023, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE SCHEMES ADOPTED BY THE COMPANY

A. Pre-IPO RSU Scheme

The Company adopted the Pre-IPO RSU Scheme on August 29, 2019, the principal terms of which are set out in the section headed "D. Share Incentive Schemes — 1. Restricted Share Unit Scheme" in Appendix IV to the Prospectus.

(a) Purpose and Principal Terms

The purpose of the Pre-IPO RSU Scheme is to recognize and motivate the contributions the grantees under the Pre-IPO RSU Scheme (the "**Grantee(s)**"), provide incentives for them to remain with our Company, and attract suitable personnel for our further development. The principal terms of the Pre-IPO RSU Scheme are as follows:

(i) **Award:** An award of RSU under the Pre-IPO RSU Scheme ("**Award(s)**") gives a Participant a conditional right upon the vesting of the Award to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the ESOP Department in its absolute discretion, less any tax, fees, levies, stamp duty and other applicable charges. An award may include, if so specified by the ESOP administration department (the "**ESOP Department**") in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests.

(ii) **Award Price:** Each Participant shall pay RMB1.00 as the Award price to accept the Awards granted to such Participant. No other purchase price is payable by the Participant for the Shares awarded under the RSUs.

(iii) **Scheme Limit:** Number of shares that may be delivered under the Pre-IPO RSU Scheme are 45,270,499 Shares that are held by Aquae Hyperion Limited for the Pre-IPO RSU Scheme.

(iv) **Participants:** Participants of the Pre-IPO RSU Scheme (the "**Participants**") include the following:

(i) the Employees or officers (including executive, non-executive and independent non-executive directors of the Group);

(ii) any person or entity (including but not limited to consultants engaged by the company services to the Group) that provides research, development, consultancy and other technical or operational or administrative support to the Group; and

(iii) any other persons including former employees who, in the sole opinion of the ESOP Department, have contributed or will contribute to the Company or any of its Subsidiaries.

There is no maximum limit of RSUs which may be granted to the Participants subject to the compliance of the Listing Rules.

(v) **Term:** The Pre-IPO RSU Scheme shall be valid and effective for the period of ten years commencing on August 29, 2019, with a remaining life of approximately 5 years and 5 months, after which period no further Awards will be granted. In spite of this, the Pre-IPO RSU Scheme in all other respects remain in full force and effect and Awards that are granted during the Term may continue to be exercisable in accordance with their terms of issue.

(vi) **Administration:** The Pre-IPO RSU Scheme shall be subject to the administration of the ESOP Department set up and authorized by the Board of the Company. The ESOP Department has the right to (i) interpret and construe the provisions of the Pre-IPO RSU Scheme, (ii) determine the persons who will be granted Awards, the terms on which Awards are granted and the time when the RSU(s) so awarded may vest, (iii) make such appropriate and equitable adjustments to the terms of the Awards granted as it deems necessary, (iv) appoint independent third party professionals and contractors to assist in the administration of the Pre-IPO RSU Scheme, delegate such powers and/or functions, and make any other decisions or determination relating to the administration of the Pre-IPO RSU Scheme as the ESOP Department deems appropriate. All decisions made by the ESOP Department is final and binding on all parties.

(vii) **Trustee:** the ESOP Department may appoint independent trustee to assist in the administration and vesting of the Awards and has appointed Zedra Trust Company (Cayman) Limited, trustee service provider and an Independent Third Party, to administer the granting and vesting of the RSU(s).

(b) Restrictions on Grant

No Grant shall be made to, nor shall any Grant be capable of acceptance by, any Participant at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules (where applicable) or by any other applicable rules, regulations or law.

A Grant must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

(i) the date of the meeting of the Board of the Company (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Award may be granted.

Such period will cover any period of delay in the publication of a results announcement.

The ESOP Department may not grant any Awards to any Participants in any of the following circumstances:

(i) the requisite approvals for that Grant from any applicable regulatory authorities have not been obtained;

(ii) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the Awards or in respect the Pre-IPO RSU Scheme, unless the ESOP Department determines otherwise;

(iii) the Grant would result in a breach by the Company, the Subsidiaries or any of the directors of any applicable securities laws, rules or regulations; or

(iv) where such Grant would result in a breach of the limits of the Pre-IPO RSU Scheme.

(c) Grant to Directors

Where any Award is proposed to be granted to a director of any members of the Group, it shall not be granted on any day on which the financial results of the Company are published and during the period of:

(i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(d) Grant to Connected Persons

Any grant to any director, chief executive officer or substantial shareholder of any member of the Group, or any of their respective associates (as defined in the Listing Rules), shall be subject to the prior approval of the independent non-executive directors (excluding the independent non-executive director who is the proposed grantee of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. Notwithstanding the foregoing, any grant of an Award to a director pursuant to Rule 14A.73(6) of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the Award forms part of the relevant director's remuneration under his/her service contract.

(e) Grant to PRC resident

If the Grantee is a PRC resident, he or she shall not be entitled to exercise any Award until:

(i) to the extent applicable, any restriction or condition imposed by the relevant PRC laws, regulations and notices in relation to the subscription of or dealing in shares of overseas listed companies by PRC residents or any law, regulation or notice with similar effects have been abolished or removed or ceased to be applicable to the Participant or the Participant has obtained approval, exemption or waiver from the relevant PRC regulatory authorities for the subscription of and dealing in the Shares; and

(ii) he or she has given a representation to the Company to the effect that he or she has satisfied all the relevant laws, regulations and notices in exercising the Award.

(f) Rights attached to Awards

The RSU(s) do not carry any right of a Shareholder unless and until such Shares underlying the Award are actually transferred to the Grantee upon the vesting of the RSU(s). Unless otherwise specified by the ESOP Department in its entire discretion in the Notice of Grant, Grantees do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying an Award.

(g) Awards to be Personal to the Grantee

Unless otherwise approved by the Company in writing (to the extent permitted by law), an unvested RSU shall be personal to the Grantee and shall not be assignable or transferable by the Grantee provided that following the Grantee's death, unvested RSU(s) may be transferred by will or by the laws of testacy and distribution. The terms of the Scheme and the Notice of Grant shall be binding upon the executors, administrators, heirs, successors and assigns of the Grantee.

(h) Vesting

Subject to the terms of the Pre-IPO RSU Scheme and the specific terms and conditions applicable to each Award, the RSU(s) granted in an Award shall be subject to a vesting period (if any) and/or the satisfaction of performance and/or other conditions (if any) to be determined by the ESOP Department in its absolute discretion. If such conditions are not satisfied, the vesting date of the RSU(s) shall be postponed for one year. If the vesting terms and conditions of the postponed RSU(s) are not satisfied at the postponed vesting date, the RSU(s) shall automatically lapse.

Upon fulfillment or waiver of the vesting period and vesting criteria (if any) applicable to a Grantee, a vesting notice shall be sent to the Grantee by the ESOP Department, or by any other means the ESOP Department so determines in its sole discretion from time to time, confirming (a) the extent to which the vesting period and conditions have been fulfilled or waived, and (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) or the amount of cash the Grantee will receive.

The Grantee is required to execute, after receiving the vesting notice, certain documents set out in the vesting notice that the ESOP Department considers necessary (which may include, without limitation, a certification to the Group that he or she has complied with all the terms and conditions set out in the Pre-IPO RSU Scheme and the Notice of Grant).

For the purposes of vesting of the RSU(s), the ESOP Department may release the RSU(s) to the selected Participants by transferring the number of underlying Shares in respect of the RSU(s) to the selected Participants in such manner as determined by it from time to time. The ESOP Department shall inform the Trustee the number of underlying Shares in respect of the RSU(s) being transferred and released to the selected Participant in the manner as determined by the ESOP Department.

If the vesting conditions are not satisfied and no waiver of such condition is granted, the RSU(s) shall be cancelled according to conditions as determined by the ESOP Department in its absolute discretion.

In the event that the Grantee fails to execute the required documents within three months after receiving the Vesting Notice, the vested RSU(s) will lapse.

Notwithstanding the foregoing, if any relevant parties of the Pre-IPO RSU Scheme would or might be prohibited from dealing in the Shares by the Listing Rules or by any other applicable laws, regulations or rules within the period specified above, the date on which the relevant Shares shall be transferred (as the case may be) to the Grantee shall occur as soon as possible after the date when such dealing is permitted by the Listing Rules or by any other applicable laws, regulations or rules.

The ESOP Department shall, in the event of among others a takeover, general offer by way of scheme of arrangement, voluntary winding up, determine at its absolute discretion whether such RSU(s) shall vest and the period within which such RSU(s) shall vest.

(i) Rights on a Takeover

In the event a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the vesting date of any RSU(s), the ESOP Department shall, prior to the offer becoming or being declared unconditional, determine at its absolute discretion whether such RSU shall vest and the period within which such RSU shall vest. If the ESOP Department determines that such RSU(s) shall vest, it shall notify the Grantee that the RSU(s) shall vest and the period within which such RSU(s) shall vest.

(j) Rights on a Scheme of Arrangement

In the event a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of shareholders at the requisite meetings prior to the vesting of any RSU(s), the ESOP Department shall, prior to such meetings, determine at its absolute discretion whether such RSU(s) shall vest and the period within such RSU(s) shall vest. If the ESOP Department determines that such RSU(s) shall vest, it shall notify the Grantee that the RSU(s) shall vest and the period within which such RSU(s) shall vest.

(k) Rights on a Voluntary Winding-up

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company prior to the vesting date of any RSU(s), the ESOP Department shall determine at its discretion whether such RSU(s) shall vest, and the period when such RSU(s) shall vest and in the latter case, the unvested RSU(s) must be vested and effected by no later than two Business Days before the day of the proposed shareholders' meeting. If the ESOP Department determines that such RSU(s) shall vest, it shall notify the Grantee that the RSU(s) shall vest and the period within which such RSU(s) shall vest.

(l) Rights on a Compromise or Arrangement

In the event of a compromise or arrangement, other than a scheme of arrangement contemplated above, between the Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the ESOP Department shall determine at its discretion whether such RSU(s) shall vest, and the period when such RSU(s) shall vest. If the ESOP Department determines that such RSU(s) shall vest, it shall notify the Grantee that the RSU(s) shall vest and the period within which such RSU(s) shall vest.

(m) Lapse and cancellation of RSU

An unvested RSU shall be lapsed and cancelled automatically upon the earliest of:

(i) the date of the termination of Grantee's employment or service by the Company or any of its Subsidiaries for cause;

(ii) the date of the termination of Grantee's employment or service with the Company or the Subsidiaries is terminated for any reason other than for cause (including by reason of resignation, retirement, death, disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for cause);

(iii) the date on which the offer (or, as the case may be, revised offer) made in connection with a general or voluntary offer closes;

(iv) the record date for determining entitlements under the scheme of arrangement referred above closes;

(v) the date of the commencement of the winding-up of the Company;

(vi) the date on which the Grantee commits a breach of paragraph (g) above; or

(vii) the date on which it is no longer possible to satisfy any outstanding conditions to vesting.

Unless the ESOP Department determines otherwise in its absolute discretion, the Grantee or his/her legal personal representative is entitled to exercise vested RSU(s) by serving the application for exercising unvested RSU(s) within one month following the occurrence of the termination of Grantee's employment or service with the Company or the Subsidiaries which is terminated for any reason other than for cause (including by reason of resignation, retirement, death, Disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for cause).

Subject to the applicable laws, the vested RSU(s) prior to being exercised and the underlying shares or proceeds obtained by the Grantee from exercising the vested RSU(s) less the exercise price of the Grantee's RSU(s) shall be returned by the Grantee to the Company per the ESOP Department's request following the occurrence of one of more of the following events:

(i) the Grantee's employment is terminated by the Company or any of its Subsidiaries for Cause;

(ii) or the Grantee either: (a) becomes an officer, director, employee, consultant, adviser, partner of or stockholder or other proprietor owning more than 5% interest in any Competitor; or (b) knowingly performs any act that may confer a competitive benefit or advantage upon any Competitor, at any time before or within 12 months after the Grantee's employment is terminated by the Company or any of its Subsidiaries for any reason.

(n) Further restrictions on RSU

The Grantee shall not be entitled to sell, transfer or deal with the Shares underlying the RSU(s) granted pursuant to the Pre-IPO RSU Scheme upon the occurrence of one or more of the following events:

(i) the Grantee's employment is terminated by the Company or any of its Subsidiaries for Cause; or

(ii) the Grantee either: (a) becomes an officer, director, employee, consultant, adviser, partner of or stockholder or other proprietor owning more than 5% interest in any Competitor; or (b) knowingly performs any act that may confer a competitive benefit or advantage upon any Competitor,

at any time before or within 12 months after the Grantee's employment is terminated by the Company or any of its Subsidiaries for any reason.

If the Grantee sells, transfers or deals with the Shares in breach of the above, the Grantee shall pay the Company the proceeds or consideration obtained (less the exercise price of the Grantee RSU(s)) as a result of such breach upon demand by the Company.

The ESOP Department may at any time cancel any unvested RSU granted to a Grantee subject to consent by the Grantee. Where the Company cancels unvested RSU(s) and makes a grant of new RSU(s) to the same Grantee, such Grant may only be made with available RSU(s) to the extent not yet granted (excluding the cancelled RSU(s)).

Notwithstanding the aforesaid in this paragraph, in each case, the ESOP Department may in its absolute discretion decide that any RSU(s) shall not be cancelled or determine subject to such conditions or limitations as the ESOP Department may decide.

(o) Reorganization of Capital Structure

In the event of an alteration in the capital structure of the Company, by way of capitalization of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, reduction of the share capital, amongst others, of the Company, whilst any RSU(s) has not vested, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the RSU(s) so far as unvested as the Auditors or an approved independent financial adviser shall certify in writing, either generally or as regard any particular Grantee, to have in their opinion, fairly and reasonably satisfied the requirement that such adjustments give a Participant the same proportion (or rights in respect of the same proportion) of the share capital of the Company as that to which that Grantee was previously entitled, but that no such adjustments be made to the extent that a Share would be issued at less than its nominal value.

However, in the case of any capitalization issue or share sub-division to be implemented by the Company as required for the purpose of the Global Offering, no such certification by the Auditors or a financial advisor shall be required.

(p) *Amendment of the Pre-IPO RSU Scheme*

Save for any material amendments to the Pre-IPO RSU Scheme, the Scheme may be altered in any respect by a resolution of the ESOP Department. The ESOP Department's determination as to whether any proposed alteration to the terms and conditions of the Pre-IPO RSU Scheme is material shall be conclusive, provided in each case that such decision is made in accordance with the Articles of the Company and any applicable laws.

(q) *Termination of the Pre-IPO RSU Scheme*

The Board of the Company or the ESOP Department may at any time terminate the operation of the Pre-IPO RSU Scheme and in such event no further RSU(s) will be offered but in all other respects the provisions of this Scheme shall remain in full force and effect in respect of RSU(s) which are granted during the life of this Scheme and which remain unvested immediately prior to the termination of the operation of the Pre-IPO RSU Scheme.

(r) *Grant of RSUs during the Reporting Period*

As of January 1, 2023 (i.e. the beginning of the Reporting Period), the outstanding RSU under the Pre-IPO RSU Scheme is 2,650,188 RSUs. No grant was made under the Pre-IPO RSU Scheme during the Reporting Period. As of December 31, 2023, no outstanding RSU was granted to (i) the Directors, chief executive or substantial Shareholders of the Company, or their respective associates, or the five highest paid individuals during the year ended December 31, 2023; (ii) participant with options and awards granted and to be granted in excess of the 1% individual limit; or (iii) related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the issued Shares. The details of the RSUs granted under the Pre-IPO RSU Scheme as of December 31, 2023 are set out below:

		Number of shares underlying RSUs							
Name of Participant or Category of Participant	Date of grant	Outstanding as of January 1, 2023 (Note 1)	Granted during the Reporting Period (Note 2)	Vested during the Reporting Period (Note 3)	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as of December 31, 2023	Vesting Period	Purchase price of per RSU granted
Other employee participants									
	During 2020	2,045,488	–	239,950	8,000	–	1,797,538	1 to 4 years	HK$0.001 or HK$1
	During 2021	490,700	–	41,100	184,000	–	265,600	1 to 5 years	HK$1
	During 2022	90,000	–	9,000	20,000	–	61,000	1 to 4 years	HK$1
Other service providers									
	December 18, 2020	14,000	–	6,000	–	–	8,000	2 to 4 years	HK$1
	July 1, 2022	10,000	–	–	–	–	10,000	1 to 3 years	HK$1
Total		2,650,188	–	296,050	212,000	–	2,142,138		

Notes:

1. Include RSUs which are outstanding as of January 1, 2023 based on the date of the relevant RSU vesting documents.

2. As no RSU was granted during the Reporting Period, the disclosure requirements under Rule 17.07(1)(c) of the Listing Rules are not applicable.

3. The vesting of the RSUs granted are not subject to any performance targets. Among the RSUs vested during the Reporting Period, the purchase price of 150,000 RSUs vested is HK$0.001 per Share and the purchase price of 146,050 RSUs vested is HK$1 per Share. The weighted average closing price of the Shares underlying the RSUs immediately before the date on which the RSUs were vested is HK$43.90 per Share.

4. The outstanding RSUs granted had no exercise period.

No grant was made under the Pre-IPO RSU Scheme which requires review by the Remuneration Committee for the year ended December 31, 2023.

The number of RSUs available for grant under the Pre-IPO RSU Scheme as of January 1, 2023 and December 31, 2023 was 22,224,691 and 22,436,691, representing approximately 2.64% and 2.67% of the total number of Shares in issue as of January 1, 2023 and December 31, 2023, respectively. As at the date of this report, nil Shares underlying the RSUs granted are available for issue under the Pre-IPO RSU Scheme.

The Pre-IPO RSU Scheme has no service provider sublimit under Chapter 17 of the Listing Rules.

B. 2021 RSU Scheme

The Company adopted the 2021 RSU Scheme on December 6, 2021, the principal terms of which are disclosed in the announcement of the Company dated December 7, 2021.

(a) Purpose and Terms

The purpose of the 2021 RSU Scheme is to recognize the contributions by certain employee director or officer, or any advisor or consultant of any member of the Group ("**Eligible Participant(s)**") and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The principal terms of the 2021 RSU Scheme are as follows:

(i) **Term:** The 2021 RSU Scheme shall be valid and effective for the period of ten years commencing on December 6, 2021 (subject to any early determination as determined by the Board) (the "**Trust Period**") with a remaining life of approximately 7 years and 9 months, after which period no further awards will be granted under the 2021 RSU Scheme.

(ii) **Award:** An award of RSU under the 2021 RSU Scheme gives an Eligible Participant a conditional right upon the vesting of the Award under the 2021 RSU Scheme to obtain either Shares or an equivalent value in cash with reference to the market value of the awarded Shares on or about the date of vesting, as determined by the Board in its absolute discretion, less any tax, fees, levies, stamp duty and other applicable charges.

(iii) **Award Price:** The Board may decide the grant of number of RSUs to any Eligible Participants selected by the Board for participation in the 2021 RSU Scheme (the "**Selected Participant(s)**") at such consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion. No other purchase price is payable by the Participant for the Shares awarded under the RSUs.

(iv) **Scheme Limit:** The maximum number of Shares underlying the RSUs awarded by the Board under the 2021 RSU Scheme (i) shall not exceed 10% of the total issued share capital of the Company from time to time throughout the Trust Period and (ii) shall be subject to an annual limit of 3% of the total issued share capital of the Company at the relevant time. The maximum number of awarded Shares underlying the RSUs which may be awarded to a Selected Participant under the 2021 RSU Scheme shall not exceed 1% of the issued share capital of the Company in any 12-month period. Awards lapsed in accordance with the terms of the scheme shall not be counted for the purpose of calculating the limit.

(v) **Participants:** The Eligible Participants of the 2021 RSU Scheme include any employee director or officer, or any advisor or consultant of any member of the Group at any time during the Trust Period selected by the Board.

(vi) **Trustee:** Futu Trustee Limited has been appointed as the initial trustee on December 6, 2021 under the 2021 RSU Scheme (the "**Trustee**").

(vii) **Administration:** The 2021 RSU Scheme shall be subject to the administration of the Board and the Trustee in accordance with the rules of the 2021 RSU Scheme (the "**2021 RSU Scheme Rules**") and the relevant trust deed. The Board may by resolution delegate any or all of its powers in the administration of the 2021 RSU Scheme to the administration committee or any other committee or sub-committee or any person(s) as from time to time authorized by the Board for such purpose. On December 6, 2021, the Board has resolved to establish and delegate to an administration committee the power and authority to administer the 2021 RSU Scheme and deal with the trust and the Trustee of the 2021 RSU Scheme in all respects in accordance with the 2021 RSU Scheme Rules and the relevant trust deed. The decision of the Board with respect to any matter arising under the 2021 RSU Scheme (including the interpretation of any provision) shall be final and binding.

(b) Restrictions on Grant and Individual Grant Limit

No award shall be made by the Board and no instructions to acquire any Shares shall be given to the Trustee under the 2021 RSU Scheme:

(i) after an event involving inside information in relation to affairs or securities of the Company has occurred or a matter involving inside information in relation to the securities of the Company has been the subject of a decision, until such inside information has been publicly announced in accordance with the applicable laws and the Listing Rules;

(ii) during the period of 60 days immediately preceding the publication date of the annual results for any financial period of the Company or, if shorter, the period from the end of the relevant financial period up to the publication date of the results;

(iii) during the period of 30 days immediately preceding the publication date of the interim results for any financial period of the Company or, if shorter, the period from the end of the relevant half-year period of the financial period up to the publication date of the results; or

(iv) in any circumstance which is prohibited under the Listing Rules, the SFO or any other law or regulation or where any requisite approval from any governmental or regulatory authority has not been granted.

The maximum number of awarded Shares underlying the RSUs which may be awarded to a Selected Participant under the 2021 RSU Scheme shall not exceed 1% of the issued share capital of the Company in any 12-month period.

(c) *Grant to Directors*

Where any grant of award under the 2021 RSU Scheme is proposed to be made to any Selected Participant who is a Director (including an independent non-executive Director) or senior management of the Group, such grant must first be approved by all the members of the Remuneration Committee, or in the case where the grant is proposed to be made to any member of the Remuneration Committee, by all of the other members of the Remuneration Committee. Notwithstanding the foregoing, any grant of an award to a Director which is satisfied by on-market purchase of existing issued Shares will be exempted from reporting, announcement and independent Shareholders' approval requirements pursuant to Rules 14A.73(6) and 14A.95 of the Listing Rules if the award forms part of the relevant Director's remuneration under his/her service contract with the Company.

(d) *Grant to Connected Persons*

Where any grant of Award is proposed to be made to any person who is a connected person of the Company within the meaning of the Listing Rules, the Company shall comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement and/or shareholders' approval requirements, unless otherwise exempted under the Listing Rules. The allotment and issue of new Shares in satisfaction of awards granted to connected persons of the Company, which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, will be subject to independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(e) *Rights attached to Awards*

The RSUs, whether vested or not, do not carry any right to vote at general meetings of the Company. Notwithstanding that the Trustee is the legal registered holder of the Shares held upon trust pursuant to the relevant trust deed, the Trustee shall not exercise the voting rights attached to such Shares. Unless otherwise specified by the Board in its entire discretion, the Selected Participants do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any awarded Shares before such Shares are transferred to such Selected Participants.

(f) *Awards to be Personal to the Grantee*

Prior to the Vesting Date, any Award made under the Scheme Rules shall be personal to the Selected Participant to whom it is made and shall not be assignable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the RSUs referable to him pursuant to such Award, unless the Award or any interest thereof is transferred as a result of the Selected Participant's death in accordance with the terms of the Scheme.

(g) *Vesting and Lapse*

The Board is entitled to impose any conditions (including a period of continued service within the Group after the award), as it deems appropriate in its absolute discretion with respect to the vesting of the RSUs on the Selected Participant. Subject to applicable laws and regulations, the Board shall be at liberty to waive any vesting conditions. Shares underlying any RSUs granted under the 2021 RSU Scheme that lapse for any reason without having been exercised and Shares underlying the unexercised portion of any RSUs in case of partial exercise will, to the extent not prohibited by applicable laws and regulations, be available for subsequent award grants under the 2021 RSU Scheme.

Subject to the terms and condition of the 2021 RSU Scheme and the fulfillment of all vesting conditions to the vesting of the RSUs on such Selected Participant and all requirements applicable to such Selected Participant as specified in the Scheme and the relevant grant notice (unless waived by the Board), the respective RSUs granted to the Selected Participant pursuant to the provision of the 2021 RSU Scheme Rules shall vest in such Selected Participant in accordance with the vesting schedule as set out in the grant notice, and the Trustee shall cause the relevant awarded Shares to be transferred to such Selected Participant, or to be sold as soon as practicable from the date of vesting and the payment of the actual selling price in cash to the Selected Participant within a reasonable time period in satisfaction of the award.

The Board may at its discretion, with or without further conditions, grant additional Shares or cash award out representing all or part of the income or distributions (including but not limited to cash income or dividends, cash income or net proceeds of sale of non-cash and non-scrip distribution, bonus Shares and scrip dividends) declared by the Company or derived from such awarded Shares during the period from the date of award to the date of vesting to a Selected Participant upon the vesting of any RSUs. In the event that an award of RSUs becomes lapsed, the awarded Shares underlying the RSUs and/or the relevant income or distributions shall remain as part of the relevant trust fund.

The number of RSUs available for grant under the 2021 RSU Scheme as of January 1, 2023 and December 31, 2023 was 81,705,717 and 80,490,717, representing approximately 9.71% and approximately 9.57% of the total number of Shares in issue as of January 1, 2023 and December 31, 2023, respectively. As at the date of this report, 80,490,717 Shares underlying the RSUs are available for issue under the 2021 RSU Scheme, representing approximately 9.57% of the total number of Shares in issue as at the date of this report.

The 2021 RSU Scheme has no service provider sublimit under Chapter 17 of the Listing Rules.

(h) Amendment of the 2021 RSU Scheme

The Scheme may be amended in any respect by a resolution of the Board.

(i) Termination of the 2021 RSU Scheme

The 2021 RSU Scheme shall terminate on the earlier of (i) the tenth anniversary date from December 6, 2021; and (ii) such date of early termination as determined by the Board by a resolution of the Board, provided that such termination shall not affect any subsisting rights of any Selected Participant.

(j) General

During the Reporting Period and as of December 31, 2023, 1,215,000 RSUs have been granted to three Selected Participants (of which one is our Director and two grantees were non-connected other employee participant) pursuant to the 2021 RSU Scheme. Such grant were/will be satisfied with existing Shares and no new Shares will be issued. No grant was made under the 2021 RSU Scheme which requires review by the Remuneration Committee for the year ended December 31, 2023. During the Reporting Period, the movements in the RSUs granted under the 2021 RSU Scheme were as follows:

			Number of shares underlying RSUs									
Name of Participant or Category of Participant	**Date of grant**	**Closing price of Shares immediately before the date on which the RSUs were granted**	**Outstanding as of January 1, 2023**	**Granted during the Reporting Period** *(Note 2)*	**Vested during the Reporting Period** *(Note 3)*	**Lapsed/ forfeited during the Reporting Period**	**Cancelled during the Reporting Period**	**Outstanding as of December 31, 2023**	**Purchase price**	**Vesting Period**	**Performance targets**	**Fair value of RSUs at the date of grant** *(Note 4)*
Directors or chief executive and their associates												
Mr. XIA Yu (Ph.D.)	September 6, 2023	HK$34.65 per Share	–	1,105,000	605,000	–	–	500,000	HK$0.001	Within 1 year	*Note 1*	HK$38,950,000
Other employee participants												
	September 6, 2023	HK$34.65 per Share	–	110,000	–	–	–	110,000	HK$1	1 to 4 years	*Note 1*	HK$5,040,000
Total:				1,215,000	605,000	–	–	610,000				

Notes:

1. The vesting of the RSUs granted are not subject to any performance targets.

2. The RSUs granted during the Reporting Period had no exercise period or purchase price.

3. The purchase price of the RSUs vested is HK$0.001 and the weighted average closing price of the Shares underlying the RSUs immediately before the date on which the RSUs were vested is HK$36.00 per Share.

4. The fair value of RSUs at the date of grant was calculated in accordance with the accounting standards and policies adopted for preparing its financial statements based on the closing price of grant day.

C. Share Option Scheme

The Company adopted the Share Option Scheme on June 28, 2022, the principal terms of which are disclosed in the circular of the Company dated June 2, 2022.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to reward certain eligible participants (including any employee, director or officer of the Company or any subsidiary, any advisor, consultant or any service provider provides research, development or other technical support, or any business or joint venture partner to any area of business or business development of the Company or any subsidiary on a continuing or recurring basis in the ordinary and usual course of business which is material to the long term growth of the Group as determined by the Board) for their contribution to the success of the Company, and to provide incentives to them to further contribute to the Company.

(b) Duration and administration

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date with a remaining life of approximately 8 years and 3 months, after which period no further Share Options may be granted by the provisions of the Share Option Scheme, but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Share Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

The Share Option Scheme shall be subject to the administration of the Board who may delegate all or part of such administration to a committee or any other authorised agent(s) as deemed appropriate at the sole discretion of the Board. Save as otherwise provided in the Share Option Scheme, for any matters concerning the interpretation or application of the Share Option Scheme, the decision of the Board or persons to whom the Board has delegated relevant powers shall be final and binding on all parties.

(c) Eligibility of participants and grant of share options

On and subject to the terms of the Share Option Scheme, the Board has the power but not the obligation to offer to grant to any eligible participant as the Board may in its absolute discretion select a share option to subscribe for such number of Shares as the Board may determine at the exercise price. Subject to the provisions of the Listing Rules, the Board may in its absolute discretion specify such event, time limit or conditions (if any) as it thinks fit when making such offer to the eligible participant, including, without limitation, conditions as to performance criteria to be satisfied by the eligible participant and/or the Company and/or the Group which must be satisfied before a share option can be exercised, provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the Share Option Scheme.

The basis of eligibility of any eligible participant shall be determined by the Board from time to time on the basis of the eligible participants' contribution to the development and growth of the Group. In order for a person to satisfy the Board that he/she is qualified to be (or where applicable, continues to be qualified to be) an eligible participant, such person shall provide all such information as the Board may request for the purpose of assessing his/her eligibility (or continuing eligibility).

An offer of the grant of a share option shall be made to any grantee by letter in such form as the Board may from time to time determine specifying the number of Shares, the exercise price, the option period, the date by which the grant must be accepted being a date not more than 10 days after the offer date (provided such offer shall be open for acceptance after the effective period of the Share Option Scheme) and further requiring the eligible participant to hold the share option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. To the extent that the offer of the grant of a share option is not accepted within 10 days after the offer date, it will be deemed to have been irrevocably declined and will lapse, unless the Board in its absolute discretion determines otherwise.

A Share Option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of the share option duly signed by the grantee together with a payment to the Company and/or any of its subsidiaries of HK$1 (or the equivalent of HK$1 in the local currency of any jurisdiction where the Company and/or its subsidiaries operate, as the Board may in its absolute discretion determine) by way of consideration for the grant thereof is received by the Company and/or any of its(d subsidiaries within the time period specified in the offer of the grant of the share option.

(d) Maximum number of shares available for exercise

The total number of Shares which may be issued upon exercise of all share options that may be granted under the Share Option Scheme and any other option scheme involving the issue or grant of options over Shares or other securities by the Company or any of its subsidiaries shall not in aggregate exceed 10% of the issued share capital of the Company as of the date of general meeting of the Company approving the adoption of the Share Option Scheme (i.e. 81,705,717 Shares). The Company may seek the approval of its Shareholders in general meeting to refresh the 10% limit under the Share Option Scheme and any other option scheme of the Company, provided that the total number of Shares which may be issued pursuant to the refreshed limit upon exercise of all share options to be granted under the Share Option Scheme and any other option schemes must not exceed 10% of the issued ordinary share capital of the Company as at the date of approval of the refreshed limit. The maximum number of Shares which may be allotted and issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group shall not exceed 30% of the share capital of the Company in issue from time to time. No Share Option may be granted under the Share Option Scheme or any other share option schemes adopted by the Group if the grant of such share option will result in the limit being exceeded.

The number of share options available for grant under the Share Option Scheme as of January 1, 2023 and December 31, 2023 was 81,705,717 and 81,255,717 respectively, representing 9.71% and 9.66% of the total number of Shares in issue as of January 1, 2023 and December 31, 2023, respectively. As at the date of this report, 81,705,717 Shares are available for issue under the Share Option Scheme, representing approximately 9.71% of the total number of Shares in issue as at the date of this report.

The Share Option Scheme has no service provider sublimit under Chapter 17 of the Listing Rules.

(e) Maximum entitlement of each eligible participant

Except with the approval of Shareholders in a general meeting with the prospective grantee and his associates (as defined under the Listing Rules) abstaining from voting, no share option may be granted to each participant such that the total number of Shares issued and to be issued upon exercise of share options and any other option over the Shares (including exercised, cancelled and outstanding options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time.

(f) Exercise price

The exercise price in respect of any share option granted under the Share Option Scheme shall be a price determined by the Board at its absolute discretion and notified to any the grantee (subject to any adjustments made pursuant to Share Option Scheme) which shall be not less than the highest of:

(i) the nominal value of a Share on the date of the letter by which a share option is offered to an eligible participant (the "**Offer Date**");

(ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a business day; and

(iii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date.

(g) Vesting and exercise period

Subject to the Share Option Scheme, the Listing Rules and any applicable law and regulations, any share options shall become vested and exercisable according to the terms hereof at such times and under such conditions as determined by the Board and set forth in the letter containing the offer or grant of the relevant share options. For the avoidance of doubt, the minimum vesting period must be 12 months commencing from the date upon which the relevant share options are accepted or deemed to be accepted in accordance with the Share Option Scheme, unless a shorter vesting period is approved by the remuneration committee of the Company.

A grantee may exercise the share options granted in whole or in part in the manner as determined by the Board by giving notice in writing to the Company stating that the Share Option is thereby exercised and specifying the number of Shares to be subscribed. Option holders may exercise the options in accordance with the terms of the Share Option Scheme during such option period (being not more than 10 years from the Offer Date), subject to the provisions for early termination contained in the Share Option Scheme or the relevant document of grant or other notification issued by the Board.

(h) Grant of share options to connected person

The approval of independent non-executive Directors or the remuneration committee of the Company (excluding any independent non-executive Director who is intended to be a grantee of the share option) as required under the Listing Rules as amended and supplemented from time to time will be required for each grant of share options to a director, chief executive, or substantial shareholder of the Company or any of their respective associates. If a grant of share option(s) to a substantial shareholder or an independent non-executive Director or their respective associates will result in the total number of Shares issued and to be issued upon exercise of all the share options granted and to be granted (including share options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other scheme in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1 percent of the Shares in issue from time to time; and (b) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet at the date of each grant, in excess of HK$5 million, such further grant of share option(s) must be approved by the Shareholders, voting by way of poll.

(i) Alteration and termination

The Share Option Scheme may be altered in any respect by an ordinary resolution of the Board except that the provisions of the Share Option Scheme as to: (a) the preamble; (b) the definitions of eligible participant, grantee and option period; and (c) the specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees or prospective grantees except with the prior sanction of a resolution of the Company in general meeting. However, no such alternation shall operate to affect adversely the terms of issue of any share option granted or agreed to be granted prior to such alteration except with the consent or sanction of grantees holding share options in respect of not less than 75% in nominal value of all Shares to be issued upon the exercise of all outstanding and unexercised entitlements granted under the Share Option Scheme. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, and any change to the terms of any share options granted (including those granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates), shall be subject to the approval of the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

The Company by an ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further share options will be offered but the provisions of the Share Option Scheme shall remain in full force in all other respects. All share options granted but unexercised prior to such termination shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

(j) General

During the Reporting Period and as of December 31, 2023, 450,000 options have been granted to six eligible participants pursuant to the Share Option Scheme. During the Reporting Period, the movements in the options granted under the Share Option Scheme were as follows:

	Number of share options														
Name of category of grantee	**Outstanding share options as at January 1, 2023**	**Granted during the year**	**Vested during the year** (Note 3)	**Exercised during the year** (Note 3)	**Cancelled during the year**	**Lapsed/ Forfeited during the year and the exercise price of such lapsed/ forfeited options**	**Expired during the year and the exercise price of such expired options**	**Outstanding share options as at December 31, 2023**	**Date of grant of share options**	**Exercise period of share options**	**Exercise price of share options**	**Vesting period**	**Closing price of the Company's shares immediately before the grant date of options**	**Performance target**	**Fair value of the options at the date of grant** (Note 5)
Six employees of the Group in aggregate (Note 2)	–	450,000	17,000	–	–	–	–	450,000	September 6, 2023	10 years from the date of grant	HK$35.08 per Share	*Note 1*	HK$34.65 per Share	*Note 4*	HK$ 10,477,000
Total	–	450,000	17,000	–	–	–	–	450,000							HK$ 10,477,000

Note:

1. The Share Options granted to the grantees have a mixed vesting schedule with a total vesting period (i.e. the period between the Grant Date and the last vesting date) ranges from approximately 24 months to 48 months, with certain Share Options to be vested within 12 months starting from September 2023.

2. To the best knowledge of the Directors, none of the Grantees is (i) a connected person of the Company (as defined in the Listing Rules), or a Director, senior management, a chief executive, a substantial shareholder of the Company, or an associate (as defined in the Listing Rules) of any of them; (ii) a participant with options and awards granted and to be granted exceeding the 1% individual limit under Rule 17.03D of the Listing Rules; or (iii) a related entity participant or service provider (as defined in the Listing Rules) with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the total issued Shares.

3. The weighted average closing price of the Shares immediately before the dates on which the Share Options were vested is HK$37.75 per Share; and the weighted average closing price of the Shares immediately before the dates on which the Share Options were exercised is not applicable as no Share Options have been exercised during the Reporting Period.

4. The vesting of the Share Options granted to the grantees will be subject to the individual annual performance targets as stipulated in the respective grant letters entered into by the Company and each of the grantees. These performance targets are set against certain benchmark of the functions in which the individual grantee serves, these functions include, among others, research and development, CMC, sales and marketing, business development and general and administration, etc

5. The fair value of Shares Options at the date of grant was calculated in accordance with the accounting standards and policies adopted for preparing its financial statements based on the binomial model as at the date of grant, taking into account the terms and conditions upon which the options were granted.

No grant was made under the Share Option Scheme which requires review by the Remuneration Committee for the year ended December 31, 2023.

D. Disclosure under Rule 17.07(3) of the Listing Rules

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company (i.e., the Pre-IPO RSU Scheme, 2021 RSU Scheme and Share Option Scheme) during the year ended December 31, 2023 divided by the weighted average number of Shares in issue during the year ended December 31, 2023 is 0.00002.

COMPENSATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST PAID

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in Note 8 and Note 9 to the financial statements.

For the year ended December 31, 2023, no emoluments were paid by the Group to or receivable by any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and no consideration was paid by the Group to any third parties for making available Directors' services. None of the Directors has waived or agreed to waive any emoluments for the year ended December 31, 2023.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2023, by the Group to or on behalf of any of the Directors.

CONTRACTS WITH CONTROLLING SHAREHOLDERS AND PLEDGING OF SHARES BY CONTROLLING SHAREHOLDERS

As at December 31, 2023, the Company had no controlling shareholder and therefore (i) there was no pledge of Shares to secure the Company's debts or to secure guarantees or other support of their obligations, (ii) there was no loan agreement with covenants relating to specific performance of controlling shareholder, and (iii) no contract of significance has been entered into among the Company or any of its subsidiaries and the controlling Shareholders during the year ended December 31, 2023 or subsisted at the end of 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 year ended December 31, 2023.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended December 31, 2023.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

AUDITOR

The auditor of the Company has not changed in the last three years. The consolidated financial statements for the year ended December 31, 2023 have been audited by Ernst & Young, who will be proposed for reappointment at the forthcoming annual general meeting of the Company.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On January 5, 2024, 開坦尼® in combination with chemotherapy as first-line treatment for gastric cancer had obtained the acceptance of the supplemental new drug application from NMPA. For details, please refer to the Company's announcement dated January 5, 2024.

On February 8, 2024, the Company, Akeso Biopharma Co., Ltd.* (中山康方生物醫藥有限公司) (the "**Purchaser**") (an indirect wholly-owned subsidiary of the Company), Dawnrays Biotechnology Capital (Asia) Limited (東瑞生物投資發展(亞洲)有限公司) (the "**Vendor**"), Dawnrays Pharmaceutical (Holdings) Limited and AD Pharmaceuticals Co., Ltd.* (康融東方(廣東)醫藥有限公司) ("**AD Pharmaceuticals**") entered into an equity transfer agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, 35% of the equity interest in AD Pharmaceuticals at the consideration of RMB267,387,280.82 (the "**Acquisition**"). Upon completion of the Acquisition, AD Pharmaceuticals will be an indirect wholly-owned subsidiary of the Company. For details, please refer to the Company's announcement dated February 9, 2024 and March 4, 2024.

Save as disclosed above, as of the date of this report, the Group had no significant events after the Reporting Period.

On behalf of the Board
Akeso, Inc.

Dr. XIA Yu
Chairwoman and executive director

Hong Kong, March 18, 2024

The Board of Directors is pleased to present the corporate governance report for the Company for the year ended December 31, 2023.

CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted the code provisions as set out in the CG Code as its own code to govern its corporate governance practices.

The Company has adopted and complied with all applicable code provisions contained in Part 2 of the CG Code throughout the Reporting Period with the exception of code provision C.2.1.

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisation structure of the Company, Dr. XIA Yu is the chairwoman and chief executive officer of the Company. With her extensive experience in the industry, the Board believes that vesting the roles of both chairwoman and chief executive officer in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Dr. XIA Yu performs both the roles of chairwoman and chief executive officer, the division of responsibilities between the chairwoman and chief executive officer is clearly established. In general, the chairwoman is responsible for supervising the functions and performance of the Board, while the chief executive officer is responsible for the management of the business of the Group. The two roles are performed by Dr. XIA Yu distinctly. We also consider that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisation structure of the Company, Dr. XIA Yu is the chairwoman and chief executive officer of the Company. With her extensive experience in the industry, the Board believes that vesting the roles of both chairwoman and chief executive officer in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Dr. XIA Yu performs both the roles of chairwoman and chief executive officer, the division of responsibilities between the chairwoman and chief executive officer is clearly established. In general, the chairwoman is responsible for supervising the functions and performance of the Board, while the chief executive officer is responsible for the management of the business of the Group. The two roles are performed by Dr. XIA Yu distinctly. We also consider that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code throughout the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group throughout the Reporting Period.

COMPANY'S CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximized in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

— satisfactory and sustainable returns to Shareholders;

— that the interests of those who deal with the Company are safeguarded;

— that overall business risk is understood and managed appropriately;

— the delivery of high-quality products and services to the satisfaction of customers; and

— that high standards of ethics are maintained.

The Board sets and promotes corporate culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, the Company will invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The Board considers that the corporate culture and the purpose, values and strategy of the Group are aligned.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and makes decisions objectively in the Company's best interests. The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing such responsibilities. To better manage the Group's corporate governance performance and identify potential risks, the Board conduct annual review ensuring the effectiveness of Board independence.

The Board currently comprises four executive Directors, two non-executive Directors and three independent non-executive Directors.

As at the date of this annual report, the composition of the Board is as followings:

Executive Directors

Dr. XIA Yu (夏瑜) *(Chairwoman, president, and chief executive officer)*
Dr. LI Baiyong (李百勇)
Dr. WANG Zhongmin Maxwell (王忠民)
Mr. XIA Yu (Ph.D.) (夏羽)

Non-executive Directors

Dr. ZHOU Yi (周伊)
Mr. XIE Ronggang (謝榕剛)

Independent Non-executive Directors

Dr. ZENG Junwen (曾駿文)
Dr. XU Yan (徐岩)
Mr. TAN Bo

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 35 to 40 of this annual report.

Mr. XIA Yu (Ph.D.) is the brother of Dr. XIA Yu.

Dr. XIA Yu is the sister of Mr. XIA Yu (Ph.D.).

Except as disclosed above, there is no other relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

BOARD MEETINGS

Code provision C.5.1 of the CG Code stipulates that 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 communications. Code provision C.2.7 of the CG Code requires that the Chairwoman should at least annually hold meetings with independent non-executive directors without the presence of other directors.

During the year ended December 31, 2023, seven Board meetings were held and the Chairwoman held a meeting with independent non-executive directors without presence of other directors. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the CG Code, and to hold a meeting between the Chairwoman and the independent non-executive Directors without the presence of other Directors in accordance with code provision C.2.7 of the CG Code.

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

	Number of meeting(s) attended/number of meeting(s) held for the year ended December 31, 2023			
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors:				
Dr. XIA Yu	7/7	N/A	1/1	1/1
Dr. LI Baiyong	7/7	N/A	N/A	N/A
Dr. WANG Zhongmin Maxwell	7/7	N/A	N/A	N/A
Mr. XIA Yu (Ph.D.)	7/7	N/A	N/A	N/A
Non-executive Directors:				
Dr. ZHOU Yi	7/7	N/A	N/A	N/A
Mr. XIE Ronggang	7/7	N/A	N/A	N/A
Independent Non-executive Directors:				
Dr. ZENG Junwen	7/7	2/2	1/1	1/1
Dr. XU Yan	7/7	2/2	1/1	1/1
Mr. TAN Bo	7/7	2/2	N/A	N/A

GENERAL MEETING

During the year ended December 31, 2023, two general meetings were held.

A summary of the attendance record of the Directors at general meeting is set out in the following table:

Name of Director	Number of meeting(s) attended/number of meeting(s) held for the year ended December 31, 2023
Executive Directors:	
Dr. XIA Yu	2/2
Dr. LI Baiyong	2/2
Dr. WANG Zhongmin Maxwell	2/2
Mr. XIA Yu (Ph.D.)	2/2
Non-executive Directors:	
Dr. ZHOU Yi	2/2
Mr. XIE Ronggang	2/2
Independent Non-executive Directors:	
Dr. ZENG Junwen	2/2
Dr. XU Yan	2/2
Mr. TAN Bo	2/2

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has reviewed the implementation and effectiveness of the issuer's policy on board diversity during the year and considered no material deficiencies were identified.

During the year ended December 31, 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

During the year ended December 31, 2023, the Company did not receive from the independent non-executive Directors of any subsequent change of circumstances which may affect his independence. The Company has received the annual confirmations of independence from each of the independent non-executive Directors. The Board has considered the independence of each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Each of the independent non-executive Directors has renewed a letter of appointment with the Company for a term of 3 years on April 20, 2023.

The Company has established mechanism to ensure independent views and input are available to the Board, channels are in place through formal and informal means whereby independent non-executive Directors can express their views in an open and candid manner as well as in a confidential manner, should circumstances required; these include regular Board surveys and Board reviews, dedicated meeting sessions with the Chairman and interaction with management and other Board members including the Chairman outside the boardroom. The mechanism to ensure independent views and input are available to the Board is reviewed annually.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All the Directors are subject to retirement by rotation and re-election at annual general meeting of the Company. Pursuant to the Articles of Association, 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 and be eligible for re-election at each annual general meeting of the Company, provided that every Director is subject to retirement by rotation at least once every three years. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

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

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 to safeguard in the interests of the Company and its shareholders. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. Before entering into any significant transactions or commitments on behalf of the Company, senior management should obtain prior approval and authorization from the Board.

All Directors, including non-executive Directors 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. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations. 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.

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"), for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. The terms of reference of each of these committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph A.2 and paragraph D.3 of the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee consists of three independent non-executive Directors being Dr. ZENG Junwen, Dr. XU Yan and Mr. TAN Bo. The chairman of the Audit Committee is Mr. TAN Bo. Mr. TAN Bo holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee had reviewed together with the management the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended December 31, 2023.

During the year ended December 31, 2023, the Audit Committee has convened two meetings. The attendance record of the Directors at meeting of the Audit Committee is set out in the table on page 79.

During the meeting, the Audit Committee reviewed the annual results for the year ended December 31, 2022 and interim results for the six months ended June 30, 2023 and the related report of the Company and its subsidiaries and discuss matters with respect to the accounting policies and practices adopted by the Company.

During the year ended December 31, 2023, the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code. The Remuneration Committee consists of one executive Director, being Dr. XIA Yu, and two independent non-executive Directors, being Dr. ZENG Junwen and Dr. Xu Yan. The Remuneration Committee is chaired by Dr. ZENG Junwen. The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) making recommendations to the Board on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; and (iv) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year ended December 31, 2023, the Remuneration Committee has convened one meeting to (i) review the remuneration policy and structure of the Company; and (ii) review and consider the remuneration packages for the Directors and senior management of the Company. During the year ended December 31, 2023, no grant was made under the share schemes of the Company (i.e., the Pre-IPO RSU Scheme, 2021 RSU Scheme and Share Option Scheme) which requires review by the Remuneration Committee. The attendance record of the Directors at meeting of the Remuneration Committee is set out in the table on page 79.

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the individual performance and comparable market statistics.

The remuneration of the members of senior management by band for the year ended December 31, 2023 is set out below:

Remuneration bands (HK$)	Number of persons
3,000,001–4,000,000	1
5,000,001–6,000,000	1
7,000,001–8,000,000	1
37,000,001–38,000,000	1
TOTAL	4

Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the CG Code. The Nomination Committee consists of one executive Director, being Dr. XIA Yu, and two independent non-executive Directors, being Dr. ZENG Junwen and Dr. XU Yan. The Chairwoman of the Nomination Committee is Dr. XIA Yu. The primary functions of the Nomination Committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

During the year ended December 31, 2023, the Nomination Committee has convened one meeting to (i) review the structure, size and composition of the Board; (ii) make recommendation to the Board in respect of the reappointment of Directors; (iii) assess the independence of the independent non-executive Directors; and (iv) review the Company's director nomination policy (the "**Nomination Policy**") and the Company's board diversity policy (the "**Diversity Policy**"), to ensure that it is in compliance with the Listing Rules and the CG Code. The attendance record of the Directors at meeting of the Nomination Committee is set out in the table on page 79. The Board considered that an appropriate balance of diversity perspectives of the Board was maintained for the year ended December 31, 2023.

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 Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Nomination Policy that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

Board Diversity Policy

The Company has adopted the Diversity Policy which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance.

Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, biotech, clinical research, life science, finance, investment, auditing and accounting. They obtained degrees in various areas including medicine, immunology, chemistry, chemical physics, chemical engineering, pharmaceutical analysis, economics and accounting. At present, the Board considered an appropriate balance of diversity perspectives of the Board is maintained and the Nomination Committee has set measurable objectives (in terms of professional experience, skills, knowledge, gender, age and length of service etc.) to implement the Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

The Board comprises nine members, including one female executive Director. Pursuant to the Board Diversity Policy, we aim to maintain at least 10% female representation in the Board and the composition of the Board satisfies this target gender ratio. We will implement policies to ensure gender diversity when recruiting staff to develop a pipeline of female senior management and potential successors to the Board. We will strive to enhance our female representation and achieve appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices. Furthermore, we will implement comprehensive programs aimed at identifying and training our female staff who display leadership and potential, with the goal of promoting them to the senior management or the Board.

As of December 31, 2023, we had 2,778 full-time employees, of which 1,126 were male and 1,652 were female. The gender ratio in the workforce (including senior management) was approximately 41% males to 59% females. The Company is aiming to achieve a more balanced gender ratio in the workforce and targets to achieve a gender ratio in the workforce of not less than 50% males to 50% females. The Company will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness. The Company is not aware of any mitigating factor or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

During the year ended December 31, 2023, the Nomination Committee has reviewed the diversity of the Board and considered that the Group has achieved the measurable objectives of the Diversity Policy in terms of professional experience, skills, knowledge, gender, age and length of service etc.

We are also committed to adopting a similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to enhance the effectiveness of corporate governance of the Company as a whole.

The Nomination Committee is delegated by the Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. The Board reviews the Diversity Policy annually to ensure its continued implementation and effectiveness.

Measurable objectives

For the purpose of implementation of the Diversity Policy, the following measurable objectives were adopted:

(i) Independence: The Board should include a balanced composition of executive and non- executive Directors (including independent non-executive Directors) so that there is a strong element of independence in the Board. The independent non-executive Directors shall be of sufficient calibre and stature for their views to carry weight.

(ii) Skills and experience: The Board possesses a balance of skills appropriate for the requirements of the business of the Company. The Directors have a mix of finance, academic and management backgrounds that taken together provide the Company with considerable experience in a range of activities.

(iii) Gender equality: The Board consists of a female director.

Apart from the above objectives, the Diversity Policy has complied with the following objectives with the Listing Rules:

1. at least one third of the members of the Board shall be independent non-executive Directors;

2. at least three of the members of the Board shall be independent non-executive Directors; and

3. at least one of the members of the Board shall have obtained appropriate professional qualifications or accounting or related financial management expertise.

The Board has achieved the measurable objectives in the Diversity Policy.

Dividend Policy

The Company has never declared or paid regular cash dividends on its ordinary Shares. The Company currently expects to retain all future earnings for use in the operation and expansion of the business and do not anticipate paying cash dividends in the foreseeable future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Act. The declaration and payment of any dividends in the future will be determined by the Board, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions.

Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman counsel, under the Companies Act, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that 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. In light of our accumulated losses as disclosed in this annual report, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

Nomination Policy

The Board has adopted a Nomination Policy with regard to nomination of Directors. The Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. The Nomination Committee will recommend to the Board for the appointment of a Director including an independent non-executive Director in accordance with the following selection criteria and nomination procedures:

(a) identify individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, having due regard to the Company's Board diversity policy, the requirements in the Company's constitution, the Listing Rules and applicable laws and regulations, and the relevant candidates' contributions to the Board in terms of qualifications, skills, experiences, independence and gender diversity;

(b) assess the independence of independent non-executive Directors to determine their eligibility with reference to the factors set out in Rule 3.13 of the Listing Rules and any other factors deemed appropriate by the Nomination and Corporate Governance Committee or the Board. If a proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, to assess his/her ability to devote sufficient time to the Board matters; and

(c) develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to evaluating the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepared a description of the role and capabilities required for a particular appointment. The Nomination Governance Committee will review the Nomination Policy, from time to time and as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE FUNCTION

The Board has delegated the functions set out in code provision A.2.1 of the Corporate Governance Code to the Audit Committee.

During the year ended December 31, 2023, the Audit Committee has reviewed 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 Corporate Governance Code and disclosure in its Corporate Governance Report.

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.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2023.

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.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Pursuant to the 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 that their contribution to the Board remains informed and relevant.

Pursuant to the code provision C.1.1 of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations.

During the year ended December 31, 2023 and up to the date of this annual report, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

During the year ended December 31, 2023, all Directors, namely Dr. XIA Yu, Dr. LI Baiyong, Dr. WANG Zhongmin Maxwell, Mr. XIA Yu (Ph. D.), Dr. ZHOU Yi, Mr. XIE Ronggang, Dr. ZENG Junwen, Dr. XU Yan and Mr. TAN Bo, have participated in training sessions conducted by the legal advisers of the Company, and have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. The Directors are asked to submit a signed training record to the Company on an annual basis. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed Ernst & Young as the external auditor for the year ended December 31, 2023. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 96 to 98 of this annual report.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Ernst & Young for the year ended December 31, 2023 are set out in the table below:

Services rendered for the Company	**Fees paid and payable** *RMB'000*
Audit services	2,280
Services in connection with proposed issue of RMB shares and listing on the Shanghai Stock Exchange	2,000
Non-audit services *(note)*	1,062
Total	5,342

Note: Non-audit services are related to interim review, ESG reporting consulting and tax advising.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk management

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing 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.

We have established an internal audit function to carry out the analysis and independent appraisal of the adequacy and effective of the Company's risk management and internal control systems. Relevant personnel have been designated to be responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. Each member of the Group is required to adhere strictly to the Group's internal control procedures and report to the internal audit team of any risks or internal control measures.

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

- The Audit Committee will oversee and manage the overall risks associated with the Company's business operations, including (i) reviewing and approving the Company's risk management policies to ensure that it is consistent with its corporate objectives; (ii) monitoring the most significant risks associated with the Company's business operations and its management's handling of such risks; and (iii) ensuring the appropriate application of our risk management framework across the Group.

- The relevant departments, including but not limited to the business operations department, finance department and general administration department, are responsible for developing and implementing our risk management policy and carrying out our day-to-day risk management practice, such as assessing risks on key business operations, advising risk responses and optimizing risk management policies. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) continuously monitor the key risks relating to their operation or function; (iv) implement appropriate risk responses where necessary; and (v) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

The risk management and internal control systems of the Company during the reporting year are reviewed on an annual basis. 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, internal control or other matters of the Company. We consider that the Directors and members of the Company's senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control. During the annual review, save as the enhanced internal control measures adopted as a result of the Exceeded Purchase Costs as disclosed in "Related Party Transactions and Connected Transactions" in this report, the Board is of the view that the risk management and internal control systems in respect of the year ended December 31, 2023 are effective and adequate.

Internal control

The Board is responsible for establishing and ensuring effective internal controls to safeguard the Shareholder's investment at all times. The Company's internal control policies set out a framework to identify, assess, evaluate and monitor key risks associated with its strategic objectives on an ongoing basis. The Company has adopted various measures and procedures regarding each aspect of its business operation. The Company provides training about these measures and procedures to new employees. The Company also constantly monitors the implementation of those measures and procedures. The Company maintains strict anti-corruption policies on personnel with external communication functions.

The Company will also ensure that its commercialization team complies with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities. The Directors (who are responsible for monitoring the corporate governance of the Group), with help from the Company's legal advisors, will also periodically review its compliance status with all relevant laws and regulations.

The Audit Committee will (i) make recommendations to the Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of the Group.

During the year ended December 31, 2023, the Company has regularly reviewed and enhanced its risk management and internal control systems. We believe that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control. Save as the enhanced internal control measures adopted as a result of the Exceeded Purchase Costs as disclosed in "Related Party Transactions and Connected Transactions" in this report, no significant change to the system was implemented over the year ended December 31, 2023. The Company has received confirmation from the management and the Audit Committee in respect of the effectiveness of the system.

The Company has established internal audit function and risk management and internal control systems with relevant policies and procedures that we believe are appropriate for our business operations.

The Company has established procedures for identifying, handling and disseminating inside information in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), including the issue of an inside information disclosure policy, the annual review and update (if necessary) of such inside information disclosure policy, pre-clearance on dealing in Company's securities by Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees have been implemented by the Company to guard against possible mishandling of inside information within the Group.

Whistleblowing policy

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee of the Company shall review such arrangement regularly and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

Anti-corruption Training

Honesty and fairness are important assets of the Group's business. The Group endeavours to maintain a high level of the ethical corporate culture. The Group sends anti-corruption training rules and relevant documents to all employees via email on an annual basis, hoping to ensure that all employees comply with the Company's rules in daily operations by developing a sound risk management code and internal control code and providing integrity training.

During the Reporting Period, the Company complied with the provisions on prohibiting corruption and bribery under the "Criminal Law of the People's Republic of China" as well as any legal provisions and requirements for listed companies in Hong Kong, and was not involved in any legal prosecution of corruption.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

Mr. XI Xiaojie ("**Mr. Xi**") has resigned as a joint company secretary of the Company since May 3, 2023 as a result of personal career development. Ms. LEUNG Wai Yan ("**Ms. Leung**") has been appointed as the joint company secretary of the Company since August 23, 2022. Ms. Leung is currently a manager of corporate services of Vistra Corporate Services (HK) Limited (a company secretarial service provider). Since the resignation of Mr. Xi, Ms. Leung remains in office and act as the sole company secretary of the Company. Dr. XIA Yu, an executive director of the Company, is the primary contact of Ms. Leung at the Company.

In compliance with Rule 3.29 of the Listing Rules, Ms. Leung has undertook not less than 15 hours of relevant professional training to update her skills and knowledge during the year ended December 31, 2023.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings ("EGM") by Shareholders

Pursuant to the articles of association of the Company (the "**Articles**"), an EGM shall be called by notice in writing of not less than 14 days. Any two 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 of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

Eligible Shareholder(s) who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong, at Room 1901, 19/F Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, for the attention of the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the EGM. The Requisition must be signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within two (2) months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition.

If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene such EGM within a further 21 days, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Articles, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting Forward Proposals at General Meetings

There are no provisions under the Articles of Association or the Companies Act of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as a Director.

Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

For proposal of a person for election as Director, pursuant to Article 16.4 of the Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the company secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

Putting Forward Enquiries to the Board and Contact Details

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

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

Address:	No. 6, Shennong Road, Torch Development Zone, Zhongshan City, Guangdong Province 528437
Telephone:	0760-8987-3998
Fax:	0760-8987-3900
Email:	ir@akesobio.com

SHAREHOLDERS ENGAGEMENT

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 adopted Shareholders' communication policy (the "**Communication Policy**") on April 7, 2020 ensure that the Shareholders and in appropriate circumstances, the investment community at large (which include the Company's potential investors as well as analysts who report and analyze the Company's performance), are timely provided with information about the Company (including its financial performance, strategic goals and plans, material developments and corporate governance), in order to enable Shareholders to exercise their rights in an informed manner, and to enhance the communication between the Shareholders, the investment community and the Company.

The Communication Policy has set out means of communication by Shareholders and the investment community, for example, Shareholders and the investment community may at any time contact either the Company's investor relations department or the joint Company secretaries to enquire about the information published by the Company. Information uploaded by the Company to the HKEx News Website is also posted on the Company's website immediately thereafter. Such information includes announcements, circulars and notices of general meetings and other documents. Shareholders are encouraged to participate in general meetings (including annual general meetings) and to attend Shareholders' activities organized by the Company, where information about the Company, including its latest strategic plan, products and services, etc. will be communicated. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries. These channels allow us to receive feedback from our Shareholders and the investment community.

The implementation and effectiveness of the Communication Policy has been reviewed by the Board during the year ended December 31, 2023 and considered that it is adequate and effective, having considered the communication channels in place provided Shareholders and investment community with information about the latest development of the Group in a timely manner, and the Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders to allow the Company to receive feedback effectively.

CHANGES IN CONSTITUTIONAL DOCUMENTS

A special resolution has been passed at an EGM held on May 19, 2023 to adopt the Restated Memorandum and Articles of Association of the Company (i) for the preparation of the proposed RMB share issue on the Science and Technology Innovation Board of the Shanghai Stock Exchange; (ii) to further improve and standardize the Articles of Association and adopt other consequential and housekeeping amendments; and (iii) to comply with the core shareholder protection standards as set out in the Listing Rules. A copy of the Amended and Restated Memorandum and Articles of Association has been posted on the website of the Company and the Stock Exchange.

Save as disclosed above, the Company did not make any other changes to its constitutional documents during the year ended December 31, 2023.

EY 安永

Independent auditor's report
To the shareholders of Akeso, Inc. 康方生物科技(開曼)有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Akeso, Inc. 康方生物科技(開曼)有限公司 (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 99 to 179, 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.

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 ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The Group recorded revenue amounting to approximately RMB4,526 million in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023. Revenue mainly derived from sales of products and license contracts for the development, manufacture and commercialisation of candidate drugs. Revenue from contracts with customers is recognised when controls of goods, licenses and services have been transferred to the customers according to the contract terms. We focus on this area due to the large transaction volume and sales amounts from sales of goods and the revenue recognition of license involves significant judgements and estimates made by management. Therefore, we identified the revenue recognition of sales of goods and license contracts as a key audit matter. The Group's specific disclosures about revenue recognition are included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements and estimates* and note 4 *Revenue and operating segment information* to the financial statements.	— We obtained an understanding of, evaluated the design and tested the operating effectiveness of controls over the revenue recognition of sales of goods and licenses; — We obtained the sales and license contracts with customers, and reviewed key terms of revenue recognition to assess management's identification of performance obligations and management's estimation of the variable consideration amounts and to evaluate the timing of the revenue recognition; — We involved internal specialists to assist us in the assessment of the methodologies and the assumptions used by management in determination of the standalone selling price of each performance obligation in the license contracts; — We examined the revenue records on a sample basis to check the occurrence and accuracy; — We tested the recognition of revenue transactions close to the period end to assess whether they were recorded in the correct period; — We tested the accuracy and completeness of the calculation for the variable consideration amounts included in the total consideration on a sample basis and assessed whether proper accounting treatment has been made by management; — We obtained revenue and trade receivables confirmations from major customers and reviewed the reconciliation of any material difference provided by management by checking related documents, and performed alternative procedures for the confirmations with no response; and — We inquired of management about the reasons for periodical fluctuations in revenue and identified whether there were any unusual items.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of research and development expenses The Group incurred significant research and development ("**R&D**") expenses of RMB1,254 million as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023, which mainly consisted of staff costs, clinical trial expenses and service fees paid to outsourced service providers. The research and development activities with these service providers are documented in detailed agreements and typically performed over an extended period. The allocation of these R&D expenses to the appropriate reporting period based on the progress of the research and development projects involves judgements. Therefore, we identified the recognition of research and development expenses as a key audit matter. The Group's disclosure about R&D expenses is included in note 2.4 *Material accounting policies* to the financial statements.	— We obtained an understanding of, evaluated and tested the key controls over the R&D expenses process; — We inquired of management about the reasons for periodical fluctuations in R&D expenses and identified whether there were any unusual items; — We reviewed the key terms set out in agreements with outsourced service providers and performed background search as well as site visits on a sample basis. We evaluated the progress of the R&D projects based on the inspection of supporting documents on a sample basis; and — We reviewed the R&D expense payments and other supporting documents in both current and subsequent periods in order to determine the completeness and accuracy of the R&D expenses.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Hui Kin Fai, Stephen.

Ernst & Young
Certified Public Accountants

27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

18 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Product sales	4	**1,631,111**	1,104,385
License income	4	**2,922,775**	3,920
Total sales from products and licenses		**4,553,886**	1,108,305
Less: Distribution cost	4	**(27,633)**	(270,649)
Revenue	4	**4,526,253**	837,656
Cost of sales		**(133,248)**	(94,117)
Gross profit		**4,393,005**	743,539
Other income and gains, net	5	**454,180**	158,613
Research and development expenses		**(1,254,023)**	(1,323,098)
Selling and marketing expenses		**(890,384)**	(552,661)
Administrative expenses		**(200,094)**	(199,007)
Share of loss of a long-term equity investment	16	**(191,722)**	–
Other expenses, net		**(281,450)**	(206,312)
Finance costs	7	**(86,987)**	(43,290)
PROFIT/(LOSS) BEFORE TAX	6	**1,942,525**	(1,422,216)
Income tax expense	10	**(174)**	–
PROFIT/(LOSS) FOR THE YEAR		**1,942,351**	(1,422,216)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(95,025)**	(294,663)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		**89,139**	423,297
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(5,886)**	128,634
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**1,936,465**	(1,293,582)

Year ended 31 December 2023

	Note	**2023 RMB'000**	2022 RMB'000
Profit/(Loss) attributable to:			
Owners of the parent		**2,028,300**	(1,168,393)
Non-controlling interests		**(85,949)**	(253,823)
		1,942,351	(1,422,216)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**2,022,414**	(1,039,759)
Non-controlling interests		**(85,949)**	(253,823)
		1,936,465	(1,293,582)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*12*	**RMB2.42 yuan**	RMB(1.42) yuan
Diluted	*12*	**RMB2.42 yuan**	RMB(1.42) yuan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**2,823,982**	1,999,616
Right-of-use assets	*14(a)*	**338,042**	163,074
Intangible assets	*15*	**6,417**	8,496
Financial assets at fair value through profit or loss	*21(b)*	**12,039**	10,000
Long-term equity investment	*16*	**293,441**	–
Other non-current assets	*17*	**30,403**	256,291
Total non-current assets		**3,504,324**	2,437,477
CURRENT ASSETS			
Inventories	*18*	**391,868**	341,832
Trade receivables	*19*	**295,563**	271,046
Prepayments, other receivables and other assets	*20*	**94,918**	157,199
Financial assets at fair value through profit or loss	*21(a)*	**852,431**	195,912
Pledged deposits and time deposits with original maturity of more than three months	*22*	**2,499,673**	94
Cash and cash equivalents	*22*	**1,542,313**	2,092,388
Total current assets		**5,676,766**	3,058,471
CURRENT LIABILITIES			
Trade payables	*23*	**354,828**	308,948
Other payables and accruals	*24*	**443,575**	599,178
Interest-bearing bank and other borrowings	*25*	**390,513**	445,979
Lease liabilities	*14(b)*	**14,514**	5,898
Tax payable		**1,152**	1,133
Total current liabilities		**1,204,582**	1,361,136
NET CURRENT ASSETS		**4,472,184**	1,697,335
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,976,508**	4,134,812

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*25*	**2,577,270**	1,421,278
Contract liabilities	*4*	**631,651**	–
Lease liabilities	*14(b)*	**8,605**	5,954
Deferred income	*26*	**240,031**	159,566
Deferred tax liabilities	*27*	**174**	–
Total non-current liabilities		**3,457,731**	1,586,798
Net assets		**4,518,777**	2,548,014
EQUITY			
Equity attributable to owners of the parent			
Share capital	*28*	**59**	59
Shares held for restricted share unit schemes	*28*	**(63,567)**	(84,452)
Reserves	*30*	**4,755,847**	2,720,020
		4,692,339	2,635,627
Non-controlling interests		**(173,562)**	(87,613)
Total equity		**4,518,777**	2,548,014

Dr. XIA Yu
Director

Dr. LI Baiyong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent									
	Share capital *RMB'000* *Note 28*	Shares held for restricted share unit schemes *RMB'000* *Note 28*	Share premium* *RMB'000* *Note 28*	Capital reserve* *RMB'000* *Note 30*	Share award reserve* *RMB'000* *Note 29*	Exchange fluctuation reserve* *RMB'000* *Note 30*	Accumulated losses* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2022	57	(51,718)	4,007,049	2,112,912	130,552	(285,525)	(2,749,271)	3,164,056	116,210	3,280,266
Loss for the year	–	–	–	–	–	–	(1,168,393)	(1,168,393)	(253,823)	(1,422,216)
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(294,663)	–	(294,663)	–	(294,663)
Translation from functional currency to presentation currency	–	–	–	–	–	423,297	–	423,297	–	423,297
Total comprehensive loss for the year	–	–	–	–	–	128,634	(1,168,393)	(1,039,759)	(253,823)	(1,293,582)
Issue of shares	2	–	500,464	–	–	–	–	500,466	–	500,466
Share issue expenses	–	–	(5,005)	–	–	–	–	(5,005)	–	(5,005)
Equity-settled share award arrangements	–	–	–	–	48,603	–	–	48,603	–	48,603
Shares held for restricted share unit schemes	–	(32,734)	–	–	–	–	–	(32,734)	–	(32,734)
Exercise of restricted share units	–	–	82,866	–	(82,866)	–	–	–	–	–
Capital injection from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	50,000	50,000
At 31 December 2022	59	(84,452)	4,585,374	2,112,912	96,289	(156,891)	(3,917,664)	2,635,627	(87,613)	2,548,014

Year ended 31 December 2023

	Share capital RMB'000 Note 28	Shares held for restricted share unit schemes RMB'000 Note 28	Share premium* RMB'000 Note 28	Capital reserve* RMB'000 Note 30	Share award reserve* RMB'000 Note 29	Share option reserve* RMB'000 Note 29	Exchange fluctuation reserve* RMB'000 Note 30	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	59	(84,452)	4,585,374	2,112,912	96,289	–	(156,891)	(3,917,664)	2,635,627	(87,613)	2,548,014
Profit for the year	–	–	–	–	–	–	–	2,028,300	2,028,300	(85,949)	1,942,351
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(95,025)	–	(95,025)	–	(95,025)
Translation from functional currency to presentation currency	–	–	–	–	–	–	89,139	–	89,139	–	89,139
Total comprehensive income for the year	–	–	–	–	–	–	(5,886)	2,028,300	2,022,414	(85,949)	1,936,465
Equity-settled share award arrangements	–	–	–	–	32,266	–	–	–	32,266	–	32,266
Equity-settled share option arrangements	–	–	–	–	–	2,032	–	–	2,032	–	2,032
Exercise of restricted share units	–	20,885	–	–	(19,185)	–	–	(1,700)	–	–	–
At 31 December 2023	59	(63,567)	4,585,374	2,112,912	109,370	2,032	(162,777)	(1,891,064)	4,692,339	(173,562)	4,518,777

* These reserve accounts comprise the consolidated reserves of RMB4,755,847,000 (2022: RMB2,720,020,000) in the consolidated statement of financial position.

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax:		**1,942,525**	(1,422,216)
Adjustments for:			
Bank interest income	5	**(119,733)**	(21,972)
Investment income from financial products	5	**(47,952)**	(5,548)
Gain upon early termination of a lease	6	**–**	(30)
Depreciation of property, plant and equipment	6	**125,323**	91,720
Depreciation of right-of-use assets	6	**15,206**	11,844
Amortisation of intangible assets	6	**2,239**	2,225
Net changes in fair value of financial assets at fair value through profit or loss	5	**(4,154)**	(556)
Government grant released	5	**(118,320)**	(109,205)
Share of loss of a long-term equity investment	16	**191,722**	–
Foreign exchange differences, net	6	**(135,887)**	29,855
Equity-settled share award expenses		**32,266**	48,603
Equity-settled share option expenses		**2,032**	–
Finance costs	7	**86,987**	43,290
Write-down of inventories to net realisable value	6	**4,266**	8,997
Impairment of trade receivables, net	6	**868**	435
		1,977,388	(1,322,558)
Increase in inventories		**(54,302)**	(154,210)
Increase in trade receivables		**(25,385)**	(169,632)
Decrease in prepayments, other receivables and other assets		**163,031**	24,783
Increase in trade payables		**45,880**	102,633
(Decrease)/Increase in other payables and accruals		**(119,169)**	164,240
Increase in contract liabilities		**302,295**	–
Increase in deferred income in respect of government grants related to income		**105,664**	92,359
Cash generated from/(used in) operations		**2,395,402**	(1,262,385)
Bank interest received		**72,371**	21,972
Net cash flows from/(used in) operating activities		**2,467,773**	(1,240,413)

Year ended 31 December 2023

	Note	**2023** ***RMB'000***	2022 *RMB'000*
Net cash flows from/(used in) operating activities		**2,467,773**	(1,240,413)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(719,382)**	(775,642)
Purchase of intangible assets		**(160)**	(6,741)
Purchases of items of land use rights		**(159,948)**	(20,115)
Purchases of a long-term equity investment		**(155,807)**	–
Proceeds from disposal of items of property, plant and equipment		**2**	6
Receipt of government grants related to assets		**93,121**	112,554
Purchases of financial assets at fair value through profit or loss		**(8,954,911)**	(2,870,070)
Proceeds from disposal of financial assets at fair value through profit or loss		**8,303,853**	2,664,713
Interest income from financial assets at fair value through profit or loss		**47,952**	5,548
Increase in time deposits		**(2,440,324)**	–
Increase in pledged deposits		**(11,646)**	–
Net cash flows used in investing activities		**(3,997,250)**	(889,747)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**1,473,782**	1,050,487
Repayment of bank and other borrowings		**(374,847)**	(45,448)
Share issue expenses		**(3,378)**	(5,005)
Proceeds from issue of shares		**–**	500,466
Principal portion of capital element of lease payments		**(12,080)**	(9,358)
Capital injection from non-controlling shareholders of subsidiaries		**–**	50,000
Interest paid		**(123,708)**	(55,292)
Decrease in refundable deposits		**1,122**	–
Net cash flows from financing activities		**960,891**	1,485,850
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(568,586)**	(644,310)
Cash and cash equivalents at beginning of year		**2,092,388**	2,641,625
Effect of foreign exchange rate changes, net		**18,511**	95,073
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,542,313**	2,092,388
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	*22*	**1,542,313**	2,092,388
Cash and cash equivalents as stated in the statement of cash flows		**1,542,313**	2,092,388

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 January 2019. The address of the registered office of the Company is Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries are involved in research and development, production and sale of biopharmaceutical products.

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 24 April 2020.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Akeso (BVI), Inc. *(note (a))*	British Virgin Islands ("**BVI**")	United States dollars ("**US$**") 50,000	100%	–	Investment holding
Akeso Biopharma Co., Ltd. * (中山康方生物醫藥有限公司) *(note (b))*	People's Republic of China ("**PRC**")/ Chinese Mainland	Renminbi ("**RMB**") 5,000,000,000	–	100%	Product research and development, technology transfer and provision of consulting service
Akeso Pharma Co., Ltd. ("**Akeso Pharma**") * (康方藥業有限公司) *(note (b))*	PRC/Chinese Mainland	RMB200,000,000	–	95%	Product research and development, product sales
Akeso Tiancheng Guangdong Co., Ltd. * (康方天成(廣東)製藥有限公司) *(note (b))*	PRC/Chinese Mainland	RMB200,000,000	–	100%	Product research and development, technology transfer and provision of consulting service
AD Pharmaceuticals Co., Ltd. ("**AD Pharmaceuticals**")* (康融東方(廣東)醫藥有限公司) *(note (b))*	PRC/Chinese Mainland	RMB243,800,000	–	65%	Product research and development
AD Pharmaceuticals Guangzhou Co., Ltd.* (康融東方(廣州)生物醫藥有限公司) *(note (b))*	PRC/Chinese Mainland	RMB20,000,000	–	65%	Product research and development

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1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
AkesoBio Inc. *(note (a))*	United States of America (the "**USA**")	US$333,000	–	100%	Product research and development
Akesobio Australia Pty Ltd. *(note (a))*	Australia	Australian dollars ("**A$**") 8,028,086	–	100%	Product research and development
Akeso Limited *(note (a))*	Hong Kong	Hong Kong dollars ("**HK$**") 2,560,000	–	100%	Investment holding
Akeso-Sino Pharma Co., Ltd.* (康方賽諾醫藥有限公司) *(note (b))*	PRC/Chinese Mainland	RMB500,000,000	–	100%	Product research and development
CTTQ-Akeso (Shanghai) Biomed. Tech. Co., Ltd. ("**CTTQ-Akeso**") * (正大天晴康方(上海)生物醫藥科技有限公司) *(note (b))*	PRC/Chinese Mainland	RMB689,450,000	–	50%	Product research and development, product sales

Notes:

(a) Registered as a limited liability company.

(b) Registered as a limited liability company under PRC law.

(c) The registered capital of Akeso Biopharma Co., Ltd. and Akeso Tiancheng Guangdong Co., Ltd. approximately RMB486,947,000 and RMB14,000,000 respectively, was unpaid as at 31 December 2023.

* The English names of these companies represent the best effort made by the directors of the Company to translate the Chinese names as these companies have not been registered with any official English names.

None of the subsidiaries of the Group had issued any debt securities at the end of the reporting period.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies and disclosures

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

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

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

    Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 27 to the financial statements. They did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

2. ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

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

2.3 Issued but not yet effective international financial reporting standards

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

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

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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2. ACCOUNTING POLICIES (Continued)

2.3 Issued but not yet effective international financial reporting standards (Continued)

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies

Investments in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investments in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investments in associate.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Fair value measurement

The Group measures certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	10.00% to 67.00%
Machinery and equipment	9.00% to 18.00%
Office equipment	9.00% to 30.00%
Motor vehicles	9.00% to 18.00%
Buildings	4.50% to 9.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

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2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 3 to 10 years.

The useful lives of the software were assessed by the Group considering different purposes and usage of the software. The useful lives of software varied from 3 to 10 years depending on the management's plan on the usage and upgrade frequency of the respective software.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land use rights	50 years
Plant and buildings	2 to 3 years
Machinery	10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities
Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

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2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing bank and other borrowings.

Subsequent measurement

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

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

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Shares held for restricted share unit schemes

Own equity instruments which are reacquired and held by the Company or the Group (shares held for restricted share unit schemes) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

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2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Income tax (Continued)

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Revenue from license income
The Group generated revenue from licenses of its intellectual property ("**IP**") to customers. The licenses are either sold separately or bundled together with supply of goods and technical supports. Customers would use commercially reasonable efforts to develop, manufacture and commercialise those IP and would bear the costs of development, manufacturing and commercialisation. The Group was entitled to consideration of upfront payments, future clinical development milestone payments and sales milestone payments. Upfront payments and future clinical development milestone payments were fixed and became receivable upon each milestone, i.e. grant of IP or achievement of development specified in the license contract. Sales milestone payments were based on future sales of the relevant products by customers.

At contract inception, the Group assesses the goods or services promised within each contract and determines those that are performance obligations, and assesses whether each promised good or service is distinct. And the transaction price is allocated based on the relative stand-alone selling prices of the performance obligations.

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2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Revenue from license income (Continued)

At the inception of each license contract, the Group evaluates whether the upfront payments and future clinical development milestone payments are considered probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant reversal of cumulative revenue would not occur, the associated milestone value is included in the transaction price. Upfront payments and future clinical development milestone payments that are not within the control of the Group are not considered probable of being achieved until those milestones are achieved. At the end of each subsequent reporting period, the Group re-evaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catchup basis, which would affect revenues and earnings in the period of adjustment.

For the license contracts in which the Group will not undertake any activities that significantly affect the IP, the customer gets a right to use the IP when the licence is granted. The Group recognises revenue at the amount estimated as above when the customer obtains the right to use the IP.

The portion of the transaction price that is allocated to performance obligations satisfied at a point in time is recognised as revenue when control of the goods or services is transferred to the counterparty. If the performance obligation is satisfied over time, the portion of the transaction price allocated to that performance obligation is recognised as revenue as the performance obligation is satisfied. The Group adopts an appropriate method of measuring progress for the purpose of recognising revenue. The Group evaluates the measure of progress at the end of each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Sales milestone payments are regarded as sales-based royalties and recognised as revenue only when the subsequent sale of relevant product by customer occurs.

(b) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. Some contracts for the sale of products provide customers with sales rebates, giving rise to variable consideration.

The consideration paid or payable to a customer is treated as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group. Accordingly, if the consideration payable to a customer is accounted for as a reduction of the transaction price, the Group recognises the reduction of revenue when (or as) the later of either of the following events occurs: (a) the Group recognises revenue for the transfer of the related goods or services to the customers; and (b) the Group pays promises to pay the consideration (even if the payment is conditional on a future event). That promise might be implied by the Group's customary business practices.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Revenue recognition (Continued)

Other income from provision of services

The Group recognises income from provision of services only when it satisfies a performance obligation by transferring control of the promised services. The transfer of control can occur over time or at a point in time. A performance obligation is satisfied over time if it meets one of the following criteria.

- The counterparty 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 counterparty controls as the asset is created or enhanced.

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.

The portion of the transaction price that is allocated to services satisfied at a point in time is recognised as income when control of the services transfers to the counterparty. If the services are satisfied over time, the portion of the transaction price allocated to that services is recognised as income as the services are satisfied. The Group adopts an appropriate method of measuring progress for purposes of recognising income from provision of services. The Group evaluates the measure of progress at the end of each reporting period and, if necessary, adjusts the measure of performance and related income recognised.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

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2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an option pricing model, further details of which are given in note 29 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Chinese Mainland are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Foreign currencies

The financial statements is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. The functional currency of the Company is the United States Dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Recognition of revenue from customers

The Group identifies the performance obligations within the agreement and evaluates which performance obligations are distinct, which requires the use of judgement. In determining the performance obligations from licenses of IP, the Group has determined that the license and other deliverables are capable of being distinct. The license is separately identifiable in the contract and will be granted at contract inception. The license is not an input that will be integrated with the service which represents a combined output. In addition, the license and other deliverables are not highly interdependent or highly interrelated, because the delivery of the license is not dependent on the service to be provided in the future, accordingly, it is not interdependent or interrelated with the service. Consequently, the Group has allocated a portion of the transaction price to license and other deliverables based on relative standalone selling prices.

In determining the timing of recognition of revenue from licenses of IP, the Group must use judgement to determine the nature of its promise in granting a licence. The Group's promise is to provide a right to access the IP if all of the following criteria are met: (a) the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the IP to which the customer has rights; (b) the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities identified in (a); and (c) those activities do not result in the transfer of a good or a service to the customer as those activities occur. If the licensed IP does not have those characteristics, the license contract provides a right to use this IP. Based on the nature of the license contracts, the Group considered that it would not undertake any activities that significantly affect the IP thus concluded that all the license contracts during the reporting period provided customer a right to use the IP.

At the inception of each license contract and the end of each subsequent reporting period, the Group evaluates whether the future clinical development milestone payments are considered probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant reversal of cumulative revenue would not occur, the associated milestone value is included in the transaction price. The Group evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone of development in making this assessment. There is considerable judgement involved in determining whether it is probable that a significant reversal of cumulative revenue would not occur. During the reporting period, the Group considered the nature of the milestone of development and concluded that future clinical development milestone payments were not within the control of the Group thus were not considered probable of being achieved until those milestones were achieved.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. There is certain judgements involved in determining whether indicators of impairment exist.

Consolidation of entities in which the Group holds less than a majority of voting rights

CTTQ-Akeso was established in Chinese Mainland on 30 August 2019 with 50% of equity shares held by the Group and 50% by a third party respectively. The Group considers that it controls CTTQ-Akeso even though it owns only 50% of the voting rights. This is because the Group has the practical right to appoint the majority members of the board of directors of CTTQ-Akeso, and therefore, the directors of the Company concluded that the Group has the practical ability to direct the relevant activities of CTTQ-Akeso.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Stand-alone selling prices of the license, supply of goods and technical supports

The Group has a contract which provides the license together with supply of goods and technical supports to a customer. As part of the accounting for this arrangement, the Group will develop assumptions that require estimation to determine the stand-alone selling price for each performance obligation identified in the contract. In developing the stand-alone selling price for a performance obligation, the Group considers the fair value of each performance obligation, and the fair value is determined using the valuation techniques (expected cost plus a margin approach or income approach) that are appropriate in the circumstances and for which sufficient data are available to measure fair value, the key assumptions include the discount rates, royalty rates and the cost mark-up rates. The consideration allocated to each performance obligation is limited to the consideration that is not constrained.

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Further details are included in note 10 to the financial statements.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected us age of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful life and/or the residual value of an item of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances. Further details are included in note 2.4 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made for those identified obsolete and slow-moving inventories and inventories with a carrying amount higher than net realisable value. The assessment of the provision required involves management's judgement and estimates on which are influenced by assumptions concerning future sales and usage and judgements in determining the appropriate level of inventory provisions against identified surplus or obsolete items. Where the actual outcome or expectation in future is different from the original estimate, such differences will have impact on the carrying amounts of inventories and the write-down of inventories in the period in which such estimate has been changed. Further details are included in note 6 to the financial statements.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Fair value of financial assets at fair value through profit or loss

Certain financial assets are measured at fair value at the end of each reporting period, respectively.

Fair value of financial assets, i.e. investments in financial products and unlisted investment, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations are based on certain assumptions about future cash flows, volatility and liquidity risks associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. The balance of fair value of financial assets at fair value through profit or loss at 31 December 2023 was RMB864,470,000 (2022: RMB205,912,000). Further details are included in note 21 to the financial statements.

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4. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023 *RMB'000*	2022 *RMB'000*
Types of goods or services		
Product sales	**1,631,111**	1,104,385
License income	**2,922,775**	3,920
Total sales from products and licence	**4,553,886**	1,108,305
Less: Distribution cost relevant to the product sales	**(27,633)**	(270,649)
Revenue	**4,526,253**	837,656
Timing of revenue recognition		
Transferred at a point in time	**4,526,253**	837,656

Distribution cost is relevant to the product sales, and it represents the distribution fee paid or payable by the Group to customers.

Details of contract liabilities as at 31 December 2023 and 31 December 2022 are as follows:

	2023 *RMB'000*	2022 *RMB'000*
Short-term advances received from customers (included in other payables and accruals)		
Sales of products	**4,427**	5,959
Long-term advances received from customers		
Sales of products	**631,651**	–
	636,078	5,959

Contract liabilities include long-term advances received to supply clinical and commercial licensed compounds and/or licensed products.

4. REVENUE AND OPERATING SEGMENT INFORMATION (Continued)

Revenue (Continued)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

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

	2023 *RMB'000*	2022 *RMB'000*
Product sales	**5,959**	1,234

(b) Performance obligations

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

Revenue from license income
The performance obligation is satisfied at a point in time when the customer obtains the rights to the underlying technology. For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Company recognises revenue at a point in time when the related sales occur.

Sale of products
The performance obligation is satisfied upon delivery of the products and payment is generally due within 1 year from delivery. Some contracts provide customers with sales rebates which give rise to variable consideration subject to constraint.

Other segment information

The Group is engaged in research, development, production and sale of biological products, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no analysis by operating segment is presented.

Geographical information

(a) Revenue from external customers

	2023 *RMB'000*	2022 *RMB'000*
Chinese Mainland	**1,593,541**	837,656
USA	**2,931,509**	–
Others	**1,203**	–
	4,526,253	837,656

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

4. REVENUE AND OPERATING SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Geographical information (Continued)

(b) Non-current assets

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland	**3,198,771**	2,426,959
USA	**293,475**	–
Other regions	**39**	518
	3,492,285	2,427,477

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

Information about major customers

Revenue from the customers contributing over 10% of revenue of the Group is as follows:

	2023	2022
	RMB'000	*RMB'000*
Customer A	**2,931,509**	*
Customer B	*****	118,563
	2,931,509	118,563

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for 2023 and 2022.

5. OTHER INCOME AND GAINS, NET

	2023 **RMB'000**	2022 RMB'000
Bank interest income	**119,733**	21,972
Investment income from financial products	**47,952**	5,548
Government grant released*	**118,320**	109,205
Value-added tax credits	**3,137**	20,126
Service fee income	**24,674**	752
Foreign exchange differences, net	**135,887**	–
Fair value gains on financial products, net	**4,154**	556
Others	**323**	454
	454,180	158,613

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

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	**2023** **RMB'000**	2022 RMB'000
Employee benefit expense (excluding directors' remuneration *(note 8)*):			
Wages and salaries		**673,364**	462,292
Pension scheme contributions#		**119,464**	95,756
Equity-settled share award expenses		**2,463**	41,533
Equity-settled share option expense		**2,032**	–
		797,323	599,581
Cost of inventories sold		**133,248**	94,117
Depreciation of property, plant and equipment	*13*	**125,323**	91,720
Depreciation of right-of-use assets	*14*	**15,206**	11,844
Amortisation of intangible assets*	*15*	**2,239**	2,225
Lease payments not included in the measurement of lease liabilities	*14*	**2,554**	1,233
Auditor's remuneration		**2,280**	2,200
Impairment of trade receivables, net**	*19*	**868**	435
Write-down of inventories to net realisable value**		**4,266**	8,997
Gain upon early termination of a lease****		**–**	(30)
Foreign exchange differences, net***		**(135,887)**	29,855

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6. PROFIT/(LOSS) BEFORE TAX (Continued)

* Included in "Administrative expenses" in the consolidated statements of profit or loss and other comprehensive income.

** Included in "Other expenses, net" in the consolidated statements of profit or loss and other comprehensive income.

*** Included in "Other income and gains, net" (2022: "Other expenses, net") in the consolidated statements of profit or loss and other comprehensive income.

**** Included in "Other income and gains, net" in the consolidated statements of profit or loss and other comprehensive income.

There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Finance cost on lease liabilities	**696**	479
Interest on bank and other borrowings	**125,299**	68,179
Total interest expense on financial liabilities not at fair value through profit or loss	**125,995**	68,658
Less: Interest capitalised	**(39,008)**	(25,368)
	86,987	43,290

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Fees	**953**	919
Other emoluments:		
Salaries, allowances and benefits in kind	**13,590**	12,779
Performance related bonuses	**5,423**	3,898
Equity-settled share award expenses	**29,755**	6,901
Pension scheme contributions	**18**	27
	48,786	23,605
	49,739	24,524

During the year ended 31 December 2023, a director was granted 1,105,000 restricted share units, in respect of his service to the Group, under 2021 Restricted Share Unit Scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such restricted share units, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023 *RMB'000*	2022 *RMB'000*
Mr. TAN Bo	**317**	302
Dr. ZENG Junwen	**317**	315
Dr. XU Yan	**319**	302
	953	919

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

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share award	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2023						
Executive directors:						
Dr. XIA Yu (Chief executive)	**–**	**4,374**	**2,150**	**–**	**–**	**6,524**
Dr. LI Baiyong	**–**	**3,464**	**1,552**	**–**	**–**	**5,016**
Dr. WANG Zhongmin Maxwell	**–**	**2,769**	**827**	**–**	**–**	**3,596**
Mr. XIA Yu (Ph.D.)	**–**	**2,983**	**894**	**29,755**	**18**	**33,650**
	–	**13,590**	**5,423**	**29,755**	**18**	**48,786**
Non-executive directors:						
Dr. ZHOU Yi	**–**	**–**	**–**	**–**	**–**	**–**
Mr. XIE Ronggang	**–**	**–**	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**	**–**	**–**
	–	**13,590**	**5,423**	**29,755**	**18**	**48,786**
2022						
Executive directors:						
Dr. XIA Yu (Chief executive)	–	4,043	1,231	–	–	5,274
Dr. LI Baiyong	–	3,283	1,024	–	9	4,316
Dr. WANG Zhongmin Maxwell	–	2,605	789	–	9	3,403
Mr. XIA Yu (Ph.D.)	–	2,848	854	6,901	9	10,612
	–	12,779	3,898	6,901	27	23,605
Non-executive directors:						
Dr. ZHOU Yi	–	–	–	–	–	–
Mr. XIE Ronggang	–	–	–	–	–	–
	–	–	–	–	–	–
	–	12,779	3,898	6,901	27	23,605

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the reporting period.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2022: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2022: three) highest paid employee who are neither a director nor chief executive of the Company are as follows:

	2023	2022
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**6,563**	8,899
Performance related bonuses	**1,044**	1,780
Share-based payment expenses	**3,008**	13,064
Pension scheme contributions	**65**	163
	10,680	23,906

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

	Number of employees	
	2023	2022
HK$4,500,001 to HK$5,000,000	**1**	–
HK$6,000,001 to HK$6,500,000	**–**	1
HK$7,000,001 to HK$7,500,000	**1**	–
HK$10,000,001 to HK$10,500,000	**–**	1
HK$11,500,001 to HK$12,000,000	**–**	1
	2	3

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10. INCOME TAX

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

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

The subsidiary incorporated in Hong Kong was subject to Hong Kong profits tax at the rate of 16.5% on any estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

The provision for corporate income tax in Chinese Mainland is based on the statutory rate of 25% of the assessable profits in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008, except for Akeso Biopharma Co., Ltd. which was qualified as a High and New Technology Enterprise and was subject to a preferential income tax rate of 15% for the year.

The subsidiary incorporated in the USA was subject to United States federal and California income taxes at rates of 21% and 8.84%, respectively, for the year. During the years, California income tax was provided at the rate of 8.84% during the year on the estimated assessable profits arising in the USA.

The subsidiary incorporated in the Australia is subject to Australia income tax. Australia corporate income tax has been provided at the rate of 30% on the estimated assessable profits arising in Australia.

The income tax expense of the Group is analysed as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Current		
Charge for the year	**–**	–
Deferred	**174**	–
Total tax charge for the year	**174**	–

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10. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate for the jurisdiction in which the Group's major operating activities are domiciled to the tax expense at the effective tax rate is as follows:

2023

	Chinese Mainland *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Profit before tax	**1,617,866**	**324,659**	**1,942,525**
Tax at the statutory tax rate	**404,467**	**106,488**	**510,955**
Lower tax rates enacted by local authority	**(206,171)**	**–**	**(206,171)**
Effect of research and development expenses that are additionally deducted *(note)*	**(217,845)**	**(21,904)**	**(239,749)**
Income not subject to tax	**(150,176)**	**(43,254)**	**(193,430)**
Expenses not deductible for tax	**74,137**	**39,745**	**113,882**
Tax losses utilised from previous periods	**(91,611)**	**(83,082)**	**(174,693)**
Unrecognised deductible temporary differences and tax losses	**187,373**	**2,007**	**189,380**
Tax charge at the Group's effective rate	**174**	**–**	**174**

2022

	Mainland China *RMB'000*	Others *RMB'000*	Total *RMB'000*
Loss before tax	(1,195,880)	(226,336)	(1,422,216)
Tax at the statutory tax rate	(298,970)	(47,144)	(346,114)
Lower tax rates enacted by local authority	1,233	–	1,233
Effect of research and development expenses that are additionally deducted *(note)*	(205,541)	–	(205,541)
Income not subject to tax	–	(19,829)	(19,829)
Expenses not deductible for tax	83,159	32,741	115,900
Unrecognised deductible temporary differences and tax losses	420,119	34,232	454,351
Tax charge at the Group's effective rate	–	–	–

Note: Pursuant to Caishui [2022] circular No. 28, certain subsidiaries of the Group enjoyed the super tax deduction in 100% of 2023 (2022: 75% for the first three quarters of 2022 and 100% for the fourth quarter of 2022), respectively for qualified research and development expenditures.

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10. INCOME TAX (Continued)

The Group has tax losses in Chinese Mainland of RMB4,809,567,000 (2022: RMB5,137,145,000) that will expire in one to ten years for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses in the USA and Australia of RMB171,196,000 (2022: RMB466,710,000) in aggregate that will be carried forward indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilised.

11. DIVIDEND

No dividend has been paid or declared by the Company during the year ended 31 December 2023 and subsequent to the end of the reporting period (2022: Nil).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 837,683,779 (2022: 824,989,858) in issue during the year.

The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2023 ***RMB'000***	2022 *RMB'000*
Earnings/(Loss)		
Profit/(Loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculations	**2,028,300**	(1,168,393)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**837,683,779**	824,989,858
Effect of dilution — weighted average number of ordinary shares:		
Share options and awarded shares	**137,698**	–
	837,821,477	824,989,858

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13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improve-ments *RMB'000*	Machinery and equipment *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2023							
At 1 January 2023:							
Cost	18,524	691,334	14,821	2,721	645,989	788,033	2,161,422
Accumulated depreciation	(10,059)	(110,908)	(5,284)	(970)	(34,585)	–	(161,806)
Net carrying amount	8,465	580,426	9,537	1,751	611,404	788,033	1,999,616
At 1 January 2023, net of accumulated depreciation	8,465	580,426	9,537	1,751	611,404	788,033	1,999,616
Additions	–	6,125	4,469	193	–	899,904	910,691
Interest capitalised	–	–	–	–	–	39,008	39,008
Disposals	–	–	(2)	–	–	–	(2)
Depreciation provided during the year	(2,798)	(89,016)	(3,016)	(288)	(30,205)	–	(125,323)
Transfers	185	151,007	6,781	487	198,502	(356,962)	–
Exchange realignment	–	1	(9)	–	–	–	(8)
At 31 December 2023, net of accumulated depreciation	5,852	648,543	17,760	2,143	779,701	1,369,983	2,823,982
At 31 December 2023:							
Cost	18,913	847,048	26,069	3,401	844,491	1,369,983	3,109,905
Accumulated depreciation	(13,061)	(198,505)	(8,309)	(1,258)	(64,790)	–	(285,923)
Net carrying amount	5,852	648,543	17,760	2,143	779,701	1,369,983	2,823,982

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13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improve-ments *RMB'000*	Machinery and equipment *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2022							
At 1 January 2022:							
Cost	16,075	405,332	12,016	2,522	391,085	611,768	1,438,798
Accumulated depreciation	(5,302)	(63,768)	(3,128)	(714)	(12,973)	–	(85,885)
Net carrying amount	10,773	341,564	8,888	1,808	378,112	611,768	1,352,913
At 1 January 2022, net of accumulated depreciation	10,773	341,564	8,888	1,808	378,112	611,768	1,352,913
Additions	2,653	10,462	2,799	199	–	696,940	713,053
Interest capitalised	–	–	–	–	–	25,368	25,368
Disposals	–	–	(6)	–	–	–	(6)
Depreciation provided during the year	(4,961)	(60,741)	(2,371)	(256)	(23,391)	–	(91,720)
Transfers	–	289,135	225	–	256,683	(546,043)	–
Exchange realignment	–	6	2	–	–	–	8
At 31 December 2022, net of accumulated depreciation	8,465	580,426	9,537	1,751	611,404	788,033	1,999,616
At 31 December 2022:							
Cost	18,524	691,334	14,821	2,721	645,989	788,033	2,161,422
Accumulated depreciation	(10,059)	(110,908)	(5,284)	(970)	(34,585)	–	(161,806)
Net carrying amount	8,465	580,426	9,537	1,751	611,404	788,033	1,999,616

The Group's buildings with a net carrying amount of RMB643,933,000 (2022: RMB379,790,000) were pledged to secure banking facilities and bank loans (note 25(a)).

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14. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and buildings, machinery and land use rights with lease terms of 2 to 50 years used in its operations. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Plant and buildings	Machinery	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	7,894	1,399	142,434	151,727
Additions	11,008	–	12,531	23,539
Depreciation charge	(7,720)	(1,057)	(3,067)	(11,844)
Remeasurement resulting from early termination of a lease	(451)	–	–	(451)
Exchange realignment	103	–	–	103
At 31 December 2022 and 1 January 2023	10,834	342	151,898	163,074
Additions	22,636	–	167,532	190,168
Depreciation charge	(10,934)	(339)	(3,933)	(15,206)
Exchange realignment	6	–	–	6
At 31 December 2023	22,542	3	315,497	338,042

At 31 December 2023, the Group's land used rights with a net carrying amount of approximately RMB149,337,000 (2022: RMB139,430,000) were pledged to secure banking facilities and bank loans (note 25(a)).

14. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Carrying amount at 1 January	**11,852**	10,091
New leases	**22,636**	11,008
Accretion of interest recognised during the year	**696**	479
Payments	**(12,080)**	(9,358)
Remeasurement resulting from early termination of a lease	**–**	(481)
Exchange realignment	**15**	113
Carrying amount at 31 December	**23,119**	11,852
Analysed into:		
Current portion	**14,514**	5,898
Non-current portion	**8,605**	5,954
	23,119	11,852

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

The Group applied the practical expedient to all eligible covid-19-related rent concessions granted by the lessors during the year ended 31 December 2022.

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

	2023 ***RMB'000***	2022 *RMB'000*
Finance cost on lease liabilities	**696**	479
Depreciation charge of right-of-use assets	**15,206**	11,844
Expense relating to short-term leases	**2,554**	1,233
Total amount recognised in profit or loss	**18,456**	13,556

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15. INTANGIBLE ASSETS

	Software
	RMB'000
31 December 2023	
Cost at 1 January 2023, net of accumulated amortisation	**8,496**
Additions	**160**
Amortisation provided during the year	**(2,239)**
At 31 December 2023	**6,417**
At 31 December 2023:	
Cost	**12,753**
Accumulated amortisation	**(6,336)**
Net carrying amount	**6,417**
31 December 2022	
Cost at 1 January 2022, net of accumulated amortisation	3,980
Additions	6,741
Amortisation provided during the year	(2,225)
At 31 December 2022	8,496
At 31 December 2022:	
Cost	12,593
Accumulated amortisation	(4,097)
Net carrying amount	8,496

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16. LONG-TERM EQUITY INVESTMENT

	2023 RMB'000	2022 RMB'000
Long-term equity investment	**293,441**	–

As of 31 December 2023, the Company held 31,523,530 shares of Summit Therapeutics, Inc. (Nasdaq symbol: SMMT, "Summit"), representing 4.52% of the total issued shares of Summit. During the year ended 31 December 2023, Dr. Xia was appointed as a director of Summit. The Group's investment in Summit is accounted for under the equity method of accounting because the Group has significant influence over Summit by way of representation on Summit's board of directors.

The Group's shareholding in the associate comprises equity shares held by the Company.

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

	2023 RMB'000	2022 RMB'000
Share of loss of a long-term equity investment	**(191,722)**	–

17. OTHER NON-CURRENT ASSETS

	2023 RMB'000	2022 RMB'000
Advance payments for property, plant and equipment	**16,205**	247,549
Advance payments for land use rights	**–**	7,584
Others	**14,198**	1,158
	30,403	256,291

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18. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**214,399**	171,476
Work in progress	**138,349**	126,222
Finished goods	**39,120**	44,134
	391,868	341,832

19. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**296,896**	271,511
Impairment	**(1,333)**	(465)
	295,563	271,046

The Group's trading terms with its customers are mainly on credit. The credit period is generally 45 days to 270 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables is a gross amount due from a non-controlling shareholder of the Group of RMB33,093,000 (2022: RMB245,928,000), which is repayable on credit terms similar to those offered to the other customers of the Group.

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

	2023 RMB'000	2022 RMB'000
Within 3 months	**295,364**	36,496
3 to 6 months	**70**	91,508
6 to 9 months	**129**	143,042
	295,563	271,046

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19. TRADE RECEIVABLES (Continued)

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

	2023 RMB'000	2022 RMB'000
At beginning of year	**465**	30
Impairment losses, net *(note 6)*	**868**	435
At end of year	**1,333**	465

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

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

As at 31 December 2023

		Past due			
	Current	Less than 3 month	3 to 6 months	Over 6 months	Total
Expected credit loss rate	**0.45%**	**–**	**–**	**–**	**0.45%**
Gross carrying amount *(RMB'000)*	**296,896**	**–**	**–**	**–**	**296,896**
Expected credit losses *(RMB'000)*	**1,333**	**–**	**–**	**–**	**1,333**

As at 31 December 2022

		Past due			
	Current	Less than 3 month	3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.17%	–	–	–	0.17%
Gross carrying amount *(RMB'000)*	271,511	–	–	–	271,511
Expected credit losses *(RMB'000)*	465	–	–	–	465

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023	2022
	RMB'000	*RMB'000*
Value-added tax recoverable	**52,340**	118,972
Prepayments	**25,672**	32,907
Deposits	**2,868**	2,818
Other receivables	**14,038**	2,502
	94,918	157,199

The balances are interest-free and are not secured with collateral.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. In view of the fact that the Group's deposits and other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its deposits and other receivable balances.

Other receivables and deposits had no historical default, the financial assets included in the above balances were categorised in stage 1 at the end of each year. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the years ended 31 December 2023 and 2022, the Group estimated that the expected loss rate for other receivables and deposits was minimal.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RMB'000	*RMB'000*
Current		
Investments in financial products, at fair value *(note (a))*	**852,431**	195,912
Non-current		
Unlisted investment, at fair value *(note (b))*	**12,039**	10,000
	864,470	205,912

(a) Investments in financial products, at fair value

The investments as at 31 December 2023 represented investments in financial products which were issued by banks with expected interest rates ranging from 2.96% to 5.90% per annum. The returns on all of these financial products were not guaranteed. The fair values of the investments approximated to their costs plus expected interest.

(b) Unlisted investment, at fair value

The unlisted investment was classified as a financial asset at fair value through profit or loss as the Group has not elected to recognise the fair value gain of loss through other comprehensive income.

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22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	**1,118,163**	1,875,198
Time deposits	**2,923,823**	217,284
	4,041,986	2,092,482
Less: Pledged time deposits:		
Restricted cash*	**(11,743)**	(94)
Time deposits with original maturity of more than three months	**(2,487,930)**	–
Cash and cash equivalents	**1,542,313**	2,092,388
Denominated in:		
RMB	**1,134,411**	1,618,035
US$	**393,718**	461,450
HK$	**2,384**	3,362
A$	**11,800**	9,541
Cash and cash equivalents	**1,542,313**	2,092,388

* The restricted cash represents a guarantee deposit for a construction project and a deposit of credit card.

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

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23. TRADE PAYABLES

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

	2023 RMB'000	2022 RMB'000
Within 3 months	**296,890**	193,041
3 to 6 months	**2,428**	39,171
6 months to 1 year	**23,972**	13,227
Over 1 year	**31,538**	63,509
	354,828	308,948

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days, excepted for the balances due to a non-controlling shareholder of the Group of RMB166,277,000 (2022: RMB101,927,000), which are repayable on demand.

24. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Payroll payables	**151,069**	116,247
Other tax payables	**41,919**	18,179
Contract liabilities	**4,427**	5,959
Other payables	**246,160**	458,793
	443,575	599,178

Other payables are unsecured, non-interest-bearing and normally repayable on demand, except for the balances due to a non-controlling shareholder of the Group of RMB237,000 (2022: RMB243,878,000), which are repayable within 60 days. The carrying amounts of financial liabilities included in other payables and accruals as at the end of each reporting period approximated to their fair values due to their short-term maturities.

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25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023			2022		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans — unsecured	**1.60~3.95**	**2024**	**288,255**	4.00~4.30	2023	221,421
Bank loans — secured	**–**	**–**	**–**	3.95	2023	10,012
Current portion of long term convertible loans — secured	**–**	**–**	**–**	note (c)	note (c)	180,254
Current portion of long term bank loans — secured	**3.90~4.45**	**2024**	**70,446**	4.35~5.39	2023	24,814
Current portion of long term bank loans — unsecured	**3.20~3.80**	**2024**	**31,812**	3.80~4.40	2023	9,478
			390,513			445,979
Non-current						
Bank loans — secured	**3.90~4.45**	**2027~2035**	**1,853,803**	4.35~5.39	2024~2035	1,273,708
Bank loans — unsecured	**3.20~3.80**	**2025~2026**	**123,919**	3.80~4.40	2024~2025	95,745
Convertible loans — secured	**note (c)**	**note (c)**	**477,367**	–	–	–
Loans from a non-controlling shareholder — unsecured	**3.50**	**2026~2028**	**122,181**	3.50	2026	51,825
			2,577,270			1,421,278
			2,967,783			1,867,257

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

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**390,513**	265,725
In the second year	**113,605**	64,037
In the third to fifth years, inclusive	**528,271**	31,708
Beyond five years	**1,335,846**	1,273,708
	2,368,235	1,635,178
Other borrowings repayable:		
Within one year or on demand	**–**	180,254
In the second year	**–**	–
In the third to fifth years, inclusive	**599,548**	51,825
	599,548	232,079
	2,967,783	1,867,257

Notes:

(a) The Group's banking facilities amounted to RMB3,730,000,000 (31 December 2022: RMB3,100,000,000) in aggregate, among which facilities of RMB3,580,000,000 (31 December 2022: RMB2,893,610,000) were secured by the property, plant and equipment and land use rights of the Group with net carrying values of approximately RMB643,933,000 and RMB149,337,000, respectively (31 December 2022: RMB379,790,000 and RMB139,430,000, respectively) at the end of the reporting period. Such banking facilities of approximately RMB2,160,138,000 (31 December 2022: RMB1,542,042,000) have been utilised as at the end of the reporting period.

(b) Among the Group's banking facilities mentioned in note (a), facilities of RMB1,480,000,000 (31 December 2022: RMB1,130,000,000) were also secured by the equity interest in certain subsidiaries held by the Group. Such banking facilities of approximately RMB1,348,253,000 (31 December 2022: RMB864,023,000) have been utilised as at the end of the reporting period.

(c) A subsidiary of the Group has entered into convertible loan agreements with its non-controlling shareholder and borrowed convertible loans from its non-controlling shareholder since 2019. The subsidiary borrowed convertible loans of aggregate amounts of RMB75,000,000 in 2019, RMB75,000,000 in 2020 and RMB450,000,000 in 2023, respectively. According to the loan agreements, the convertible loans bear interest at 6.5% per annum and are secured by the equity interest in the subsidiary held by the Group. The convertible loans of RMB150,000,000 has been repaid during 2023. The convertible loans outstanding as at 31 December 2023 was RMB450,000,000, which will be due on 31 December 2027. Under the loan agreements, an option (the "**Convertible Right**") to convert the unpaid principal and the related interest into ordinary shares of the subsidiary will be granted to its non-controlling shareholder under certain conditions.

The fair value of the Convertible Right was assessed to be minimal as at 31 December 2023 and 2022.

(d) All borrowings were denominated in RMB as at 31 December 2023 and 2022.

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26. DEFERRED INCOME

	2023	2022
	RMB'000	*RMB'000*
Government grant	**240,031**	159,566

The movements in deferred income for the reporting periods are as follows:

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**159,566**	63,858
Grants received during the year	**198,785**	204,913
Amount released	**(118,320)**	(109,205)
At end of year	**240,031**	159,566

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

27. DEFERRED TAX

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

Deferred tax liabilities

	Right-of-use assets
At 31 December 2022 and 1 January 2023	**–**
Deferred tax charged to profit or loss during the year *(note 10)*	**3,124**
Gross deferred tax liabilities at 31 December 2023	**3,124**

Deferred tax assets

	Lease Liability
At 31 December 2022 and 1 January 2023	**–**
Deferred tax credited to profit or loss during the year *(note 10)*	**3,298**
Gross deferred tax assets at 31 December 2023	**3,298**

The Group did not have any deferred tax liabilities and deferred assets as at 31 December 2022.

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27. DEFERRED TAX (Continued)

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

	2023	2022
Net deferred tax liabilities recognised in the consolidated statement of financial position	**174**	–
Net deferred tax liabilities in respect of continuing operations	**174**	–

28. SHARE CAPITAL

Ordinary shares

	2023	2022
Issued and fully paid:		
841,057,176 (2022:841,057,176) ordinary shares of US$0.00001 each	**US$8,411**	US$8,411
Equivalent to	**RMB59,000**	RMB59,000

28. SHARE CAPITAL (Continued)

A summary of movements in the Company's share capital is as follows:

	Numbers of ordinary shares	Share capital amount *RMB'000*	Shares held for restricted share unit schemes *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
At 1 January 2022	817,057,176	57	(51,718)	4,007,049	3,955,388
Issue of shares *(note a)*	24,000,000	2	–	500,464	500,466
Share issue expenses *(note a)*	–	–	–	(5,005)	(5,005)
Exercise of RSUs *(note b)*	–	–	–	82,866	82,866
Shares held for restricted share unit schemes *(note c)*	–	–	(32,734)	–	(32,734)
At 31 December 2022 and 1 January 2023	**841,057,176**	**59**	**(84,452)**	**4,585,374**	**4,500,981**
Exercise of RSUs *(note b)*	**–**	**–**	**20,885**	**–**	**20,885**
At 31 December 2023	**841,057,176**	**59**	**(63,567)**	**4,585,374**	**4,521,866**

Notes:

(a) On 15 July 2022, 24,000,000 new shares were placed at a price of HK$24.27 per share to not less than six independent third parties for an aggregate cash consideration, before expenses, of HK$582,480,000 (equivalent to RMB500,466,000). The related transaction costs amounting to HK$5,825,000 (equivalent to RMB5,005,000) were netted off against the cash proceeds. The net proceeds were intended to be used for the business development of the Group. Details have been set out in the announcements of the Company dated 8 July 2022 and 15 July 2022, respectively.

(b) During the year ended 31 December 2023, 901,050 RSUs were exercised (2022: 2,493,950 RSUs).

(c) During the year ended 31 December 2022, a trustee purchased 1,741,000 shares on behalf of the Company at a total cash consideration of HK$35,500,000 (equivalent to approximately RMB32,734,000) for the Company's restricted share unit schemes.

29. SHARE-BASED PAYMENTS

Restricted Share Unit Scheme

The Company adopted a restricted share unit scheme on 29 August 2019 (the "**RSU Scheme**"). The purpose of the RSU Scheme is to recognise and motivate the contributions of the grantees under the RSU Scheme, provide incentives for them to remain with the Group, and attract suitable personnel for the further development. Eligible participants of the RSU Scheme include employees or officers (including executive, non-executive and independent non-executive directors of the Group) as well as other core technical personnel, key personnel or other natural persons or entities that were or will be important to the development of the Group.

During the year ended 31 December 2023, no RSUs of the Company were granted to employees.

The vesting periods of these RSUs ranged from 1 month to 5 years. There is no other performance target required except the eligible participant remains as employees of the Group during the vesting period. 282,400 RSUs have been vested under the RSU Scheme during 2023 (2022: 2,400,450 RSUs). As at 31 December 2023, the total number of RSUs which remain outstanding under the RSU Scheme was 22,436,691 (2022: 22,224,691). 296,050 RSUs have been exercised during 2023 (2022: 2,493,950 RSUs). 212,000 RSUs (2022: 93,800 RSUs) have been forfeited and no RSUs (2022: 1,105,000 RSUs) have been cancelled under the RSU Scheme during the year ended 31 December 2023.

During the year, the Group amortised the difference between the fair value of the share awards and the consideration that employees have to pay to the Company over the vesting period and recognised share award expenses of approximately RMB1,188,000 (2022: RMB47,326,000).

2021 Restricted Share Unit Scheme

The Company adopted a new restricted share unit scheme on 6 December 2021 (the "**2021 RSU Scheme**"). The purpose of the 2021 RSU Scheme is to recognise the contributions of the grantees under the 2021 RSU Scheme, and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. Eligible participants of the 2021 RSU Scheme include employees, advisors or consultants of any member of the Group. Details of the 2021 RSU Scheme have been set out in the announcement of the Company dated 7 December 2021.

110,000 RSUs (2022: nil) of the Company were granted to employees at a consideration of HK$1.00 for each RSU and 1,105,000 RSUs (2022: nil) were granted to a director at a consideration of HK$0.001 for each RSU, respectively during the year. The fair value of the share awards is measured at the grant date at the market value of the shares. The market values of the RSUs granted during the year were determined by reference to the closing prices of listed shares as at the grant dates.

The vesting periods of these RSUs ranged from 1 month to 5 years. There is no other performance target required except the eligible participant remains as employees of the Group during the vesting period. 605,000 RSUs have been vested under the 2021 RSU Scheme during 2023 (2022: nil). As at 31 December 2023, the total number of RSUs which remained outstanding under the 2021 RSU Scheme was 2,291,000 (2022: 3,506,000). 605,000 RSUs have been exercised during 2023 (2022: nil). No RSUs have been forfeited or and cancelled under the 2021 RSU Scheme during the year ended 31 December 2023.

During the year, the Group amortised the difference between the fair value of the share awards and the consideration that employees have to pay to the Company over the vesting period and recognised share award expenses of approximately RMB31,078,000 (2022: nil).

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29. SHARE-BASED PAYMENTS (Continued)

Share Option Scheme

The Company adopted a share option scheme on 28 June 2022 (the "**Share Option Scheme**"). The purpose of the Share Option Scheme is to reward certain eligible participants for their contribution to the success of the Company, and to provide incentives to them to further contribute to the Company. Details of the Share Option Scheme have been set out in the announcement of the Company dated 2 June 2022.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the Share Option Scheme as an equity-settled plan.

The following share options were outstanding under the Share Option Scheme during the year:

	Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	–	–
Granted during the year	35.08	450
At 31 December	35.08	450

The share options granted to the grantees have a mixed vesting schedule with a total vesting period ranges from approximately 24 months to 48 months, with certain share options to be vested within 12 months of the grant date.

The exercise prices of the share options outstanding at the end of the year was HK35.08 (2022: No share options were granted).

The weighted average remaining contractual life of the share options outstanding as at 31 December 2023 was 10 years.

The weighted fair value of the share options granted during the year was HK$10,477,000 (equivalent to RMB9,425,000) of which the Group recognised a share option expense of RMB2,032,000 (2022: nil) during the year ended 31 December 2023.

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29. SHARE-BASED PAYMENTS (Continued)

Share Option Scheme (Continued)

The directors of the Company used the binomial option pricing model to determine the fair value of the share options as at the respective grant dates, which is to be expensed over the relevant vesting period. The following table lists the inputs to the model used:

	2023	2022
Dividend yield (%)	–	N/A
Expected volatility (%)	71.39	N/A
Historical volatility (%)	71.39	N/A
Risk-free interest rate (%)	3.80	N/A
Expected life of options (year)	10	N/A
Weighted average share price (HK$ per share)	34.65	N/A

At the date of approval of these financial statements, the Company had 81,255,717 share options outstanding under the Share Option Scheme, which represented approximately 9.66% of the Company's shares in issue as at that date.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Capital reserve

The Group's capital reserve mainly includes the share premium of the ordinary shares issued in connection with the IPO and share issue expenses, the share premium of the ordinary shares transferred from preferred shares, equity-settled share award and the accumulated effects of the other equity transactions (i.e. the changes in non-controlling interests without losing control of a subsidiary).

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB22,636,000 (2022: RMB11,008,000) and RMB22,636,000 (2022: RMB11,008,000), respectively, in respect of lease arrangements for plant and building.

During the year, the Group had a non-cash addition to a long-term equity investment of US$45,900,000 (approximately RMB325,096,000, 2022: nil) which was deemed as a portion of the upfront payment in relation to a license contract arrangement of the Group.

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31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities

2023

	Interest-bearing bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
At 1 January 2023	**1,867,257**	**11,852**	**1,879,109**
Changes from financing cash flows	**975,227**	**(12,080)**	**963,147**
New leases	**–**	**22,636**	**22,636**
Foreign exchange movement	**–**	**15**	**15**
Interest expense	**125,299**	**–**	**125,299**
Finance costs on lease liabilities	**–**	**696**	**696**
At 31 December 2023	**2,967,783**	**23,119**	**2,990,902**

2022

	Interest-bearing bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
At 1 January 2022	849,331	10,091	859,422
Changes from financing cash flows	949,747	(9,358)	940,389
New leases	–	11,008	11,008
Remeasurement resulting from early termination of a lease	–	(481)	(481)
Foreign exchange movement	–	113	113
Interest expense	68,179	–	68,179
Finance costs on lease liabilities	–	479	479
At 31 December 2022	1,867,257	11,852	1,879,109

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Within operating activities	**2,554**	1,233
Within investing activities	**167,532**	12,531
Within financing activities	**12,080**	9,358
	182,166	23,122

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32. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2023.

33. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings and overdrafts and contract execution are included in notes 13, 14(a), 22 and 25, respectively, to the financial statements.

34. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2023 *RMB'000*	2022 *RMB'000*
Contracted, but not provided for:		
Plant and machinery	**769,990**	981,120

(b) The Group does not have various lease contracts that have not yet commenced as at 31 December 2023 and 2022.

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with a non-controlling shareholder and its subsidiaries during the year: (i) revenue of products sales amounted to RMB117,116,000 (2022: RMB118,563,000); (ii) selling and marketing expenses of RMB120,000 (2022: RMB95,691,000); and (iii) costs of RMB106,783,000 related to the purchase of clinical services and materials (2022: RMB33,867,000).

The above transactions are determined by reference to the market price and mutually agreed between the parties. The related party transactions of all the above items also constitute continued connected transactions as defined in Chapter 14A of the Listing Rules.

The Group had the following transactions with Summit during 2023: (i) license income amounting to RMB2,915,199,000; (ii) sales of products and materials amounting to RMB16,310,000; (iii) service fee income amounting to RMB24,374,000.

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

During the year, the Company did not identify any personnel as key management other than the directors of the Company. Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

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36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Trade receivables	295,563	–	295,563
Financial assets included in prepayments, other receivables and other assets	16,906	–	16,906
Financial assets at fair value through profit or loss	–	864,470	864,470
Pledged deposits and time deposits with original maturity of more than three months	2,499,673	–	2,499,673
Cash and cash equivalents	1,542,313	–	1,542,313
	4,354,455	864,470	5,218,925

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	354,828
Financial liabilities included in other payables and accruals	246,160
Interest-bearing bank and other borrowings	2,967,783
Lease liabilities	23,119
	3,591,890

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36. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

2022

Financial assets

	Financial assets at amortised cost *RMB'000*	Financial assets at fair value through profit or loss *RMB'000*	Total *RMB'000*
Trade receivables	271,046	–	271,046
Financial assets included in prepayments, other receivables and other assets	5,320	–	5,320
Financial assets at fair value through profit or loss	–	205,912	205,912
Pledged deposits and time deposits with original maturity of more than three months	94	–	94
Cash and cash equivalents	2,092,388	–	2,092,388
	2,368,848	205,912	2,574,760

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	308,948
Financial liabilities included in other payables and accruals	458,793
Interest-bearing bank and other borrowings	1,867,257
Lease liabilities	11,852
	2,646,850

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37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss:				
Investments in financial products	**852,431**	195,912	**852,431**	195,912
Unlisted investment	**12,039**	10,000	**12,039**	10,000
	864,470	205,912	**864,470**	205,912

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade payables, financial assets included in prepayments, other receivables and other assets, current interest-bearing bank and other borrowings, current lease liabilities and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the non-current portion of interest-bearing bank and other borrowings and the non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2023 and 2022 were assessed to be insignificant.

The fair values of the financial products issued by the banks have been estimated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair value of the unlisted investment designated at fair value through profit or loss has been estimated using a market based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such price to earnings ("**P/E**") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted investment to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a sensitivity analysis as at 31 December 2023 and 2022:

	Valuation technique	Significant unobservable inputs	Amount of unobservable inputs	Relationship of unobservable input to fair value
Financial asset at fair value through profit or loss: Unlisted investment	Valuation multiples	Average P/E multiple of peers	2023: 13.8 (2022: 41.95)	The higher the ratio, the higher the fair value
		Discount for lack of marketability	2023: 18% (2022: 8%)	The higher the percentage, the lower the fair value

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial assets at fair value through profit or loss:				
Investments in financial products	–	852,431	–	852,431
Unlisted investment	–	–	12,039	12,039
	–	852,431	12,039	864,470

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37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial assets at fair value through profit or loss:				
Investments in financial products	–	195,912	–	195,912
Unlisted investment	–	–	10,000	10,000
	–	195,912	10,000	205,912

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 2022.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, lease liabilities, financial assets at fair value through profit or loss, cash and cash equivalents, pledged deposits and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables, trade payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax (due to changes in the fair values of monetary assets and liabilities).

Increase/(decrease) in profit/(loss) before tax

	2023	2022
	RMB'000	*RMB'000*
Increase in the US$ rate by 5%	**25,063**	623
Decrease in the US$ rate by 5%	**(25,063)**	(623)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which primarily comprise cash and cash equivalents, pledged deposits and time deposits, trade receivables and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	–	295,563	295,563
Financial assets included in prepayments, other receivables and other assets					
— Normal**	16,906	–	–	–	16,906
Pledged deposits and time deposits with original maturity of more than three months					
— Not yet past due	2,499,673	–	–	–	2,499,673
Cash and cash equivalents					
— Not yet past due	1,542,313	–	–	–	1,542,313
	4,058,892	–	–	295,563	4,354,455

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	–	271,046	271,046
Financial assets included in prepayments, other receivables and other assets					
— Normal**	5,320	–	–	–	5,320
Pledged deposits and time deposits with original maturity of more than three months					
— Not yet past due	94	–	–	–	94
Cash and cash equivalents					
— Not yet past due	2,092,388	–	–	–	2,092,388
	2,097,802	–	–	271,046	2,368,848

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain continuity of funding. The maturity profile of the Group's financial liabilities as at 31 December 2023 and 2022, based on the contractual undiscounted payments, is as follows:

As at 31 December 2023

	On demand *RMB'000*	Within 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	–	15,043	8,722	–	23,765
Interest-bearing bank and other borrowings	–	474,931	1,655,101	1,516,597	3,646,629
Trade payables	177,592	177,236	–	–	354,828
Financial liabilities included in other payables and accruals	–	246,160	–	–	246,160
	177,592	913,370	1,663,823	1,516,597	4,271,382

As at 31 December 2022

	On demand *RMB'000*	Within 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	–	6,198	6,101	–	12,299
Interest-bearing bank and other borrowings	–	512,141	686,278	1,082,805	2,281,224
Trade payables	156,427	152,521	–	–	308,948
Financial liabilities included in other payables and accruals	–	458,793	–	–	458,793
	156,427	1,129,653	692,379	1,082,805	3,061,264

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

39. EVENT AFTER THE REPORTING PERIOD

In February 2024, the Group entered into an equity transfer agreement with Dawnrays Biotechnology Capital (Asia) Limited ("**Dawnrays**"), pursuant to which the Group will purchase 35% of the equity interest in AD Pharmaceuticals, a subsidiary of the Group, from Dawnrays at a consideration of approximately RMB267,387,000 (the "**Acquisition**"). Upon completion of the Acquisition, AD Pharmaceuticals will become a wholly-owned subsidiary of the Group. Details have been set out in the announcements of the Company dated 9 February 2024 and 4 March 2024.

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40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 *RMB'000*	2022 *RMB'000*
NON-CURRENT ASSET		
Investment in a subsidiary	**2,257**	2,257
Long-term equity investment	**293,441**	–
Financial assets at fair value through profit or loss	**12,039**	10,000
Total non-current assets	**307,737**	12,257
CURRENT ASSETS		
Due from subsidiaries	**5,371,299**	4,506,418
Prepayments, other receivables and other assets	**6,997**	1,113
Financial assets at fair value through profit or loss	**568,715**	125,918
Pledged deposits and time deposit with original maturity of more than three months	**2,220,293**	–
Cash and cash equivalents	**377,236**	557,037
Total current assets	**8,544,540**	5,190,486
CURRENT LIABILITIES		
Due to subsidiaries	**3,550,183**	62
Other payables and accruals	**5,939**	6,204
Total current liabilities	**3,556,122**	6,266
NET CURRENT ASSETS	**4,988,418**	5,184,220
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,296,155**	5,196,477
Net assets	**5,296,155**	5,196,477
EQUITY		
Share capital	**59**	59
Shares held for restricted share unit schemes	**(63,567)**	(84,452)
Reserves *(note)*	**5,359,663**	5,280,870
Total equity	**5,296,155**	5,196,477

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40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium *RMB'000*	Capital reserve *RMB'000*	Share award reserve *RMB'000*	Share option reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2022	4,007,049	1,731,270	130,552	–	(407,971)	(962,954)	4,497,946
Loss for the year						(184,435)	(184,435)
Other comprehensive income for the year:							
Translation from functional currency to presentation currency	–	–	–	–	423,297	–	423,297
Total comprehensive income for the year	–	–	–	–	423,297	(184,435)	238,862
Issue of shares	500,464	–	–	–	–	–	500,464
Share issue expenses	(5,005)	–	–	–	–	–	(5,005)
Exercise of restricted share units	82,866	–	(82,866)	–	–	–	–
Equity-settled share award arrangements	–	–	48,603	–	–	–	48,603
At 31 December 2022 and 1 January 2023	**4,585,374**	**1,731,270**	**96,289**	**–**	**15,326**	**(1,147,389)**	**5,280,870**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(23,759)**	**(23,759)**
Other comprehensive income for the year:							
Translation from functional currency to presentation currency	**–**	**–**	**–**	**–**	**89,139**	**–**	**89,139**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**89,139**	**(23,759)**	**65,380**
Equity-settled share award arrangements	**–**	**–**	**32,266**	**–**	**–**	**–**	**32,266**
Equity-settled share option arrangements	**–**	**–**	**–**	**2,032**	**–**	**–**	**2,032**
Exercise of restricted share units	**–**	**–**	**(19,185)**	**–**	**–**	**(1,700)**	**(20,885)**
At 31 December 2023	**4,585,374**	**1,731,270**	**109,370**	**2,032**	**104,465**	**(1,172,848)**	**5,359,663**

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 March 2024.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended December 31,				
	2019	2020	2021	2022	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Operating results					
Revenue	70,879	–	225,626	837,656	**4,526,253**
Other income and gains, net	50,186	123,524	116,273	158,613	**454,180**
Research and development expenses	(308,388)	(768,589)	(1,122,957)	(1,323,098)	**(1,254,023)**
Selling and marketing expenses	–	–	(179,149)	(552,661)	**(890,384)**
Administrative expenses	(55,421)	(253,029)	(243,517)	(199,007)	**(200,094)**
(Loss)/profit for the year	(346,454)	(1,320,579)	(1,258,126)	(1,422,216)	**1,942,351**

	As at December 31,				
	2019	2020	2021	2022	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Financial position					
Non-current assets	416,975	854,843	1,653,533	2,437,477	**3,504,324**
Current assets	1,255,964	3,001,326	3,152,256	3,058,471	**5,676,766**
Non-current liabilities	1,337,473	235,759	869,828	1,586,798	**3,457,731**
Current liabilities	119,761	169,971	655,695	1,361,136	**1,204,582**
Net assets	215,705	3,450,439	3,280,266	2,548,014	**4,518,777**

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