Abbisko 和譽

Abbisko Cayman Limited
和譽開曼有限責任公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2256

2023
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Xu Yao-Chang *(Chairman)*
Dr. Yu Hongping
Dr. Chen Zhui

Non-executive Directors

Dr. Xia Gavin Guoyao (resigned as a non-executive Director with effect on June 19, 2023)
Ms. Tang Yanmin

Independent Non-executive Directors

Dr. Sun Piaoyang
Mr. Sun Hongbin
Mr. Wang Lei

JOINT COMPANY SECRETARIES

Ms. Tian Huimin
Ms. Chan Yin Wah

AUTHORIZED REPRESENTATIVES

Dr. Xu Yao-Chang
Ms. Chan Yin Wah

AUDIT COMMITTEE

Mr. Sun Hongbin *(Chairperson)*
Dr. Sun Piaoyang
Mr. Wang Lei

REMUNERATION COMMITTEE

Mr. Wang Lei *(Chairperson)*
Dr. Xu Yao-Chang
Mr. Sun Hongbin

NOMINATION COMMITTEE

Dr. Xu Yao-Chang *(Chairperson)*
Dr. Sun Piaoyang
Mr. Sun Hongbin

REGISTERED OFFICE

Abbisko Cayman Limited
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Building 3, No. 898
Halei Road, Zhangjiang Hi-Tech Park
Pudong New Area
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

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

HONG KONG LEGAL ADVISER

Davis Polk & Wardwell
10/F, The Hong Kong Club Building
3A Chater Road
Hong Kong

PRINCIPAL BANK

Ping An Bank Co., Ltd.
5047, Shennan East Road
Shenzhen 518001
PRC

AUDITOR

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

STOCK CODE

2256

COMPANY'S WEBSITE

www.abbisko.com

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors ("**Board**"), I'm pleased to present our annual report of the Company for the year ended December 31, 2023. In the faces of challenges within the biotech industry, our unwavering commitment to innovation, excellence and resilience has propelled us forward.

Over the course of the year, we have made significant strides in both research and development ("**R&D**"), as well as in forging strategic partnership and collaborations which position us for continued progress and growth.

RESEARCH AND DEVELOPMENT

Our R&D efforts have been instrumental in driving innovation and shaping the future of our Company. Here are some key highlights:

- Pimicotinib, which is a CSF-1R inhibitor for treatment of tenosynovial giant cell tumor ("**TGCT**"), is currently in a global multicenter Phase III clinical study in China, U.S., Canada and Europe. Pimicotinib has been granted the breakthrough therapy designation ("**BTD**") from both National Medical Products Administration of the People's Republic of China ("**NMPA**") and the U.S. Food and Drug Administration ("**U.S. FDA**") and the Priority Medicine designation ("**PRIME**") by the European Medicines Agency ("**EMA**") for the treatment of TGCT patients who are not amenable to surgery. It was also granted the fast track designation ("**FTD**") by the U.S. FDA and orphan drug designation ("**ODD**") by the EMA for the treatment of inoperable TGCT. We have reported 87.5% objective response rate ("**ORR**") of pimicotinib in extended Phase Ib studies (one year).

- Phase II clinical trial of pimicotinib for chronic graft-versus-host disease ("**cGvHD**") has been initiated.

- Irpagratinib (FGFR4 inhibitor) has moved into Phase Ib/II stage for treatment of hepatocellular carcinoma ("**HCC**") for with 40.7% of ORR reported at the 2023 European Society for Medical Oncology ("**ESMO**") Annual Meeting. This is a significant step with strong Proof-of-Concept ("**POC**") data to support second-line monotherapy for HCC. The combination studies of irpagratinib with atezolizumab are on-going.

- Oral PD-L1 ABSK043, FGFR2/3 selective inhibitor ABSK061, and FGFR resistant mutation inhibitor ABSK121 are all in Phase I clinical trials with initial clinical efficacy data reported for ABSK043 (27%ORR, 2023 ESMO).

- We obtained multiple investigational new drug ("**IND**") approvals: ABSK051 from NMPA; ABSK012 from the U.S. FDA; ABSK112 from both NMPA and the U.S. FDA.

- Two preclinical candidates ("**PCC**") were achieved: ABK3376 for EGFR-C797S inhibitor and ABSK131 for PRMT5*MTA inhibitor.

PARTNERSHIPS AND COLLABORATIONS

Strategic partnerships and collaborations have played a vital role in expanding our reach and capabilities. Here are the highlights of our transactions:

- In March 2023, we reached an out-licensing agreement with Shanghai Allist Pharmaceuticals Co., Ltd. ("**Allist**") for ABK3376, which is the 4th generation of EGFR inhibitor for the treatment of non-small cells lung cancer ("**NSCLC**").

- In December 2023, an out-licensing agreement with Merck KGaA, Darmstadt, Germany ("**Merck**") was established for the Greater China right of pimicotinib, which is a CSF-1R inhibitor for the treatment of TGCT and cGvHD.

Looking ahead, we are confident in our ability to create long-term value for our investors:

- We remain steadfast in our commitment to advancing our robust pipeline with clear priority. With several assets progressing toward late-stage of clinical development and with significant regulatory milestones on the horizon, we are poised to address unmet medical needs and deliver transformative therapies to patients worldwide.

- With our assets having global rights, we will increase our effort to evaluate, explore, and identify collaboration and other possibilities with companies outside of China to maximize our value of the rich pipeline.

In closing, on behalf of the Board, I wish to extend sincere appreciation to our shareholders, management, employees, business partners for your consistent contribution and invaluable support to the Company.

Dr. Xu Yao-Chang
Chairman and Chief Executive Officer

Shanghai, March 12, 2024

FINANCIAL HIGHLIGHTS

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") MEASURES:

Cash and bank balances. Cash and bank balances as at December 31, 2023, were RMB1,971.5 million, representing a decrease by RMB287.3 million from RMB2,258.8 million for the year ended December 31, 2022, primarily attributable to continuous expansion and rapid progress of various R&D pipelines.

Revenue. Revenue increased from zero for the year ended December 31, 2022, to RMB19.1 million for the year ended December 31, 2023, primarily attributable to the increased license fee income generated from one of our clinical candidates in 2023.

Other income and gains. Other income and gains increased by RMB41.8 million from RMB45.6 million for the year ended December 31, 2022, to RMB87.4 million for the year end December 31, 2023, primarily attributable to the increase in bank interest income resulting from an increase in interest rates of our time deposits and the increase in government grants.

R&D expenses. R&D expenses increased by RMB55.0 million from RMB378.7 million for the year ended December 31, 2022, to RMB433.7 million for the year ended December 31, 2023, primarily attributable to continuous expansion of functions related to research and development and advancement of our pipeline programs.

Administrative expenses. Administrative expenses decreased by RMB22.0 million from RMB118.4 million for the year ended December 31, 2022, to RMB96.4 million for the year ended December 31, 2023, primarily attributable to the decrease in employee cost by RMB27.8 million due to the decrease of equity shared base payment expenses.

Other expenses. Other expenses decreased by RMB35.6 million from RMB41.3 million for the year ended December 31, 2022, to RMB5.7 million for the year ended December 31, 2023, primarily due to the fluctuation of foreign exchange differences.

Finance costs. Finance costs decreased by RMB0.52 million from RMB2.69 million for the year ended December 31, 2022, to RMB2.17 million for the year ended December 31, 2023, mainly due to the decrease of lease interest payment.

Loss for the year. Loss for the year decreased from RMB495.6 million for the year ended December 31, 2022, to RMB431.6 million for the year ended December 31, 2023, primarily attributable to the combination of impacts from increase in R&D expenses, increase in revenue and decrease in administrative expenses.

NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS ("NON-IFRS") MEASURES:

R&D expenses. excluding share-based compensation cost increased by RMB92.3 million from RMB313.6 million for the year ended December 31, 2022, to RMB405.9 million for the year ended December 31, 2023, primarily attributable to the continuous expansion of functions related to research and development, as well as advancement of our pipeline programs.

Administrative expenses. excluding share-based compensation cost increased by RMB3.4 million from RMB73.4 million for the year ended December 31, 2022, to RMB76.8 million for the year ended December 31, 2023, primarily attributable to the increase in consulting service fee.

Loss for the year. excluding the effect of the share-based compensation cost decreased by RMB1.3 million from RMB385.5 million for the year ended December 31, 2022, to RMB384.2 million for the year ended December 31, 2023, primarily attributable to 1) an increase in R&D expenses; 2) an increase in revenue; and 3) an increase in other income and gains resulted from increase in bank interest income.

FINANCIAL HIGHLIGHTS

FINANCIAL SUMMARY

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-IFRS measures					
Research and development expenses (excluding the share-based compensation cost)	**(405,929)**	(313,636)	(176,315)	(129,188)	(80,734)
Administrative expenses (excluding the share-based compensation cost)	**(76,810)**	(73,432)	(84,655)	(20,073)	(21,621)
Loss for the year (excluding the non-IFRS adjustments)	**(384,185)**	(385,485)	(195,740)	(132,480)	(93,126)
IFRS measures					
Revenue	**19,060**	–	22,682	–	–
Other income and gains	**87,376**	45,563	43,587	18,831	12,705
Research and development expenses	**(433,736)**	(378,746)	(226,126)	(132,664)	(81,457)
Administrative expenses	**(96,401)**	(118,443)	(124,777)	(21,168)	(21,891)
Other expenses	**(5,712)**	(41,295)	(80)	(1,712)	(2,953)
Fair value losses on convertible redeemable preferred shares	**–**	–	(1,524,320)	(569,588)	(39,793)
Finance costs	**(2,170)**	(2,685)	(959)	(338)	(523)
Loss for the year	**(431,583)**	(495,606)	(1,809,993)	(706,639)	(133,912)
Loss per share					
Basic and diluted (RMB Yuan)	**RMB(0.67)**	RMB(0.80)	RMB(7.71)	RMB(7.12)	RMB(1.48)

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	**1,971,491**	2,258,827	2,545,513	617,773	285,637
Total assets	**2,115,382**	2,489,549	2,654,539	665,971	320,236
Total liabilities	**134,280**	143,160	118,480	1,770,959	779,261
Total equity	**1,981,102**	2,346,389	2,536,059	(1,104,988)	(459,025)

We have made significant progresses in many aspects in 2023 and as of March 12, 2024.

FURTHER ADVANCED OUR CLINICAL-STAGE ASSETS

Pimicotinib (ABSK021)

- We are conducting a global Phase III clinical trial of the TGCT for pimicotinib in China, the U.S. and Europe concurrently. Pimicotinib was granted BTD from NMPA and the U.S. FDA and the PRIME by the EMA for the treatment of TGCT patients who are not amenable to surgery. It was also granted FTD by the U.S. FDA for the treatment of TGCT patients.

- In July 2023, the first patient was dosed in "A Phase III, Randomized, Double-blind, Placebo – Controlled, Multicenter Study of ABSK021 to Assess the Efficacy and Safety in Patients with TGCT" in the U.S. Prior to this, pimicotinib completed the first patient dose in China in April, 2023.

- In September 2023, the EMA approved pimicotinib for a randomized, double-blind, placebo-controlled, multicenter Phase III clinical study in patients with TGCT. This was another important milestone after pimicotinib was approved for Phase III clinical trials in both China and the U.S.. It is the first CSF-1R inhibitor developed in China entering into a global Phase III clinical trial.

- In November 2023, two important clinical updates of pimicotinib were presented at the 2023 Connective Tissue Oncology Society ("**CTOS**") Annual Meeting in Ireland. Upon 1-year follow-up, striking improvement in efficacy has been observed with pimicotinib treatment in TGCT patients compared to the 6-month data previously reported in the CTOS of 2022, with the ORR of 87.5% in the 50 mg QD cohort and 66.7% in the 25 mg QD cohort by Independent Review Committee ("**IRC**") based on RECIST 1.1 criteria. With the extension of treatment duration, there was an observed augmentation in the number of patients experiencing sustained tumor shrinkage and favorable safety of pimicotinib with no apparent hepatotoxicity. Extended follow-up indicated that pimicotinib was well-tolerated, with a median treatment duration of 12.2 months and the maximum treatment duration being 17.5 months, 83.9% patients remained on treatment.

- In November 2023, the first patient was dosed in the study titled "A Multicenter, Open-Label Phase II Study To Evaluate The Efficacy And Safety Of ABSK021 In Combination With Chemotherapy With Or Without Toripalimab In Patients With Advanced Pancreatic Cancer" at the leading site Renji Hospital Affiliated to Shanghai Jiaotong University School of Medicine. This is another indication for pimicotinib after its approval for the treatment of advanced TGCT and cGvHD.

- In December 2023, pimicotinib was granted FTD by the U.S. FDA for the treatment of TGCT patients that are not amenable to surgery.

- In January 2024, pimicotinib was granted ODD by the EMA for the treatment of inoperable TGCT. Following the successful ODD granted by the EMA, the product will benefit from incentives, including protocol assistance, fee reductions, procedural advantages for market authorization, market exclusivity and so on. In addition to the above-mentioned benefits within the European Union, member states may also offer specific stimuli for orphan drugs.

Irpagratinib (ABSK011)

- We are conducting a Phase II trial of irpagratinib in combination with the anti-PD-L1 antibody atezolizumab from F. Hoffmann-La Roche Ltd. and Roche China Holding Ltd. ("**Roche**") in late stage HCC patients with FGF19 overexpression in the Chinese mainland.

- In July 2023, irpagratinib's Phase II clinical trial application in combination with lenvatinib was accepted by Center for Drug Evaluation ("**CDE**") of NMPA. This is a combination therapy clinical trial that is being conducted after the excellent initial results of irpagratinib in monotherapy for second-line treatment of liver cancer.

- In September 2023, we obtained approval from CDE to conduct clinical study of irpagratinib in combination with lenvatinib in advanced or unresectable HCC patients. This is the second irpagratinib combination study in HCC after atezolizumab combination study.

- In September 2023, irpagratinib's IND was approved by the U.S. FDA. The approved study is "A Phase I, Open-Label Study of ABSK-011 to Assess Safety, Tolerability, and Pharmacokinetics in Patients with Advanced Solid Tumors". This is the first clinical trial of irpagratinib conducted by us outside of China.

- In October 2023, the updated Phase Ib data of irpagratinib for advanced HCC patients with FGF19 overexpression was presented at the ESMO Annual Meeting. The results demonstrated that irpagratinib was well tolerated in HCC patients. Also, the irpagratinib BID cohorts demonstrated a promising antitumor activity with an ORR of 40.7% in FGF19+HCC patients with prior therapies. The study is still ongoing, and the efficacy of BID cohorts warrants further investigation.

Fexagratinib (ABSK091, AZD4547)

- We are conducting a Phase II trial in the Chinese mainland for fexagratinib in patients with locally advanced or metastatic urothelial carcinoma with FGFR2/3 genetic alterations. We dosed the first patient in November 2021. Patient enrollment is ongoing.

- The preliminary Phase II efficacy and safety results of fexagratinib were announced in patients with urothelial carcinoma harboring FGFR2 or FGFR3 alterations in the Chinese mainland in 2022.

- The preliminary efficacy results showed an ORR confirmed by IRC of 30.7% (4/13) in mUC patients with FGFR3 alteration (including mutations and/or fusions) and an IRC confirmed ORR of 44% (4/9) in patients with FGFR3 mutations, which is consistent with results from the prior BISCAY trial of fexagratinib in similar patient groups outside of China. The preliminary safety results showed that 80mg BID of fexagratinib was well-tolerated in Chinese patients, and no drug related grade 4 or above adverse effects were reported.

- These results support further development of fexagratinib in the ongoing Phase II trial.

ABSK043

- We are conducting a Phase I trial in Australia to assess the safety, tolerability and PK/PD profile of PD-L1 inhibitor ABSK043 in patients with solid tumors.

- In October 2023, the clinical results of first-in-human dose-escalating of ABSK043 with advanced solid tumors were presented at the 2023 ESMO Annual Meeting. The results demonstrated that ABSK043 was well tolerated up to 1,000 mg BID with no Dose-Limiting Toxicity ("**DLT**") reported and had a safety profile consistent with monoclonal antibody immune checkpoint inhibitors. Preliminary antitumor activity was observed, and further investigation is warranted to explore the efficacy in a larger number of patients.

ABSK061

- We are conducting Phase I clinical trials for ABSK061 in patients with solid tumors both in China and the U.S.. ABSK061 is a next-generation highly selective FGFT2/3 in inhibitor.

- In February 2024, the preliminary results of the first-in-human trial of ABSK061 in patients with advanced solid tumors were presented orally during the 2024 European Society for Medical Oncology Targeted Anticancer Therapies Congress ("**ESMO TAT**"). The ABSK061 75mg BID and 150mg QD cohorts demonstrated a promising antitumor activity with an ORR of 37.5% among 8 patients with solid tumors carrying FGFR activating alterations.

ABSK121

- ABSK121 is a highly selective, next-generation small molecule FGFR inhibitor that targets both wild-type and mutants of FGFR1-3.

- In June 2023, the dosing of the first patient was completed in the treatment of patients with advanced solid tumors in China. We are conducting Phase I clinical trials in both China and the U.S. concurrently.

ABSK112

- Next-generation EGFR Exon20ins inhibitor ABSK112 received clinical study approval from NMPA in October 2023 and the U.S. FDA in July 2023, and the Phase I studies are being conducted simultaneously in the U.S. and China.

- In February 2024, the first patient dosing was completed for the treatment of NSCLC.

ABSK051

- We are conducting a Phase I trial in China to assess the safety, tolerability, PK/PD profile and preliminary antitumor activity of small molecule CD73 inhibitor ABSK051 in patients with advanced solid tumors.

- In November 2023, the IND for a Phase I trial of ABSK051 was approved by NMPA in the treatment of patients with advanced solid tumors in China.

- In January 2024, we completed the dosing of the first patient in China. This is a first-in-human, multicenter, open-label Phase I clinical trial.

BUSINESS HIGHLIGHTS

ABSK012

- ABSK012 is an orally bioavailable, highly selective, next-generation small molecule FGFR4 inhibitor with strong potency against both wild-type and mutant FGFR4.

- In April 2023, ABSK012 was granted ODD by the U.S. FDA for the treatment of soft tissue sarcomas ("**STS**").

- In November 2023, we obtained IND approval for ABSK012 of a first-in-human Phase I clinical study in patients with advanced solid tumors from the U.S. FDA.

CONTINUED TO MOVE FORWARD PRECLINICAL CANDIDATES

- **ABK3376** – a highly potent, selective, and brain-penetrating new-generation EGFR inhibitor, which was discovered by our proprietary drug discovery platform. It can efficiently inhibit the C797S mutation occurring after third-generation EGFR-TKI resistance. It has been licensed out to Allist and we are currently conducting IND-enabling studies.

- **ABSK131** – a potent and selective a next generation MTA-cooperative and brain-penetrable PRMT5 inhibitor. It was discovered by us through leveraging advanced computation-aided structural analysis and medicinal chemistry design. Development of selective PRMT5*MTA inhibitors may improve not only safety but also therapeutic efficacy. The result of ABSK131 was published at the 35th International Molecular Targets and Cancer Treatment Conference ("**EORTC**") in Boston, U.S.. The result demonstrated the latest preclinical research progress of the next generation of PRMT5*MTA inhibitors with strong anti-tumor activity and brain-penetrating activity in various preclinical models. We are currently conducting IND-enabling studies.

ELEVATED BUSINESS DEVELOPMENT INITIATIVES

Reached an exclusive out-license agreement with Allist

- In March 2023, we entered into an exclusive out-license agreement with Allist.

- We granted Allist the research, development, manufacture, use and sales of ABK3376 (a next-generation EGFR-TKI) in the Greater China region (the Chinese mainland, Hong Kong, Macau and Taiwan).

- We also granted Allist a time-limited option to expand the licensed territory to worldwide in accordance with the terms and conditions agreed upon by both parties.

- We received the upfront payment in March 2023 and will obtain development and sales milestone payments up to US$187.90 million in total, plus tiered royalty payments based on the net sales.

Reached an exclusive out-license agreement with Merck

- In December 2023, we entered into an exclusive out-license agreement with Merck. We granted Merck to commercialize products comprising or containing pimicotinib for all indications in the Chinese mainland, Hong Kong, Macau and Taiwan, and an exclusive option for global commercial rights. We also granted Merck the option to co-develop pimicotinib in additional indications under certain conditions.

- In February 2024, we received the one-time, non-refundable upfront payment of US$70 million pursuant to the terms of the license agreement. It marked the successful completion of the first step in this collaboration. The receipt of this upfront payment will further bolster our cash reserves and facilitate subsequent pipeline R&D internationalization strategy.

- In the event that Merck exercises the global commercialization option, Merck will pay us an additional option exercising fee. The aggregate amounts of upfront payment, option exercising payment, and payments for development and commercialization milestones will total US$605.5 million. We will also receive double-digit percentage (%) royalties on annual net sales.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Our vision

Our vision is to discover and develop novel, differentiated therapies in oncology and beyond to address critical unmet medical needs for patients in China and worldwide.

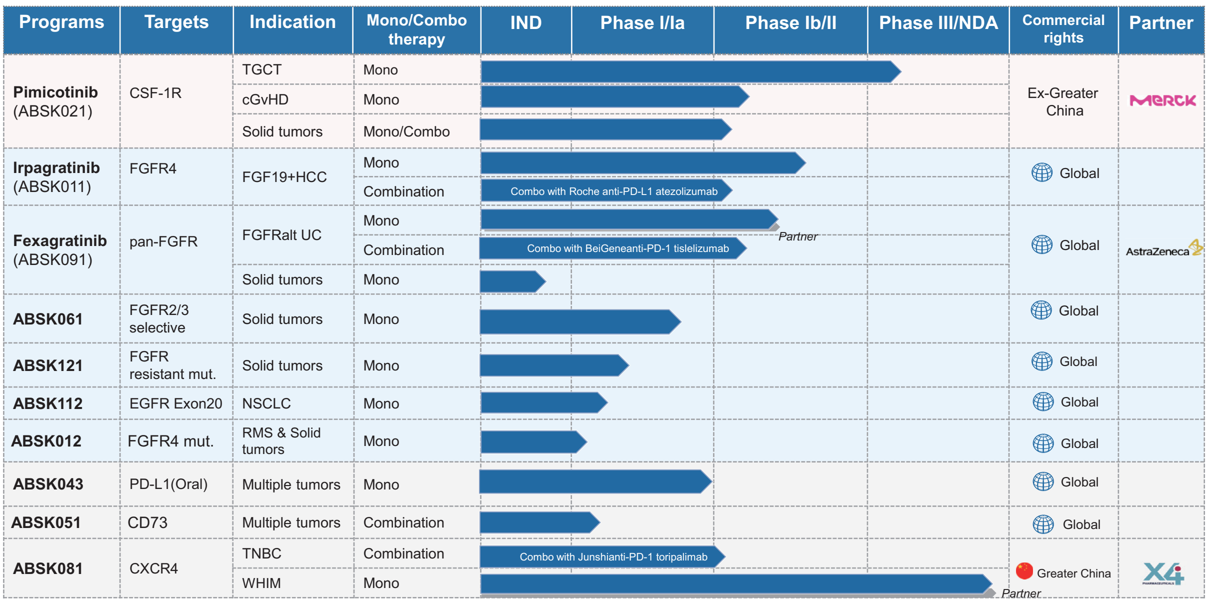
Company overview

We are a clinical-stage biopharmaceutical company primarily dedicated to the discovery and development of innovative and differentiated small molecule oncology therapies. Since our inception in 2016, we have strategically designed and developed a pipeline of 16 candidates primarily focused on oncology, including ten candidates at clinical stage. Our product candidates are primarily small molecules that focus on small molecule precision oncology and small molecule immuno-oncology therapeutic areas.

Product pipeline

We have a pipeline of 16 drug candidates ranging from preclinical stage to clinical-stage programs. The following charts summarizes our pipeline and the development status of each candidate as of December 31, 2023.

Our Clinical Pipeline



Our Preclinical Pipeline

Programs	Targets	Indication	Mono/Combo therapy	Lead optimization /PCC	IND-Enabling	IND	Commercial rights	Partner
ABK3376	EGFR-C797S	EGFRm NSCLC	Mono/Combo		Partner		Ex-Greater China	艾力斯
ABSK131	PRMT5*MTA	Multiple tumors	Mono				Global	
ABSK132	PRMT5*MTA	Multiple tumors	Mono				Global	
P011	undisclosed	NSCLC	Mono				Global	
P141	undisclosed	Multiple tumors	Mono				Global	
P151	undisclosed	Non-oncology	Mono/Combo				Shared	Lilly

Abbreviations: cGvHD = chronic graft-versus-host disease; FGFRalt = FGFR altered; HCC = hepatocellular carcinoma; NSCLC = non-small cell lung cancer; RMS = rhabdomyosarcoma; TGCT = tenosynovial giant cell tumor; TNBC = triple-negative breast cancer; UC = urothelial cancer; WHIM = warts, hypogammaglobulinemia, infections and myelokathexis

Notes：

*BeiGene, Ltd. ("**BeiGene**")；*

*Shanghai Junshi Biomedical Technology Co., Ltd. ("**Junshi**")*

Clinical candidates

Pimicotinib (ABSK021)

Pimicotinib is an orally bioavailable, selective, potent small molecule CSF-1R inhibitor being developed for the treatment of multiple types of oncology and non-oncology indications. The overexpression of CSF-1 is observed in many tumors and also at sites of inflammation. Indications for CSF-1R inhibitors include, the treatment of adult patients with TGCT, pancreatic cancer, colorectal cancer, cGvHD and amyotrophic lateral scierosis (ALS).

Current status

We are conducting a global Phase III clinical trial of TGCT for pimicotinib in China, Canada, the U.S. and Europe concurrently. Pimicotinib was granted BTD from both NMPA and the U.S. FDA and the PRIME by the EMA for the treatment of TGCT patients who are not amenable to surgery. It was also granted FTD by the U.S. FDA for the treatment of TGCT patients.

In January 2023, pimicotinib was approved by NMPA for a Phase II clinical study in patients with cGvHD. Preclinical data indicated that pimicotinib is a highly potent and selective small molecule inhibitor of CSF-1R that may play important roles for treating many human diseases including complications associated with transplantation.

In January 2023, pimicotinib was granted BTD by the U.S. FDA for the treatment of TGCT patients that are not amenable to surgery. This BTD approval was based on results from the Phase Ib clinical trial of TGCT cohort for pimicotinib.

In March 2023, pimicotinib was approved by the U.S. FDA for a randomized, double-blind, placebo-controlled, multicenter Phase III clinical study in patients with TGCT.

In April 2023, we completed the first patient dosing of a Phase III randomized, double-blind, placebo-controlled, multicenter study of pimicotinib to assess the efficacy and safety in patients with TGCT in Beijing Jishuitan Hospital.

In May 2023, the updated results of Phase Ib study of pimicotinib in treating patients with advanced TGCT were announced and presented at the 2023 American Society of Clinical Oncology (ASCO). The data demonstrated the excellent antitumor efficacy and safety profile of pimicotinib in the treatment of patients with advanced TGCT and we presented with the title of "EFFICACY AND SAFETY PROFILE OF PIMICOTINIB (ABSK021) IN TENOSYNOVIAL GIANT CELL TUMOR (TGCT): PHASE 1B UPDATE" in a poster presentation. Pimicotinib demonstrated significant antitumor activity with the ORR of 77.4% in 50 mg QD cohort by IRC based on RECIST 1.1, and a favorable safety profile with no apparent hepatotoxicity. Pimicotinib has a favorable safety profile, 89.8% of patients remained on treatment. Median treatment duration was 9.3 months, and the longest treatment duration was 12.5 months in 50mg QD cohort.

In June 2023, pimicotinib was granted the PRIME by the EMA for the treatment of TGCT patients that are not amenable to surgery. The PRIME designation was granted based on clinical results from the ongoing Phase Ib clinical trial of TGCT cohort for pimicotinib. The PRIME is similar to BTD in the other countries with the goal to expedite the development and review of new medicines indicated for serious or life-threatening conditions.

In June 2023, the first patient was dosed in the Phase II trial evaluating pimicotinib in patients with cGvHD.

In July 2023, we completed the first patient dosing in "A Phase III, Randomized, Double-blind, Placebo – Controlled, Multicenter Study of ABSK021 to Assess the Efficacy and Safety in Patients with TGCT" in the U.S.

In September 2023, the EMA approved pimicotinib for a randomized, double-blind, placebo-controlled, multicenter Phase III clinical study in patients with TGCT. This was another important milestone after pimicotinib was approved for Phase III clinical trial in both China and the U.S. It is the first CSF-1R inhibitor developed in China entering into a global Phase III clinical trial.

In November 2023, two important clinical updates of pimicotinib were presented at the 2023 CTOS Annual Meeting in Ireland. The two TGCT clinical trial updates included reporting the design of the ongoing pivotal global multi-center Phase III clinical trial and a further update of the Phase Ib clinical trial of pimicotinib. Upon 1-year follow-up, striking improvement in efficacy was observed with pimicotinib treatment in TGCT patients compared to the 6-month data previously reported in CTOS of 2022, with the ORR of 87.5% in the 50 mg QD cohort and 66.7% in the 25 mg QD cohort by IRC based on RECIST 1.1 criteria. With the extension of treatment duration, there was an observed augmentation in the number of patients experiencing sustained tumor shrinkage and favorable safety of pimicotinib with no apparent hepatotoxicity. Extended follow-up indicated that pimicotinib was well-tolerated, with a median treatment duration of 12.2 months and the maximum treatment duration being 17.5 months, 83.9% patients remained on treatment.

In November 2023, the first patient was dosed in the study titled "A Multicenter, Open-Label Phase II Study To Evaluate The Efficacy And Safety Of ABSK021 In Combination With Chemotherapy With Or Without Toripalimab In Patients With Advanced Pancreatic Cancer" at the leading site Renji Hospital Affiliated to Shanghai Jiaotong University School of Medicine. This is another indication for pimicotinib after its approval for the treatment of advanced TGCT and cGvHD.

In December 2023, pimicotinib was granted FTD by the U.S. FDA for the treatment of TGCT patients that are not amenable to surgery. Fast Track is a policy of the U.S. FDA designed to facilitate the development and expedite the review of drugs in order to treat serious conditions and fulfill unmet medical needs. Its purpose is to get important new drugs to patients earlier. Moreover, the FTD enables the Company to maintain more frequent communications and meetings with the U.S. FDA. The drug also becomes eligible for accelerated approval and priority review by the U.S. FDA.

In January 2024, pimicotinib was granted ODD by the EMA for the treatment of inoperable TGCT. Following the successful ODD granted by the EMA, the product will benefit from incentives, including protocol assistance, fee reductions, procedural advantages for market authorization, and market exclusivity and so on. In addition to the above-mentioned benefits within the European Union, member states may also offer specific stimuli for orphan drugs.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK021 SUCCESSFULLY.

Irpagratinib (ABSK011)

Irpagratinib is a potent and highly selective small molecule inhibitor of FGFR4 that we are conducting clinical trials in China. Irpagratinib is being developed for the treatment of advanced HCC with hyper-activation of FGF19/FGFR4 signaling. The FGFR4 signaling pathway is a promising direction for the development of molecularly targeted therapies in HCC. The number of patients with an overexpression of FGF19/FGFR4 accounts for approximately 30% of total HCC patients worldwide, according to Frost & Sullivan. Currently, no FGFR4 inhibitor has been approved to the market yet.

Current status

We are also conducting a Phase II trial of irpagratinib in combination with the anti-PD-L1 antibody atezolizumab from Roche in late stage HCC patients with FGF19 overexpression in the Chinese mainland.

In July 2023, irpagratinib's Phase II clinical trial application in combination with lenvatinib was accepted by CDE of NMPA. This is a combination therapy clinical trial that is being conducted after the excellent initial results of irpagratinib in monotherapy for second-line treatment of liver cancer.

In September 2023, we obtained approval from NMPA to conduct clinical study of irpagratinib in combination with lenvatinib in advanced or unresectable HCC patients. This is the second irpagratinib combination study in HCC after atezolizumab combination study.

In September 2023, irpagratinib's IND was approved by the U.S. FDA. The approved study is "A Phase I, Open-Label Study of ABSK011 to Assess Safety, Tolerability, and Pharmacokinetics in Patients with Advanced Solid Tumors". This is the first clinical trial of irpagratinib conducted by us outside of China.

In October 2023, the updated Phase Ib data of irpagratinib for advanced HCC patients with FGF19 overexpression was presented at the 2023 ESMO Annual Meeting. The results demonstrated that irpagratinib was well tolerated in HCC patients. Also, the irpagratinib BID cohorts demonstrated a promising antitumor activity with an ORR of 40.7% in FGF19+HCC patients with prior therapies. The study is still ongoing, and the efficacy of BID cohorts warrants further investigation.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK011 SUCCESSFULLY.

Fexagratinib (ABSK091, AZD4547)

Fexagratinib, previously known as AZD4547, is a highly potent and selective inhibitor of FGFR subtypes 1, 2 and 3. According to Frost & Sullivan, the cancers most commonly affected by FGFR aberration are urothelial cancer (32%), cholangiocarcinoma (25%), breast cancer (18%), endometrial carcinoma (11%) and gastric cancer (7%). Specific FGFR aberrations have been observed in a proportion of certain cancers. For example, FGFR1 amplification in squamous cell lung cancer, FGFR2 mutations in endometrial carcinoma and FGFR3 mutations in urothelial cancer.

Fexagratinib has a chemical structure different from other FGFR inhibitors with similar antitumor activities. Prior to the in-licensing of fexagratinib, AstraZeneca AB ("**AstraZeneca**") started conducting clinical trials on fexagratinib (AZD4547) in 2009. From 2009 to 2019, AstraZeneca sponsored and completed a total of four trials, including two Phase I trials and two Phase II trials. In November 2019, we entered into an exclusive license agreement with AstraZeneca and obtained the global rights for the development, manufacturing and commercialization of fexagratinib.

Among the clinical trials conducted by AstraZeneca, the BISCAY trial, a study in patients with advanced urothelial cancer who had progressed on prior treatments, achieved 31.3% response rate in the fexagratinib monotherapy arm, which is on par with the approved pan-FGFR inhibitor Erdafitinib in treatment of locally advanced or metastatic urothelial carcinoma with FGFR2/3 alteration (ORR 32.2%).

In another trial previously conducted by AstraZeneca in patients with previously treated advanced FGFR amplified cancer, 33% of the FGFR2-amplified gastro-oesophageal patients had confirmed responses to fexagratinib. This demonstrated that fexagratinib could potentially bring significant clinical benefits to the treatment of gastric cancer patients with FGFR alterations.

Current status

We are conducting a Phase II trial in the Chinese mainland for fexagratinib in patients with locally advanced or metastatic urothelial carcinoma with FGFR2/3 genetic alterations.

The preliminary Phase II efficacy and safety results of fexagratinib were announced in patients with urothelial carcinoma harboring FGFR2 or FGFR3 alterations in the Chinese mainland in 2022.

The preliminary efficacy results showed an ORR confirmed by IRC of 30.7% (4/13) in mUC patients with FGFR3 alteration (including mutations and/or fusions) and an IRC confirmed ORR of 44% (4/9) in patients with FGFR3 mutations, which is consistent with results from the prior BISCAY trial of fexagratinib in similar patient groups outside of China. The preliminary safety results showed that 80mg BID of fexagratinib was well-tolerated in Chinese patients, and no drug related grade 4 or above adverse effects were reported.

These results support further development of fexagratinib in the ongoing Phase II trial.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK091 SUCCESSFULLY.

ABSK043

ABSK043 is an orally bioavailable, highly selective small molecule PD-L1 inhibitor being developed for the treatment of various cancers and potentially non-oncology indications. While anti-PD-1/anti-PD-L1 antibodies have revolutionized cancer treatment, the antibody-based immunotherapies carry a number of disadvantages such as high cost, lack of oral bioavailability, and immunogenicity, which could likely be improved with small molecule inhibitors. Preclinical data have demonstrated strong inhibition of PD-1/PD-L1 interaction by ABSK043, and rescue of PD-L1-mediated inhibition of T-cell activation. ABSK043 has also demonstrated strong antitumor efficacy and excellent safety profile in several preclinical models.

Current status

We are conducting a Phase I trial in Australia to assess the safety, tolerability and PK/PD profile of ABSK043 in patients with solid tumors.

In September 2022, the dosing of the first patient in China was completed.

In October 2023, the clinical results of first-in-human dose-escalating of ABSK043 with advanced solid tumors were presented at the 2023 ESMO Annual Meeting. The results demonstrated that ABSK043 was well tolerated up to 1000 mg BID with no DLT reported and has a safety profile consistent with monoclonal antibody immune checkpoint inhibitors. Preliminary antitumor activity was observed, and further investigation is warranted to explore the efficacy in a larger number of patients.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK043 SUCCESSFULLY.

ABSK061

ABSK061 is a highly selective small molecule FGFR2/3 inhibitor. Preclinical research has shown that ABSK061 selectively inhibits FGFR2/3 over FGFR1 across various in vitro and cellular assays, with little activity against other kinases. Its high selectivity against FGFR2/3 and reduced FGFR1 activity could lead to an improved safety profile due to less off-target side effects, and potentially improved therapeutic window and efficacy as well as better opportunities for treating non-oncology indications. We believe that ABSK061 has the potential to be a second generation FGFR inhibitor with its improved selectivity over currently marketed FGFR inhibitors based on our preclinical data.

Current status

We are conducting Phase I clinical trials for ABSK061 in patients with solid tumors in both China and U.S.

In February 2024, the preliminary results of the first-in-human trial of the ABSK061 in patients with advanced solid tumors were presented orally at the 2024 ESMO TAT. The ABSK061 75mg BID and 150mg QD cohorts demonstrated a promising antitumor activity with an ORR of 37.5% among 8 patients with solid tumors carrying FGFR-activating alterations.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK061 SUCCESSFULLY.

ABSK121

ABSK121 is a highly selective, next-generation small molecule FGFR inhibitor that targets both wild-type and mutants of FGFR1-3 including those that are resistant to the currently approved or clinical FGFR inhibitors. It could potentially bring clinical benefits to patients who relapsed or progressed after initial treatment with first-generation FGFR inhibitors. In preclinical studies, ABSK121 has demonstrated strong potency against wild-type and various mutations of FGFR1-3, and showed excellence in vivo efficacy in FGFR dependent and FGFR-mutant dependent models.

Current status

In June 2023, the dosing of first patient was completed in the treatment of patients with advanced solid tumors in China. We are conducting Phase I clinical trials in China and the U.S. concurrently.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK121 SUCCESSFULLY.

ABSK112

ABSK112 is a next-generation EGFR Exon20ins inhibitor with improved selectivity over wild-type EGFR and strong brain penetrating ability. EGFR-exon20 mutations occur in 3-5% of NSCLC patients, and are resistant to the currently available first, second and third generation EGFR inhibitors. Current clinical compounds targeting these mutations have limited therapeutic window due to limited selectivity against wild-type EGFR. Increased selectivity will likely lead to better target modulation and efficacy in clinical trials. ABSK112 demonstrated strong activity against EGFR-exon20 mutants and clear selectivity against wild-type EGFR in various cellular assays. It exhibited efficacy and PD effects in mouse xenograft models bearing EGFR-exon20 mutations.

Current status

ABSK112 received clinical study approval from NMPA in October 2023 and the U.S. FDA in July 2023, and the Phase I studies are being conducted simultaneously in the U.S. and China.

In February 2024, the first patient dosing was completed for the treatment of NSCLC.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK112 SUCCESSFULLY.

ABSK081

ABSK081 (mavorixafor), also known as X4P-001, is a novel small molecule antagonist to CXCR4 and currently the only orally bioavailable CXCR4 modulator in clinical development globally, according to Frost & Sullivan. ABSK081 is a potential treatment option for various cancers in which CXCR4 and its ligand CXCL12 contribute to the tumor microenvironment (TME) that supports immune evasion, neoangiogenesis, and tumor metastasis. In July 2019, we entered into an exclusive license agreement with X4 Pharmaceuticals, Inc. ("**X4**") and obtained the rights for the development, manufacturing and commercialization of the licensed compound ABSK081 (mavorixafor) in the Chinese mainland, Taiwan, Hong Kong and Macau for any oncological indication and WHIM Syndrome in humans, excluding mozobil indications and any use for auto-HSCT treatment and allo-HSCT treatments.

Current status

In mainland China, we are conducting a Phase Ib/II clinical trial of ABSK081 (mavorixafor) in combination with toripalimab from Junshi in triple-negative breast cancer ("**TNBC**") patients in China. We dosed the first patient in July 2021. Patient enrollment has been completed.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK081 SUCCESSFULLY.

ABSK051

ABSK051 is a small molecule CD73 inhibitor being developed for the treatment of various tumor types including lung cancer, pancreatic cancer and other cancers. It has demonstrated strong potency in inhibiting the activities of soluble and surface-expressed CD73. It has also shown strong efficacy in vivo in various animal models.

Current status

We are conducting a Phase I trial in China to assess the safety, tolerability and PK/PD profile of and preliminary antitumor activity of ABSK051 in patients with advanced solid tumors.

In November 2023, the IND approval for a Phase I trial of ABSK051 was obtained from NMPA for the treatment of patients with advanced solid tumors in China.

In January 2024, we completed dosing of the first patient in China. This is a first-in-human, multicenter, open-label Phase I clinical trial for the treatment of advanced solid tumors.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK051 SUCCESSFULLY.

ABSK012

ABSK012 is an orally bioavailable, highly selective, next-generation small molecule FGFR4 inhibitor with strong potency against both wild-type and mutant FGFR4. In preclinical studies, ABSK012 has demonstrated strong activities in vitro and in cells against both wild-type FGFR4 and various FGFR4 mutants that are resistant to current FGFR4 inhibitors in clinical development, and excellent in vivo efficacy in FGF19-driven and FGFR4-mutant models.

Current status

In April 2023, ABSK012 was granted ODD by the U.S. FDA for the treatment of STS.

In November 2023, we obtained IND approval for ABSK012 of a first-in-human Phase I clinical study in patients with advanced solid tumors from the U.S. FDA.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ABSK012 SUCCESSFULLY.

IND-enabling candidates

ABK3376 is a highly potent, selective, and brain-penetrating new-generation EGFR inhibitor, which was discovered by our proprietary drug discovery platform. It can efficiently inhibit the C797S mutation occurring after third-generation EGFR-TKI resistance. It has been licensed out to Allist and we are currently conducting IND-enabling studies.

ABSK131 is a potent and selective a next generation MTA-cooperative and brain-penetrable PRMT5 inhibitor. It was discovered by us through leveraging advanced computation-aided structural analysis and medicinal chemistry design. Development of selective PRMT5*MTA inhibitors may improve not only safety but also therapeutic efficacy. The result of ABSK131 was published at the 35th EORTC in Boston, U.S. The result demonstrated the latest preclinical research progress of the next generation of PRMT5*MTA inhibitors with strong antitumor activity and brain-penetrating activity in various preclinical models. We are currently conducting IND-enabling studies.

Business development activities

At the forefront of our growth strategy lies a specialized team committed to cultivating new avenues for collaboration and expansion. This dedicated business development unit is tasked with identifying and assessing promising opportunities, ranging from licensing agreements to strategic partnerships. By actively engaging in these initiatives, our goal extends beyond mere commercial success; we aspire to unleash the full potential of our innovative drug pipeline while fostering synergistic relationships that drive progress.

In March 2023, we entered into an exclusive out-license agreement with Allist for the research, development, manufacture, use, and sales of ABK3376 (a next-generation EGFR-TKI) in the Greater China region (the Chinese mainland, Hong Kong, Macau and Taiwan). We also granted Allist a time-limited option to expand the licensed territory worldwide in accordance with the terms and conditions agreed upon by both parties. The total deal size is up to US$187.90 million, including upfront development and sales milestones payments, plus tiered royalties on net sales.

In December 2023, we entered into a license agreement with Merck. Under the terms of the license agreement, we granted Merck an exclusive license to commercialize products comprising or containing pimicotinib for all indications in the Chinese mainland, Hong Kong, Macau and Taiwan, and an exclusive option for global commercial rights. In addition, Merck also has the option to co-develop pimicotinib in additional indications under certain conditions. The aggregate amounts of upfront payment, option exercising payment, and payments for development and commercialization milestones will total US$605.5 million. We will also receive double-digit percentage (%) royalties on annual net sales.

In February 2024, we received the one-time, non-refundable upfront payment of US$70 million pursuant to the terms of the license agreement with Merck. In the event that Merck exercises the global commercialization option, Merck will pay our Company an additional option exercising fee.

Research and development

We believe R&D are critical to our future growth and our ability to remain competitive in the Chinese biopharmaceutical market. We are dedicated to enhancing our pipeline by leveraging our leading in-house R&D capabilities, which spans from early drug discovery to clinical development.

As at 31 December, 2023, our R&D team consisted of approximately 218 employees and has extensive clinical development experience, with a particular focus on oncology. Among our R&D team members, over 71% have obtained at least post-graduate degrees, and approximately 20% hold Ph.D. degrees. Among our preclinical R&D team members, approximately 82% have obtained at least postgraduate degrees, and approximately 27% hold Ph.D. degrees.

Drug discovery and preclinical development

Our drug discovery effort is led by our co-founders, Dr. Xu Yao-Chang ("**Dr. Xu**"), Dr. Yu Hongping ("**Dr. Yu**") and Dr. Chen Zhui ("**Dr. Chen**"), who collectively have made contributions to dozens of discovery programs, a number of which led to successful commercialization, such as Ameile (almonertinib), Cymbalta (duloxetine), Balversa (erdafitinib), Reyvow (lasmiditan), Fu Laimei (PEG-loxenatide), Kisqali (ribociclib), Xinfu (flumatinib) and Venclexta (venetoclax).

We use various discovery and engineering technologies to discover and select our lead compounds with suitable pharmaceutical properties and market potential. Our drug discovery team collaborates with our Chemistry, Manufacturing and Controls ("**CMC**") team at an early stage to complement each team's needs and to ensure continued knowledge sharing, regulatory compliance and a streamlined transition from discovery to development. Our drug discovery team also includes a translational medicine function that conducts biomarker discovery and bioinformatics data processing and analysis to facilitate our clinical studies. We conduct translational research to assess the effectiveness of treatment, evaluate different ways to customize therapies, and improve personalized medicine guidelines using the new data generated. These insights help further guide us toward new directions in novel drug and biomarker discovery.

Clinical development

Our clinical development team is led by Dr. Ji Jing, who received a Master's degree in medicine degree from Fudan University and Shanghai Second Medical University, majoring in Gastrointestinal and liver disease. She has over 25 years of experience in early and late-stage clinical development in global pharmaceutical companies, serving as clinical development leader and head of therapy area. She has led and executed a wide range of functions, including medical, clinical operations, quality control, clinical research, clinical pharmacology and patient safety.

Our clinical development team manages all stages of our clinical trials, including clinical trial design, implementation, drug supply, and the collection and analysis of trial data. We have entered into agreements with hospitals and principal investigators located in China, the U.S. and other regions that can support our clinical trials of different indications at different stages. We believe our experience in executing clinical trials helps us accelerate our drug development.

With the vision to address unmet medical needs of global patients, we have always been aiming for the global markets. We believe such going-global approach will maximize the commercial value of our assets, for which we own global rights. We have received around 28 INDs or clinical trial approvals in multiple countries and regions. Trials outside mainland China include three Phase III trials ongoing in the U.S., Canada and Europe for pimicotinib, a Phase I trial ongoing in Australia for ABSK043, three Phase I trials ongoing in the U.S. for ABSK061, ABSK112 and ABSK121 respectively, a completed Phase Ib trial in Taiwan for irpagratinib and a completed Phase Ib/II trial in Taiwan for fexagratinib.

Events after the Reporting Period

Subsequent to December 31, 2023, the significant events that took place are listed below:

In January 2024, pimicotinib was granted ODD by the EMA for the treatment of inoperable TGCT patients. Following the successful ODD granted by the EMA, the product will benefit from incentives, including protocol assistance, fee reductions, procedural advantages for market authorization, and market exclusivity and so on. In addition to the above-mentioned benefits within the European Union, member states may also offer specific stimuli for orphan drugs.

In January 2024, ABSK051 completed the first patient dosing and is about to enter a first-in-human Phase I clinical trial for the treatment of advanced solid tumors in China.

In February 2024, the preliminary results of the first-in-human trial of the selective FGFR2/3 inhibitor ABSK061 were presented orally at the 2024 ESMO TAT.

In February 2024, we received the upfront payment of US$70 million upon the entry into a licensing agreement for pimicotinib with Merck in December 2023. It marked the successful completion of the first step in this collaboration. The receipt of this upfront payment will further bolster our cash reserves and facilitate subsequent pipeline R&D internationalization strategy.

Future and Outlook

In the dynamic landscape of biotechnology, we still believe that the future holds unprecedented promise and potential. Looking ahead, we'll keep exploring and try to seize any opportunity to redefine the realm of possibilities and endeavor to generate sustainable value for all stakeholders.

- *Keep advancing our pipeline*

  Our dedication to advancing our strong pipeline of 16 promising candidates remains firm. As numerous candidates advance through late-stage clinical development and with significant regulatory milestones ahead, we stand ready to meet unmet medical needs and bring groundbreaking therapies to patients globally.

- *Reinforcing strategic partnerships*

  Our dedication to fostering strategic collaborations with leading biopharmaceutical companies, academic institutions, and research organizations continues unabated. By forging alliances that harness complementary expertise and resources, we strive to accelerate innovation and extract maximum value from our partnerships, ultimately benefiting patients and shareholders alike.

- *Investment in research and development*

  Our unwavering commitment to innovation drives our ongoing investments in research and development. We persist in pushing the boundaries of science to deliver breakthrough solutions that address pressing healthcare challenges and drive sustained long-term growth.

- *Remunerating shareholders*

  Recognizing the pivotal role our shareholders play in our journey, we are dedicated to implementing initiatives that reward their trust and support. This includes transparent communication and strategic allocation of resources to optimize returns. We are committed to creating long-term value for our shareholders, ensuring their continued confidence in our mission and vision.

II. FINANCIAL REVIEW

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

	2023	2022
	RMB'000	RMB'000
Revenue	**19,060**	–
Cost of sales	**–**	–
Gross profit	**19,060**	–
Other income and gains	**87,376**	45,563
R&D expenses	**(433,736)**	(378,746)
Administrative expenses	**(96,401)**	(118,443)
Other expenses	**(5,712)**	(41,295)
Finance costs	**(2,170)**	(2,685)
LOSS BEFORE TAX	**(431,583)**	(495,606)
Income tax expenses	**–**	–
LOSS FOR THE YEAR	**(431,583)**	(495,606)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,079)**	774
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**32,885**	199,493
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**31,806**	200,267
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(399,777)**	(295,339)
Loss attributable to:		
Owners of the parent	**(431,583)**	(495,606)
Total comprehensive loss attributable to:		
Owners of the parent	**(399,777)**	(295,339)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted		
For loss for the year	**RMB (0.67)**	RMB (0.80)

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**34,264**	32,364
Right-of-use assets	**35,082**	44,936
Intangible assets	**4,634**	4,505
Other non-current assets	**–**	27
Total non-current assets	**73,980**	81,832
CURRENT ASSETS		
Prepayments and other receivables	**68,993**	55,094
Financial assets at fair value through profit or loss	**918**	93,796
Cash and bank balances	**1,971,491**	2,258,827
Total current assets	**2,041,402**	2,407,717
CURRENT LIABILITIES		
Other payables and accruals	**98,119**	97,585
Derivative financial instruments	**437**	–
Lease liabilities	**10,610**	9,968
Total current liabilities	**109,166**	107,553
NET CURRENT ASSETS	**1,932,236**	2,300,164
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,006,216**	2,381,996
NON-CURRENT LIABILITIES		
Lease liabilities	**25,114**	35,607
Total non-current liabilities	**25,114**	35,607
Net assets	**1,981,102**	2,346,389
EQUITY		
Equity attributable to owners of the parent		
Share capital	**46**	46
Treasury shares	**(4)**	(3)
Other reserves	**1,981,060**	2,346,346
Total equity	**1,981,102**	2,346,389

Revenue. Revenue increased from zero for the year ended December 31, 2022, to RMB19.1 million for the year ended December 31, 2023, primarily attributable to the increased license fee income generated from one of our clinical candidates in 2023.

Other income and gains. Other income and gains increased by RMB41.8 million from RMB45.6 million for the year ended December 31, 2022 to RMB87.4 million for the year end December 31, 2023, primarily attributable to: 1) an increase in bank interest income by RMB30.5 million, resulting from an increase in interest rates of our time deposits; 2) an increase in government subsidies by RMB10.6 million; and 3) an increase in fair value gains on financial assets at fair value through profit or loss by RMB0.7 million, resulting from a wealth management product and forward currency contracts.

Other income and gains

	2023 RMB'000	2022 RMB'000
Bank interest income	65,493	35,018
Government grants	21,177	10,545
Fair value gains on financial assets at fair value through profit or loss	706	–
Total	87,376	45,563

R&D expenses. R&D expenses increased by RMB55.0 million from RMB378.7 million for the year ended December 31, 2022, to RMB433.7 million for the year ended December 31, 2023, primarily attributable to the increase in third party contracting cost by RMB47.2 million as we advanced our clinical trials to later stage while expanding early discovery and research activities at the same time.

R&D expenses

	2023 RMB'000	2022 RMB'000
Employee cost	164,841	167,917
Third party contracting cost	230,797	183,548
Others	38,098	27,281
Total	433,736	378,746

Administrative expenses. Administrative expenses decreased by RMB22.0 million from RMB118.4 million for the year ended December 31, 2022, to RMB96.4 million for the year ended December 31, 2023, primarily attributable to the decrease in employee cost by RMB27.8 million due to the decrease of equity shared base payment expenses charged to administrative expenses.

Administrative expenses

	2023 RMB'000	2022 RMB'000
Employee cost	60,788	88,621
Third party advisory service cost	26,582	20,798
Others	9,031	9,024
Total	96,401	118,443

Finance costs. Finance costs decreased by RMB0.52 million from RMB2.69 million for the year ended December 31, 2022, to RMB2.17 million for the year ended December 31, 2023. The nature of the finance cost is the interest expense incurred on lease liabilities. Decrease in finance cost for the year ended December 31, 2023, is mainly due to the decrease of the interest on lease liabilities.

Other expenses. Other expenses decreased by RMB35.6 million from RMB41.3 million for the year ended December 31, 2022, to RMB5.7 million for the year ended December 31, 2023, primarily due to the fluctuation of foreign exchange differences.

NON-IFRS MEASURE

To supplement the Group's Consolidated Financial Statements, which are presented in accordance with the IFRS, the Company also uses adjusted loss for the year and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The Company believes that these adjusted measures provide useful information to shareholders and potential investors in understanding and evaluating the Group's consolidated results of operations.

Adjusted loss for the year represents the loss for the year excluding the effect of certain non-cash items and onetime events, namely the loss on fair value changes of the convertible redeemable preferred shares and share-based compensation cost. The term adjusted loss for the year is not defined under the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS. The Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. However, the Company believes that this and other non-IFRS measures are reflections of the Group's normal operating results by eliminating potential impacts of items that the management do not consider to be indicative of the Group's operating performance, and thus facilitate comparisons of operating performance from period to period and company to company to the extent applicable.

The table below sets forth a reconciliation of the loss to adjusted loss during the periods indicated:

	2023 **RMB'000**	2022 RMB'000
Loss for the year	**(431,583)**	(495,606)
Added:		
Share-based compensation cost	**47,398**	110,121
Adjusted loss for the year	**(384,185)**	(385,485)

The table below sets forth a reconciliation of the R&D expenses to adjusted R&D expenses during the periods indicated:

	2023 **RMB'000**	2022 RMB'000
R&D expenses for the year	**(433,736)**	(378,746)
Added:		
Share-based compensation cost	**27,807**	65,110
Adjusted R&D expenses for the year	**(405,929)**	(313,636)

The table below sets forth a reconciliation of the administrative expenses to adjusted administrative expenses during the periods indicated:

	2023 ***RMB'000***	2022 RMB'000
Administrative expenses for the year	**(96,401)**	(118,443)
Added:		
Share-based compensation cost	**19,591**	45,011
Adjusted administrative expenses for the year	**(76,810)**	(73,432)

Liquidity and Financial Resources

The Group's cash and bank balances as at December 31, 2023, were RMB1,971.5 million, representing a decrease of 13% compared to RMB2,258.8 million for the year ended December 31, 2022. The decrease was primarily attributable to primarily attributable to continuous expansion and rapid progress of various R&D pipelines.

Gearing ratio

Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. As at December 31, 2023, our gearing ratio was 6% (as at December 31, 2022: 6%).

Other Financial Information

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Future Plans for Material Investments or Capital Assets

Save as disclosed in this report, we do not have any future plans for material investments or capital assets as at the date of this report.

Foreign Exchange Risk

Our financial statements are expressed in RMB, but certain of our financial assets measured at fair value through profit or loss and other payables are denominated in foreign currencies and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Bank Loans and Other Borrowings

As at December 31, 2023, we did not have any bank loans or other forms of borrowings.

Contingent Liabilities

The Group had no material contingent liability as at December 31, 2023.

DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out as follows:

EXECUTIVE DIRECTORS

Dr. XU Yao-Chang, aged 67, is a co-founder of the Group. Dr. Xu founded the Group on April 12, 2016 and was appointed as a Director, Chairman of the Board and Chief Executive Officer (“**CEO**”) of the Company on March 28, 2018. Dr. Xu was designated as an executive Director on June 10, 2021.

Dr. Xu has over 30 years of experience in R&D in oncology and other disease areas. Dr. Xu began his career at the University of Sherbrooke in Canada as a postdoctoral researcher in 1988. He then worked at BioChem Pharma Inc., a company engaged in new drug R&D for anti-virus and antitumor in the early 1990s. Dr. Xu served as senior organic chemist from October 1993 and subsequently Head of Discovery Chemistry Research until January 2006 at Eli Lilly and Company (Lilly), a pharmaceutical company engaged in the development of pharmaceutical products for treatment in areas of oncology, diabetes, immunology and neurodegeneration. From January 2006 to March 2012, Dr. Xu served as the Executive Director at Novartis International AG, a pharmaceutical company principally engaged in the development, manufacture and marketing of branded and generic prescription drugs, active pharmaceutical ingredients (“**APIs**”), biosimilars and ophthalmic products. From March 2012 to March 2016, Dr. Xu served as the General Manager of the Hansoh Pharmaceutical Group Shanghai Research and Development Centre (豪森醫藥集團上海新藥研發中心) of Shanghai Hansoh BioMedical Co., Ltd. (上海翰森生物醫藥科技有限公司) (“**Hansoh Shanghai**”), a subsidiary of 江蘇豪森藥業集團有限公司 (“**Hansoh**”), a pharmaceutical company engaged in the development of pharmaceutical products in areas of antitumor, central nervous system and diabetes. During his tenure at Hansoh, Dr. Xu also served as the Chairman of Hengrui-Hansoh New Drug Discovery Committee (恒瑞－豪森醫藥研發委員會).

Dr. Xu has served as a Director at Abbisko Hong Kong Limited (“**Abbisko Hong Kong**”) since April 2018, a Director and the CEO at Abbisko Therapeutics Co., Ltd. (上海和譽生物醫藥科技有限公司)(“**Abbisko Shanghai**”) since April 2016, a Director at Wuxi Abbisko Biomedical Technology Co., Ltd. (無錫和譽生物醫藥科技有限公司)(“**Abbisko Wuxi**”) since July 2020 and a Director at Abbisko Therapeutics Australia Pty Ltd (“**Abbisko Australia**”) since December 2020, a Director at Beijing Qianyu Therapeutics Co. Ltd. (北京千譽生物醫藥科技有限公司) (Abbisko Beijing) since November 2021, all five of which are wholly-owned subsidiaries of the Company.

Dr. Xu obtained his Bachelor’s degree in chemistry from Nanjing University in the People’s Republic of China (“**PRC**”) in July 1982, and his Doctoral degree in organic chemistry from the University of Chicago in the United States in July 1988. He served as an Industrial Alternate Councilor from 2010 to 2012 for American Chemical Society, the Division of Medicinal Chemistry. He also has been an elected member of the Medicinal Chemistry Committee of the Chinese Pharmaceutical Association.

Dr. YU Hongping, aged 56, is a co-founder of the Group. Dr. Yu founded the Group on April 12, 2016 and was appointed as a Director and Senior Vice President, Chemistry on March 28, 2018. Dr. Yu was designated as an executive Director on June 10, 2021 and was re-designated as Chief Scientific Officer ("**CSO**") in March, 2022.

Dr. Yu worked as a senior research chemist at the Merck Frosst Centre for Therapeutic Research from October 2002 to April 2007, a pharmaceutical company engaged in the development, manufacture and marketing of pharmaceutical drugs, vaccines and animal-health products. From April 2007 to February 2012, Dr. Yu served as a Senior Research Investigator I at Novartis Institutes for BioMedical Research Co., Ltd., a pharmaceutical company engaged in the development, manufacture and marketing of branded and generic prescription drugs, APIs, biosimilars and ophthalmic products. From October 2012 to February 2016, Dr. Yu served as the deputy General Manager of medicinal chemistry at Hansoh Shanghai (formerly known as 上海捷森藥物化學科技有限公司).

Dr. Yu has served as a Director at Abbisko Hong Kong since April 2018 and as a Director at Abbisko Shanghai since April 2016, both of which are wholly-owned subsidiaries of the Company.

Dr. Yu obtained his Bachelor's degree in chemistry and his Master's degree in science from Tsinghua University in the PRC in July 1991 and March 1994, respectively. He obtained his Doctoral degree in chemistry from the University of British Columbia in Canada in November 2000 and was a postdoctoral research fellow at that university between July 2001 and September 2002.

Dr. CHEN Zhui, aged 49, is a co-founder of the Group. Dr. Chen joined the Group on May 23, 2016 and was appointed as a Director and Senior Vice President, Biology in March 28, 2018. Dr. Chen was designated as an executive Director on June 10, 2021 and was re-designated as CSO in March, 2022.

Prior to joining the private healthcare sector, Dr. Chen worked at the University of Texas Southwestern Medical Center in the United States until October 2006. From October 2006 to November 2008, Dr. Chen served as a senior scientist at Abbott Laboratories in the United States. From December 2008 to February 2014, Dr. Chen served as an Investigator II at China Novartis Institutes of BioMedical Research Co., Ltd. From February 2014 to May 2016, he served as an Associate Director in oncology research for Johnson & Johnson.

Dr. Chen has served as a Director at Abbisko Hong Kong since April 2018 and a Director at Abbisko Shanghai since June 2016, both of which are wholly-owned subsidiaries of the Company.

Dr. Chen obtained his Bachelor's degree in biochemistry from the University of Texas in the United States in May 1997. He obtained his Doctoral degree from Duke University in the United States in December 2003. He has been a member of the American Association of Cancer Research since 2007.

NON-EXECUTIVE DIRECTORS

Ms. TANG Yanmin (唐艷旻), aged 51, joined the Company on June 10, 2021 and was designated as a non-executive Director on the same day.

Ms. Tang worked at Asia Baokang Pharmaceutical Consulting (Beijing) Co., Ltd. (亞洲保康藥業諮詢(北京)有限公司) as General Manager of the Beijing office from December 2002 to August 2015. Ms. Tang has been serving as a Partner at Suzhou Qiyuan Equity Investment Management Partnership Enterprise (Limited Partnership) (蘇州啟元股權投資管理合夥企業(有限合夥)) since December 2015. Ms. Tang has been serving as a Director and Vice General Manager of Beijing Sinotau International Pharmaceutical Technology Co., Ltd. (北京先通國際醫藥科技股份技術有限公司) and a Director of Beijing Sinotau Pharmaceutical Technology Co., Ltd. (北京先通生物醫藥技術有限公司) since May 2016. Since March 2019, Ms. Tang has also served as a Director of Sinocelltech Group Ltd (北京神州細胞生物技術集團股份公司) (Shanghai Stock Exchange stock code: 688520). Ms. Tang is also currently a Director of Sino Biological Inc. (北京義翹神州科技股份有限公司) and a Director of Suzhou Keyu Biotechnology Limited (蘇州克愈生物科技有限公司). She has been serving as non-executive Director of Jacobio Pharmaceuticals Group Co., Ltd. (HKEX Stock Code: 1167) and a Director of Jacobio Pharmaceuticals Co., Ltd. and Jacobio (HK) Pharmaceuticals Co., Limited since August 2018. Ms. Tang also serves as a Director of Cure Genetics Co., Ltd (蘇州克睿基因生物科技有限公司). Ms. Tang has also been serving as a Director of Guangdong Xiantong Molecular Imaging Technology Co., Ltd. (廣東先通分子影像科技有限公司) since September 2020.

Ms. Tang obtained her Bachelor's degree in pharmacy in English from Shenyang Pharmaceutical University (瀋陽藥科大學) in the PRC in July 1996 and her Master's degree in business administration for senior management from Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. SUN Piaoyang (孫飄揚), aged 65, was appointed as an independent non-executive Director on September 30, 2021.

Dr. Sun has served as a Director and a member of the strategic committee of Jiangsu Hengrui Pharmaceuticals Co., Ltd. (江蘇恒瑞醫藥股份有限公司) (Shanghai Stock Exchange Code: 600276) ("**Jiangsu Henrui Pharmaceuticals**") since March 2003 and as the Chairman of the Board of Jiangsu Hengrui Pharmaceuticals from 2003 to January 2020 and from August 2021 until now. Dr. Sun has served as the Chairman of the Board and an executive Director of Jiangsu Hengrui Pharmaceutical Group Co., Ltd. (江蘇恒瑞醫藥集團有限公司) since February 2020.

Dr. Sun obtained his Bachelor's degree in pharmaceutical chemistry from China Pharmaceutical University in the PRC in July 1982. He obtained his Doctoral degree in organic chemistry from Nanjing University in December 2004.

Mr. SUN Hongbin (孫洪斌), aged 48, was appointed as an independent non-executive Director on September 30, 2021.

Mr. Sun has served as an independent non-executive Director of New Century Healthcare Holding Co. Limited (HKEX Stock Code: 1518) since December 2016. He has served as an independent non-executive Director of CStone Pharmaceuticals (HKEX Stock Code: 2616) since February 2019. He has served as an independent non-executive Director of Mobvista Inc. (HKEX Stock Code: 1860) since July 2020. Mr. Sun was appointed as a Director of Shanghai MicroPort MedBot (Group) Co., Ltd. (HKEX Stock Code: 2252) in April 2020 and redesignated as a non-executive Director of MedBot in June 2021. He has also served as Chairman of the Board of Directors of MedBot. He has been the chief financial officer ("**CFO**") of MicroPort Scientific Corporation (微創醫療科學有限公司), a company listed on the Stock Exchange (HKEX Stock Code: 0853), since July 2010 and served as its executive Director from July 2010 to September 2012. Mr. Sun has over 23 years of finance and audit experience. Mr. Sun was the deputy Financial Director of Otsuka (China) Investment Co., Ltd. (大冢(中國)投資有限公司) from January 2004 to January 2006 and served as its General Manager from January 2006 to August 2010. From August 1998 to January 2004, he was an Assistant Manager in the audit department of KPMG Huazhen (畢馬威華振會計師事務所) in Shanghai.

Mr. Sun obtained his Bachelor's degree in accounting from Shanghai Jiaotong University in the PRC in July 1998. Mr. Sun became a member of the Chinese Institute of Certified Public Accountants in December 2009 and became a Chartered Financial Analyst in April 2010.

Mr. WANG Lei (王磊), aged 51, was appointed as an independent non-executive Director of the Company on September 30, 2021.

Mr. Wang worked at Shanghai Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司) from 1996 to 2013, as Virology/Osteoporosis/Anemia Business Unit Vice President, International Product Manager, National Sales Manager and Strategic Marketing Business Leader, consecutively.

Mr. Wang joined AstraZeneca China in 2013 as Vice President for GI, Respiratory, Anaesthesia and was promoted to President of AstraZeneca China in 2015. In 2017, Mr. Wang was appointed as Executive Vice President, International Region and China Country President.

Mr. Wang holds an EMBA from China Europe International Business School, and a Bachelor of Arts from Shanghai International Studies University in the PRC. Mr. Wang is the Member of the 12th Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference and the Member of the 16th Wuxi Municipal People's Congress. Mr. Wang serves as the Vice Chairman of the Federation of Enterprises and Entrepreneurs in Shanghai Pudong New District (上海市浦東新區企業、企業家聯合會) and Council Member of Shanghai Yangtze River Delta Institute of Business Innovation (上海長三角商業創新研究院).

SENIOR MANAGEMENT

Dr. JI Jing (嵇靖), aged 53, joined the Group as Chief Medical Officer on February 1, 2021 and is responsible for leading cross-functional teams and overseeing company-wide clinical development and regulatory strategies.

Dr. Ji worked as a doctor at Shanghai First People's Hospital from July 1995 to December 1997. She served as the Clinical Research Manager at Merck Sharp & Dohme, a pharmaceutical company engaged in the development of vaccines, medicines and health products, from December 1997 to March 2003. From September 2003 to September 2005, Dr. Ji served as the Clinical Development Manager at Sanofi S.A., a biopharmaceutical company engaged in manufacture of pharmaceutical products. From June 2006 to January 2010, Dr. Ji served as the Head of Medical Affairs at GlaxoSmithKline plc, a pharmaceutical company engaged in the development, manufacture and marketing of pharmaceutical products. From January 2010 to April 2015, Dr. Ji served as Medical Director in early clinical development at Johnson & Johnson Medical (Shanghai) Ltd. (強生(上海)醫療器材有限公司), a pharmaceutical company that engaged in the development of medical devices, pharmaceuticals, and consumer packaged goods. From April 2015 to May 2020, Dr. Ji served as the Head of Cardiovascular, Renal and Metabolism Therapy Area and Vice President at AstraZeneca plc, a pharmaceutical and biotechnology company engaged in the development and manufacture of pharmaceutical products. From May 2020 to January 2021, Dr. Ji served as the Senior Vice President of medical and clinical development at Shanghai Lianbio Development Co., Ltd. (上海聯拓生物科技有限公司).

Dr. Ji obtained her Bachelor of Medicine degree from Fudan University and Shanghai Second Medical University in the PRC in July 1993 and Master's degree in medicine from Fudan University and Shanghai Second Medical University in the PRC in July 1995.

Dr. ZHANG Zhen (張臻), aged 50, joined the Group as Vice President and Head of CMC on April 1, 2021 and is responsible for overseeing the Group's chemistry, manufacturing and controls in the drug development cycle. Dr. Zhang served as a Senior Director of the research and development department of Shanghai Chempartner Co. Ltd. from December 2009 to January 2013. He served as the Director at Stability China of Bristol Myers Squibb from January 2013 to July 2013. He served as a Director of small molecule development at Johnson & Johnson from July 2013 to March 2021.

Dr. Zhang obtained his Bachelor of Science degree in chemistry from Nanjing University in the PRC in July 1994. He obtained his Doctoral degree from the Rutgers University in the United States in October 2002.

Dr. ZHANG Zidong (張子棟), aged 44, joined the Group as CFO on May 16, 2022, and is responsible for the the Company's financial management, capital market, investor relations and other related activities. He served as the CFO at Novotech Health Holdings Pte. Ltd. prior to joining the Group, overseeing all aspects of financial management. He also previously served as the CFO at Shanghai Henlius Biotech, Inc. (a company listed on the main Board of The Stock Exchange of Hong Kong Limited (HKEX Stock Code: 2696), where he built and managed the finance team and played a crucial role in its initial public offering in 2019. Prior to that, Dr. Zhang was an equity analyst at UBS in New York, covering U.S. large cap and specialty pharmaceutical sector. He also served as a senior consultant for Bayer A.G. in its healthcare group. Before entering the industry, Dr. Zhang conducted his postdoctoral research in diabetes-related drug discovery at Boston University.

Dr. Zhang obtained his Bachelor's degree in chemistry from Fudan University and Master's degree of business administration from Duke University in the United States. He obtained his Doctoral degree in biochemistry from Boston University.

PRINCIPAL ACTIVITIES

We are a clinical-stage biopharmaceutical company dedicated to the discovery and development of innovative and differentiated small molecule oncology therapies. Since our inception in 2016, we have strategically designed and developed a pipeline of 16 candidates focused on oncology, including 10 candidates at clinical stage. Our product candidates are primarily small molecules that focus on small molecule precision oncology and small molecule immuno-oncology therapeutic areas.

There were no significant changes in the nature of the Group's principal activities during the Reporting Period. Please refer to note 1 to the consolidated financial statements on page 103 of this report for details of the principal activities of the principal subsidiaries of the Group.

BUSINESS REVIEW

A fair review of the business of the Group, the outlook of future development of the business of the Group as well as a discussion and analysis of the Group's performance during the Reporting Period and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Companies Ordinance can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this report. The financial risk management objectives and policies of the Group are set out in note 31 to the consolidated financial statements.

For further details, please refer to the section headed "Management Discussion and Analysis" on pages 14 to 31.

RESULTS AND FINAL DIVIDENDS

Details of the consolidated loss of the Group for the Reporting Period and the Group's financial position as at December 31, 2023 are set out in the consolidated financial statements.

The Board does not recommend payment of a final dividend for the year ended December 31, 2023. No dividend was paid or declared by the Company or other members of the Group during the year ended December 31, 2023 (2022: nil). In addition, there was no arrangement under which a Shareholder has waived or agreed to waive any dividends.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth.

For further details, please refer to the Company's "2023 Environmental, Social and Governance (ESG) Report" ("**ESG Report**").

PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks involved in our operations, many of which are beyond our control. Some of the major risks we face include:

- We face fierce competition from existing products and product candidates under development in the entire oncology market. Our competitors may discover, develop or commercialize competing drugs earlier or more successfully than we do. If we fail to effectively compete with our competitors, our competitive position in our target markets may be undermined, our drug candidates, if and when approved, may fail to be commercially successful and our business, financial condition, results of operations and prospects could suffer;

- Our business and financial prospects depend substantially on the success of our clinical stage and preclinical stage drug candidates. If we are unable to successfully complete their clinical development, obtain relevant regulatory approvals or achieve their commercialization, or if we experience significant delays in any of the foregoing, our business, results of operations and financial condition may be adversely affected;

- We rely on certain third-party licensors for some of our clinical development activities;

- If safety, efficacy or other issues arise with any drug or medical product used in combination with or to facilitate the use of our drug candidates, we may be unable to market such drug candidate or may experience significant regulatory delays;

- We may be restricted from transferring our scientific data abroad;

- We have incurred significant net losses since our inception, and expect to continue to incur net losses for the foreseeable future and may not be able to generate sufficient revenue to achieve profitability. Potential investors are at risk of losing substantially all of their investments in our Shares;

- We have net operating cash outflow; and

- Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our convertible redeemable preferred shares.

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.

DIRECTORS

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

Executive Directors

Dr. Xu Yao-Chang (徐耀昌博士)
Dr. Yu Hongping (喻紅平博士)
Dr. Chen Zhui (陳椎博士)

Non-Executive Directors

Dr. Xia Gavin Guoyao (夏國堯博士) (resigned as a non-executive Director with effect on June 19, 2023)
Ms. Tang Yanmin (唐艷旻女士)

Independent Non-Executive Directors

Dr. Sun Piaoyang (孫飄揚博士)
Mr. Sun Hongbin (孫洪斌先生)
Mr. Wang Lei (王磊先生)

In accordance with Article 16.19 of 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 by rotation at every Annual General Meeting ("**AGM**") and, being eligible, offer themselves for re-election.

In accordance with Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a causal vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first AGM of the Company after his appointment and shall then be eligible for re-election at that meeting.

In accordance with Article 16.3 of the Articles of Association, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors.

Details of the Directors to be re-elected at the forthcoming AGM are set out in the circular to Shareholders to be dispatched in due course.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 32 to 36 of this report.

CHANGES IN INFORMATION OF DIRECTORS

So far as the Directors are aware and save as disclosed in this report, there has been no other change of information of Directors during the Reporting Period pursuant to Rule 13.51B(1) of the Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Dr. Sun Piaoyang, Mr. Sun Hongbin and Mr. Wang Lei, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors have been independent during the year ended December 31, 2023 and remain so as at the date of this report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

As at December 31, 2023, we had approximately 258 employees. Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security contributions and other welfare payments. In accordance with applicable PRC laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees in the PRC. During the Reporting Period, no forfeited contributions had been used by the Group to reduce the existing level of contributions.

We have developed a systematically training structure, which covers both management and professional career development paths. Our employees regularly receive training from management, technology, regulatory and other internal speakers and external consultants. Our employees can also improve their skills through mutual learning among colleagues. New employees will receive pre-job and general training sessions.

Our Directors receive compensation in the form of fees, salaries, bonuses, other allowances, benefits in kind, contribution to the pension scheme and other share-based compensation. We determine the compensation of our Directors based on each Director's responsibilities, qualification, position and seniority. Details of the Directors' remuneration during the year are set out in note 9 to the consolidated financial statements. No amount was paid to any Director or any of the five highest paid individual disclosed in note 10 to the consolidated financial statements as an inducement to join or upon joining the Company or as a compensation for loss of office. In addition, there was no arrangement under which a Director waived or agreed to waive any remuneration.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Articles of Association provide that the Directors or other officers of the Company are entitled to be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Reporting Period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the Reporting Period and up to the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to the date of this report between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed in this report, each of the Directors confirms that during the Reporting Period and up to the date of this report, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules. 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As far as the Company is aware, as at December 31, 2023, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Name of Director or chief executive officer	Nature of Interest	Total number of shares/ underlying shares	Approximate Percentage of Shareholding Interest[2]
Dr. Xu Yao-Chang[3]	Founder of discretionary trust; interest in controlled corporation; interests held jointly with another person; interest of a party to an agreement regarding interest in our Company; beneficial owner	118,307,676(L)[1]	16.85%
Dr. Chen Zhui[3]	Founder of discretionary trust; interest in controlled corporation; interests held jointly with another person; interest of a party to an agreement regarding interest in our Company; beneficial owner	118,307,676 (L)[1]	16.85%
Dr. Yu Hongping[3]	Interest in controlled corporation; interests held jointly with another person; interest of a party to an agreement regarding interest in our Company; beneficial owner	118,307,676 (L)[1]	16.85%

Notes:

(1) "L" means holding a long position in Shares.

(2) Refers to the percentage of the number of relevant Shares involved divided by the total number of Shares in issue of the Company as at December 31, 2023, being 702,199,350 Shares.

(3) Includes (1) Dr. Xu is the settlor of a discretionary trust, the Xu Family Trust, of which Trident Trust Company (HK) Limited acts as its trustee and the beneficiaries of which are Dr. Xu's family members. Yaochang Family Holding Limited is wholly owned by Hery International Development Limited, which is in turn wholly owned by Trident Trust Company (HK) Limited as the trustee of the Xu Family Trust. Each of Dr. Xu (as settlor of the Xu Family Trust), Trident Trust Company (HK) Limited and Hery International Development Limited are deemed to be interested in the 70,290,520 Shares in the Company held by Yaochang Family Holding Limited.; and (2) Dr. Xu directly holds 11,054,054 Shares.

Includes (1) Dr. Chen is the settlor of a discretionary trust, the Zabuye Trust, of which Trident Trust Company (HK) Limited acts as its trustee and the beneficiaries of which are Dr. Chen's family members. Chogir Limited is wholly owned by Zabuye Limited, which in turn is wholly owned by Trident Trust Company (HK) Limited as the trustee of the Zabuye Trust. Jamdrok Limited is wholly owned by Dr. Chen. Each of Dr. Chen (as the settlor of the Zabuye Trust), Trident Trust Company (HK) Limited and Zabuye Limited are deemed to be interested in the 4,948,690 Shares in the Company held by Chogir Limited.; (2) Dr. Chen is also deemed to be interested in the 4,948,680 Shares in the Company held by Jamdrok Limited; and (3) Dr. Chen directly holds 8,592,681 Shares.

Includes (1) Dr. Yu through his interest in controlled corporation, Panorama HY Investment Limited, held 9,897,370 Shares and (2) Dr. Yu directly holds 8,575,681 Shares.

Dr. Xu, Dr. Yu and Dr. Chen entered into an acting-in-concert agreement on May 26, 2021, pursuant to which they acknowledged and confirmed that (i) since 2016, each of Dr. Xu, Dr. Yu, Dr. Chen and their controlled entities has been acting in concert at the Shareholders' meetings of Abbisko Therapeutics Co., Ltd. and the Company; (ii) they will continue to act in concert at the Shareholders' meeting of the Company; and (iii) in the event that the parties are unable to reach consensus on matters of the Company, each of the parties shall exercise their respective voting rights in accordance with the instructions of Dr. Xu. As such, each of Dr. Xu, Dr. Chen and Dr. Yu (i.e. the "Concert Parties") are deemed to be interested in the Shares each other is interested in.

As Dr. Xu had exercisable voting power over such shares which were held by Computershare Hong Kong Trustees Limited and Futu Trustee Limited, Dr. Xu, Dr. Chen and Dr. Yu were deemed to be interested in shares held by Computershare Hong Kong Trustees Limited and Futu Trustee Limited. According to disclosure of interest filings of Dr. Xu, Dr. Chen and Dr. Yu during the Reporting Period, Dr. Xu ceased to be entitled to instruct Computershare Hong Kong Trustees Limited and Futu Trustee Limited to exercise their voting rights in respect of such shares held by them. As such, Dr. Xu, Dr. Chen and Dr. Yu ceased to be deemed to be interested in shares held by Computershare Hong Kong Trustees Limited and Futu Trustee Limited.

Save as disclosed above, as at December 31, 2023, none of the Directors or chief executives of the Company had or was deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO; or which were required, pursuant to the Model Code as contained in Appendix C3 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2023, to the best of the knowledge of the Company and the Directors, the following are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

Name of Shareholder	Nature of Interest	Total number of shares/ underlying shares	Approximate Percentage of Shareholding Interest[2]
LAV GP III, L.P.[3]	Interest in controlled corporation	41,854,060 (L)[1]	5.96%
LAV Corporate GP, Ltd.[3]	Interest in controlled corporation	41,854,060 (L)[1]	5.96%
Yi Shi[3]	Interest in controlled corporation	67,143,790 (L)[1]	9.56%
Qiming Venture Partners VI, L.P.[4]	Beneficial owner	47,323,020 (L)[1]	6.74%
Qiming Corporate GP VI, Ltd[4]	Interest in controlled corporation	48,596,400 (L)[1]	6.92%
Elbrus Investments Pte. Ltd.[5]	Beneficial owner	17,081,460 (L)[1]	2.43%
Temasek Holdings (Private) Limited[5]	Interest in controlled corporation	23,307,460 (L)[1]	3.32%
Trident Trust Company (HK) Limited[6]	Trustee	75,239,210 (L)[1]	10.71%
Futu Trustee Limited[6]	Trustee	42,076,438 (L)[1]	5.99%
Morgan Stanley[7]	Interest in controlled corporation	52,486,000 (L)[1] 21,108,000 (S)[1]	7.47% 3.01%

Notes:

(1) "L" means holding a long position in Shares, while "S" means holding a short position in Shares.

(2) Refers to the percentage of the number of relevant Shares involved divided by the total number of Shares in issue of the Company as at December 31, 2023, being 702,199,350 Shares.

(3) Absolute Investment Limited, Sky Infinity Investment Limited and LAV Biosciences Fund V, L.P. directly owns 27,902,700 Shares, 13,951,360 Shares and 11,235,730 Shares respectively. Absolute Investment Limited is wholly-owned by LAV Biosciences Fund III, L.P.. Sky Infinity Investment Limited is wholly-owned by Lilly Asia Ventures Fund III, L.P.. The general partner of both LAV Biosciences Fund III, L.P. and Lilly Asia Ventures Fund III, L.P. is LAV GP III, L.P., whose general partner is LAV Corporate GP, Ltd., a company owned by Yi Shi. LAV Biosciences Fund V, L.P. is a Cayman exempted limited partnership fund. The general partner of LAV Biosciences Fund V, L.P. is LAV GP V, L.P., whose general partner is LAV Corporate V GP, Ltd., a company owned by Yi Shi.

Each of LAV Star Limited, LAV Star Opportunities Limited and LAV Amber Limited directly owns 5,782,000 Shares, 5,782,000 Shares and 2,490,000 Shares. LAV Star Limited is wholly-owned by LAV Fund VI, L.P. and LAV Star Opportunities Limited is wholly-owned by LAV Fund VI Opportunities, L.P.. The ultimate beneficial owner of LAV Star Limited and LAV Star Opportunities Limited is Yi Shi. LAV Amber Limited is wholly owned by LAV Biosciences Fund V, L.P..

Based on the above, under the SFO, LAV Biosciences Fund III, L.P. is deemed to be interested in the 27,902,700 Shares held by Absolute Investment Limited. Each of LAV GP III, L.P. and LAV Corporate GP, Ltd. (through its interests in controlled corporations) is interested in the 27,902,700 Shares held by Absolute Investment Limited and the 13,951,360 Shares held by Sky Infinity Investment Limited. LAV Biosciences Fund V, L.P. is deemed to be interested in the 2,490,000 Shares held by LAV Amber Limited. Yi Shi (through his interests in controlled corporations) is deemed to be interested in the 27,902,700 Shares held by Absolute Investment Limited, the 13,951,360 Shares held by Sky Infinity Investment Limited and the 11,235,730 Shares LAV Biosciences Fund V, L.P. is interested in.

(4) Qiming Venture and Qiming Managing directly owns 47,323,020 Shares and 1,273,380 Shares respectively. Each of Qiming Venture and Qiming Managing is an exempted limited partnership managed and controlled by its ultimate general partner Qiming Corporate GP VI, Ltd.. Based on the above, under the SFO, Qiming Corporate GP VI, Ltd. is deemed to be interested in (through its interests in controlled corporations) the 47,323,020 Shares and 1,273,380 Shares held by Qiming Venture and Qiming Managing respectively.

(5) Elbrus Investments directly owns 17,081,460 Shares. Elbrus Investments is a company incorporated in Singapore, being a wholly-owned subsidiary of Temasek Life Sciences Private Limited, which is in turn a wholly-owned subsidiary of Fullerton Management Pte Ltd, which is in turn a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Under the SFO, each of Temasek Life Sciences Private Limited, Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited is deemed to be interested in (through their interests in controlled corporations) the 17,081,460 Shares held by Elbrus Investments.

In addition, taking into account 6,226,000 Shares directly owned by Aranda Investments Pte. Ltd., an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited, Temasek Holdings (Private) Limited is deemed to be interested in the 6,226,000 Shares held by Aranda Investments Pte. Ltd.

(6) Please refer to note 3 to the table under the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" as disclosed in this report.

(7) Morgan Stanley & Co. International plc directly holds 52,486,000 and 21,108,000 in long position and short position in Shares respectively. Morgan Stanley & Co. International plc is directly wholly owned by Morgan Stanley Investments (UK), which is in turn wholly owned by Morgan Stanley International Limited, which is in turn wholly owned by Morgan Stanley International Holdings Inc., which is in turn wholly owned by Morgan Stanley. Therefore, Morgan Stanley is deemed to be interested in the 52,486,000 long position in Shares and 21,108,000 short position in Shares held by Morgan Stanley & Co. International plc.

Save as disclosed above, as at December 31, 2023, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

LARGEST SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

At no time during the Reporting Period had the Company or any of its subsidiaries, and its largest Shareholders of the Company or any of their subsidiaries (as the case may be) entered into any contract of significance or any contract of significance for the provision of services by any such largest Shareholders or their subsidiaries (as the case may be) to the Company or any of its subsidiaries.

EQUITY INCENTIVE PLANS

2019 Share Incentive Plan

The 2019 Share Incentive Plan was a pre-IPO share incentive plan adopted and approved by resolutions in writing by the Board and the Shareholders on July 4, 2019 and was further amended on June 10, 2021. The purpose of the 2019 Plan is to attract and retain the best available personnel and to provide additional incentives to employees, Directors and consultants of the Company and to promote the success of the Company's business. All shares underlying the awards and options which may be granted under the 2019 Plan have been allotted and issued prior to the listing of the Company's shares on the Stock Exchange. No further shares of the Company would be or have been issued pursuant to the 2019 Plan after the listing of the Company's shares on the Stock Exchange.

1. *Summary of terms*

   (a) *Duration*

   The 2019 Plan shall be valid and effective for the period of ten years commencing from the adoption date after which period no further options, share appreciation right, dividend equivalent right, restricted shares and restricted share units (the "**Award**") will be granted, unless terminated sooner. Therefore, as at December 31, 2023, the remaining life of the 2019 Plan was approximately 5.5 years.

   (b) *Participants*

   The participants of the 2019 Plan include employees who are in the employment of the Company and its affiliates, Directors and consultants of the Company and its affiliates.

   (c) *Administration*

   The 2019 Plan shall be subject to the administration of (i) the Board; (ii) one of the officers or Directors or a committee designated by the Board (the "**Administrator**"); and (iii) the Shareholders. The Board shall have the authority to (i) approve the 2019 Plan and the separate programs under the 2019 Plan; (ii) select the core management team and Directors to which Awards may be granted from time to time; (iii) to determine whether and to what extent the Awards are granted for the core management team and Directors; (iv) to determine the type or the number of Awards to be granted for the core management team and Directors and the number of shares to be covered by each Award granted; (v) to determine the terms and conditions of any Award granted for the core management team and Directors; (vi) amend the terms of any outstanding Award granted for the core management team and Directors under the 2019 Plan; (vii) amend, suspend or terminate the 2019 Plan at any time provided, however, that no such amendment shall be made without the approval of the Shareholders to the extent that such approval is required by the applicable laws; (viii) terminate the grant of Award during any suspension of the 2019 Plan or after termination of the 2019 Plan; and (ix) to take such other major action, not inconsistent with the terms of the 2019 Plan and the applicable laws, as the Board deems appropriate, such as the early exercise of the Awards and the loan plan and the amount of consideration to be covered by each Award granted. The Shareholders shall have the power to approve and determine the maximum aggregate number of ordinary shares which may be issued pursuant to all Awards under the 2019 Plan.

The Administrator shall have the authority to (i) propose amendments to the 2019 Plan and separate programs under the 2019 Plan and report the propose amendments of the 2019 Plan to the Board for approval; (ii) to select employees (not including the core management team and consultants) whom Awards may be granted from time to time; (iii) to determine whether and to what extent Awards are granted for the employees (not including the core management team and consultants); (iv) to determine the type or the number of Awards to be granted for the employees (not including the core management team and consultants), the number of ordinary shares to be covered by each Award; (v) to approve forms of Award agreements for use under the 2019 Plan and the separate programs and to amend the terms of the Award agreements; (vi) to determine the terms and conditions of any Award granted for the employees (not including the core management team and consultants); (vii) to amend the terms any outstanding Award granted for the employees (not including the core management team) and consultants under the 2019 Plan; (viii) to construe and interpret the terms of the 2019 Plan and Awards; and (ix) to take such other action, not inconsistent with the terms of the 2019 Plan and the applicable laws, as the Administrator deems appropriate.

(d) Award Agreement, Exercise Period and Vesting Period

Each Award granted under the 2019 Plan shall be evidenced by an award agreement between the Company and the eligible participant, approved by the Administrator and the Board.

The Awards to be issued under the 2019 Plan shall be subject to the vesting schedule and exercise period as specified in the award agreement. The Board shall have the right to adjust the vesting schedule of the options granted to the grantees.

(e) Type of Award

The 2019 Plan provides for awards of options, share appreciation right, dividend equivalent right, restricted share and restricted share units ("**RSUs**").

(i) **Options**. Subject to the 2019 Plan, the Administrator or the Board (as the case may be) shall be entitled to make an offer to any eligible participant to take up options in respect of such number of Shares as the Administrator may determine and at the exercise price determined by the Administrator or the Board (as the case may be) in its sole discretion and disclosed in the notices of stock option award and the award agreement. An option shall be deemed exercised when the Company receives (i) application from the eligible participant to the Company in the specified incentive management systems; and (ii) full payment for the Shares with respect to which the option is exercised. The period within which the option may be exercised by the grantee under the 2019 Plan is subject to the terms and conditions as set out in the notices of stock option award and the award agreement.

(ii) **Share Appreciation right and dividend equivalent right**. Subject to the 2019 Plan, the Administrator or the Board (as the case may be) shall be entitled to make an offer to any eligible participant to take up share appreciation right or dividend equivalent right in respect of such number of Shares as the Administrator may determine and at the exercise or purchase price determined by the Administrator or the Board (as the case may be) in its sole discretion and disclosed in the award agreement.

(iii) **Restricted Share**. Subject to the 2019 Plan, a restricted share may be issued to the eligible participant for such consideration, if any, and subject to such restrictions on transfer, rights of first refusal, repurchase provisions, forfeiture provisions, and other terms and conditions established by the Administrator or the Board (as the case may be).

(iv) **Restricted Share Units**. A restricted share unit may be earned in whole or in part upon the passage of time or the attainment of performance criteria established by the Administrator or the Board (as the case may be) and may be settled for cash, Shares or other securities or a combination of cash, Shares or other securities as established by the Administrator or the Board (as the case may be).

(f) Payment

The consideration to be paid for the Shares to be issued upon exercise or purchase of an Award including the method of payment, shall be determined by the Board according to the specific circumstances and subject to the applicable laws. The tax withholding to be paid for the Shares shall be determined according to the provisions in the 2019 Plan and the applicable laws.

(g) Non-transferability of Awards

Subject to the applicable laws, the Awards shall not be transferrable unless otherwise approved by the Administrator. Upon the Administrator's approval, the eligible participant may designate one or more beneficiaries of the eligible participant's award in the event of the participant's death on a beneficiary designation form provided by the Administrator.

(h) Maximum number of ordinary shares

Subject to the terms of the 2019 Plan, the maximum aggregate number of ordinary shares which may be issued pursuant to all Awards was 8,360,280 Shares (which was subsequently adjusted to 83,602,800 Shares upon completion of the Share Subdivision), or any other share as approved by the Board or the Shareholders' meeting according to the Shareholders' agreement and the Articles of Association of the Company. As at January 1, 2023, (i) the aggregate number of underlying ordinary shares pursuant to the outstanding options and RSUs granted under the 2019 Plan was 33,781,395 Shares; and (ii) the aggregate number of underlying ordinary shares pursuant to the RSUs available for grant under the 2019 Plan was 20,509,891 Shares. As at December 31, 2023, (i) the aggregate number of underlying ordinary shares pursuant to the outstanding options and RSUs granted under the 2019 Plan was 31,243,452 Shares; and (ii) the aggregate number of underlying ordinary shares pursuant to the RSUs available for grant under the 2019 Plan was 20,562,241 Shares. No shares are available for issue under the 2019 Plan, as all shares underlying the the awards and options which may be granted under the 2019 Plan have already been allotted and issued. No service provider sublimit has been set for the 2019 Plan.

Unless approved by the Shareholders in general meeting, the total number of the ordinary shares issued and to be issued upon the vesting or exercise of the Awards granted to each participant in any 12-month period shall not exceed 1% of the Shares in issue for the time being.

On December 16, 2019, 910,676 ordinary shares were issued to Affluent Bay Limited, which was owned and managed by The Core Trust Company Limited (匯聚信託有限公司), the trustee of Affluent Bay Trust. On September 18, 2021, 3,705,480 ordinary shares were issued to Computershare Hong Kong Trustees Limited, the trustee of Abbisko Cayman Limited Trust, and were transferred out to share award scheme participants as of December 7, 2022. On September 18, 2021, 1,909,023 ordinary shares were issued to Abbisko Galaxy Myth Limited and on September 18, 2021, 1,835,101 ordinary shares were issued to Abbisko Glorious Ode Limited, both of which were owned and managed by Futu Trustee Limited, the trustee of Abbisko Galaxy Myth Trust and Abbisko Glorious Ode Trust. The Affluent Bay Trust, Abbisko Cayman Limited Trust, Abbisko Galaxy Myth Trust and Abbisko Glorious Ode Trust are all trusts set up by the Company to facilitate the administration of the ordinary shares Incentive Plan. Above mentioned share numbers were made corresponding changes upon completion of the Company's Share Subdivision. In July 2023, the remaining shares held by Affluent Bay Trust were transferred to Futu Trustee Limited.

(i) Change in Control

In the event of a Corporate Transaction, each Award can be assumed or replaced immediately prior to the specified effective date of such Corporate Transaction. For the portion of each Award that is neither assumed or substituted, such portion of the Award shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights for all of the ordinary shares at the time represented by such portion of the Award, immediately prior to the specified effective date of such Corporate Transaction, provided that the eligible participant's continuous service has not terminated prior to such date. All outstanding Awards under the 2019 Plan shall terminate effective upon the consummation of a Corporate Transaction, provided however that all such Awards shall not terminate to the extent that they are assumed or replaced in connection with the Corporate Transaction.

For the above purpose, a "Corporate Transaction" means the following events as determined by the Board: (i) a merger, amalgamation, consolidation or other business combination of the Company with or into any person, in which the Company is not the surviving entity, as a result of which the Shareholders of the Company immediately prior to such transaction will cease to own a majority of the voting power of the surviving entity immediately after consummation of such transaction; (ii) the sale, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company and its Subsidiaries and Affiliates; (iii) the complete liquidation or dissolution of the Company; (iv) any reverse merger or series of related transactions culminating in a reverse merger in which the Company is the surviving entity but the ordinary shares outstanding immediately prior to such merger are converted or exchanged by virtue of the merger into other property, whether in the form of securities, cash or otherwise, or in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person different from those who held such securities immediately prior to such merger or the initial transaction culminating in such merger but excluding any such transaction or series of related transactions that the Board determines shall not be a Corporate Transaction; or (v) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities, but excluding any such transaction or series of related transactions that the Board determines shall not be a Corporate Transaction.

2. *Outstanding options, share appreciation right, dividend equivalent right, restricted shares and RSUs*

As at December 31, 2023, the aggregate number of underlying ordinary shares pursuant to the outstanding options granted was 9,396,452 Shares, representing approximately 1.34% of the total issued Shares. The exercise price of all the options granted under the 2019 Plan is between RMB0.01 and RMB2.61/HKD2.87 per share. No options under the 2019 Plan have been or could be granted after the Listing Date.

As at December 31, 2023, the aggregate number of underlying ordinary shares pursuant to the outstanding RSUs granted under the 2019 Plan is 21,847,000 Shares, representing approximately 3.11% of the total issued Shares.

As at December 31, 2023, no shares appreciation right or dividend equivalent right had been granted pursuant to the 2019 Plan.

3. Movements of the Awards

Details of movements of share options under the 2019 Plan during the year ended December 31, 2023 are as follows:

Name of Participant or Category of Participant	Date of grant	Closing price of shares immediately before the date on which the options were granted	Number of shares underlying options: outstanding as of the beginning of the Reporting Period	granted during the Reporting Period	lapsed during the Reporting Period	cancelled during the Reporting Period	exercised during the Reporting Period	outstanding as of the ending of the Reporting Period	Vesting period	Exercise period	Exercise price	Performance targets
Directors												
Xu Yao-Chang	December 1, 2019	N/A	74,455	0	0	0	0	74,455	Note 2	Note 4	HKD2.87	Note 7
Chen Zhui	December 1, 2019	N/A	74,455	0	0	0	0	74,455	Note 2	Note 4	HKD2.87	Note 7
Yu Hongping	December 1, 2019	N/A	74,455	0	0	0	0	74,455	Note 2	Note 4	RMB1.34	Note 7
Employee participants	Note 8	N/A	10,285,780	0	559,850	0	552,843	9,173,087	Note 3	Note 4	Note 6	Note 7
Total			**10,509,145**	**0**	**559,850**	**0**	**552,843**	**9,396,452**				

Notes:

1. 20%, 30%, 50% respectively of the Options shall vest on each of the 1st, 2nd, 3rd anniversary of the date of grant.

2. 25% of the Options shall vest on each of the 1st, 2nd, 3rd and 4th anniversary of the date of grant.

3. Both Note 1 and Note 2 vesting situations exist for different batches.

4. The exercise period of the Options commences on any day after the date upon which the Option is accepted or deemed to be accepted and in any event shall end not later than the 10th anniversary of the relevant date of the letter by which an Option is offered, subject to the provisions for early termination or the relevant document of grant or other notification issued by the Board.

5. The weighted average closing price of the Shares immediately before the dates on which the share options under the 2019 Plan were exercised was HKD3.30.

6. RMB0.01, RMB 0.20, RMB1.34, RMB1.45 for different batches.

7. Subject to satisfaction of certain performance targets as determined by the Board at its absolute discretion, either on a case by-case basis or generally:

   (i) Group level performance: The Board will assess the performance of the Group for the relevant year, including in particular key performance indicators, such as revenue, profit and sales volume of the Group as a whole and of the applicable business.

   (ii) Individual level performance: The Group has established a standard performance appraisal system for its employees to evaluate their performance and contribution to the Group. The Company will determine whether the Grantees meet the individual performance target based on their performance appraisal results for the relevant year.

8. December 1, 2019, December 1, 2020, June 1, 2021 and September 1, 2021.

9. No option under the 2019 Share Incentive Plan has been granted to any of the Directors which have not been identified in the table; no option under the 2019 Share Incentive Plan has been granted to any of the five highest paid individuals during the financial year which has not been individually identified in the table.

10. Employee participants include employees of the Company and its subsidiaries.

Details of movements of RSUs under the 2019 Plan during the year ended December 31, 2023 are as follows:

			Number of shares underlying awards								
Name of Participant or Category of Participant	Date of grant	Closing price of shares immediately before the date on which the awards were granted	outstanding as of the beginning of the Reporting Period	granted during the Reporting Period	vested during the Reporting Period	lapsed during the Reporting Period	cancelled during the Reporting Period	outstanding as of the ending of the Reporting Period	Vesting Period	Performance targets	Fair value of awards at the date of grant
Directors											
Xu Yao-Chang	November 1, 2022	N/A	300,000	0	75,000	0	0	225,000	Note 1	Note 4	N/A
	June 1, 2021	N/A	5,618,750	0	0	0	0	5,618,750	Note 2	Note 4	N/A
Chen Zhui	November 1, 2022	N/A	250,000	0	62,500	0	0	187,500	Note 1	Note 4	N/A
	June 1, 2021	N/A	4,500,000	0	0	0	0	4,500,000	Note 2	Note 4	N/A
Yu Hongping	November 1, 2022	N/A	250,000	0	62,500	0	0	187,500	Note 1	Note 4	N/A
	June 1, 2021	N/A	4,500,000	0	0	0	0	4,500,000	Note 2	Note 4	N/A
Top-paid individuals during the Reporting Period (Note 9)	June 1, 2022	N/A	3,500,000	0	875,000	0	0	2,625,000	Note 1	Note 4	N/A
	November 1, 2022	N/A	125,000	0	31,250	0	0	93,750	Note 1	Note 4	N/A
Employee participants											
	March 17, 2023	HK$3.108	0	425,000	0	50,000	0	375,000	Note 1	Note 4	Note 5
	June 1, 2023	HK$2.774	0	600,000	0	50,000	0	550,000	Note 1	Note 4	Note 5
	Prior to FY 2022	N/A	4,228,500	0	826,500	417,500	0	2,984,500	Note 1 and Note 2 for different batches	Note 4	N/A
Total			**23,272,250**	**1,025,000**	**1,932,750**	**517,500**	**0**	**21,847,000**			

Notes:

1. 25% of the Share Awards shall vest on each of the 1st, 2nd, 3rd and 4th of anniversary of the Grant Date.

2. 50%, 25%, 25% of the Share Awards shall vest on 18 months, 30 months and 42 months from the Grant Date.

3. No consideration or any form of purchase price is payable by the grantee upon acceptance or vesting of the Share Awards.

4. Subject to satisfaction of certain performance targets as determined by the Board at its absolute discretion, either on a case by-case basis or generally:

   (i) Group level performance: The Board will assess the performance of the Group for the relevant year, including in particular key performance indicators, such as revenue, profit and sales volume of the Group as a whole and of the applicable business.

   (ii) Individual level performance: The Group has established a standard performance appraisal system for its employees to evaluate their performance and contribution to the Group. The Company will determine whether the Grantees meet the individual performance target based on their performance appraisal results for the relevant year.

5. The fair value of the Share Awards granted during the Reporting Period was measured as at the date of grant using the fair value of the Company's ordinary shares. The fair value of the RSUs granted during the Reporting Period on March 17, 2023 and June 1, 2023 is HKD3.02 and HKD2.74, respectively. For the fair value of awards at the date of grant, please refer to Note 24 to the consolidated financial statements. For more details of the accounting standard and policy adopted for the fair value of the Share Awards at the date of grant, please refer to Note 2.4 to the consolidated financial statements in the this report.

6. No RSU under the 2019 Share Incentive Plan has been granted to any of the directors which have not been identified in the table.

7. Employee participants include employees of the Company and its subsidiaries.

8. The weighted average closing price of the Shares immediately before the dates on which the share awards under the 2019 Plan were vested was HKD2.81.

9. Three of the five top-paid employees during 2023 were Directors, whose interest in RSUs under the 2019 Plan is disclosed under the "Directors" section of the above table.

Post-IPO RSU Scheme

The Company has conditionally adopted the Post-IPO RSU Scheme by Shareholders' resolutions dated September 16, 2021. The Company may appoint a trustee (the "**RSU Trustee**") to administer the Post-IPO RSU Scheme with respect to the grant of any Award RSUs, by way of which may vest in the form of Shares (the "**Award Shares**") or the actual selling price of the Award Shares in cash in accordance with the Post-IPO RSU Scheme.

1. Eligible Persons to the Post-IPO RSU Scheme

Any individual, being an employee, Director (including executive Directors, non-executive Directors and independent non-executive Directors) or consultant of any member of the Group or any affiliate (an "Eligible Person" and, collectively "Eligible Persons") who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an award granted by the Board by way of RSUs, which may vest in the form of Award Shares or the actual selling price of the Award Shares of RSUs in cash in accordance with the Post-IPO RSU Scheme. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Post-IPO RSU Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO RSU Scheme.

2. Purpose of the Post-IPO RSU Scheme

The purpose of the Post-IPO RSU Scheme is to align the interests of Eligible Persons' with those of our Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of our Group.

3. Awards

An Award gives a selected participant a conditional right, when the RSU vests, to obtain the Award Share or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Award Shares. An Award includes all cash income from dividends in respect of those Shares from the date the Award is granted (the "**Grant Date**") to the date the Award vests (the "**Vesting Date**"). For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by our Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

4. Grant of Award

(i) Making the Grant

The Board or the committee of the Board or person(s) to which the Board has delegated its authority may, from time to time, at their absolute discretion, grant an Award to a selected participant by way of an award letter. The award letter will specify the Grant Date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the Vesting Date and such other details as the Board or its delegate(s) may consider necessary. No amount is payable by the grantee on the acceptance of an Award, and no purchase price is payable by the grantee on vesting of an Award.

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

(ii) Restrictions on Grants and Timing of Grants

The Board and its delegate(s) may not grant any Award to any selected participant in any of the following circumstances:

(A) where any requisite approval from any applicable regulatory authorities has not been granted;

(B) where any member of our Group will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of such Award or the Post – IPO RSU Scheme, unless the Board determines otherwise;

(C) where such Award would result in a breach by any member of our Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction;

(D) where such grant of Award would result in a breach of the Post-IPO RSU Limit (as defined below) or the minimum public float requirement as required under the Listing Rules, or would otherwise cause our Company to issue Shares in excess of the permitted amount in the mandate approved by the Shareholders;

(E) where an Award is to be satisfied by way of issue of new Shares to the RSU Trustee, in any circumstances that cause the total Shares issued or allotted to connected persons to be in excess of the amount permitted in the mandate approved by the Shareholders;

(F) where any Director of our Company is in possession of unpublished inside information in relation to our Company or where dealings by Directors of our Company are prohibited under any code or requirement of the Listing Rules and all applicable laws, rules or regulations, from time to time;

(G) during the period of 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, unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met, in accordance with the Listing Rules;

(H) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and the 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, unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met, in accordance with the Listing Rules; and

(I) during any period of delay in the publication of a results announcement.

5. Maximum Number of Shares to be Granted

The aggregate number of Shares underlying all grants made pursuant to the Post-IPO RSU Scheme (excluding Award which have been forfeited in accordance with the Post-IPO RSU Scheme) will not exceed 10% of the issued share capital of the Company as of the date of approval of the Post-IPO RSU Scheme without Shareholders' approval (the "**Post-IPO RSU Scheme Limit**"), being 4,872,343 ordinary shares, which was subsequently adjusted to 48,723,430 Shares following the Share Subdivision. As at the date of this report, no grant of Awards have been made pursuant to the Post-IPO RSU Scheme. As such, the total number of shares available for issue under the Post-IPO RSU Scheme remained to be 48,723,430, which represented approximately 6.94% of the Company's total number of issued shares as at the date of this report. No service provider sublimit has been adopted for the Post-IPO RSU Scheme.

Unless approved by the Shareholders in general meeting, the total number of the ordinary shares issued and to be issued upon the vesting or exercise of the Awards granted to each participant in any 12-month period shall not exceed 1% of the Shares in issue for the time being.

6. Rights attached to the Award

Save that the Board at its discretion may from time to time determine that any dividends declared and paid by our Company in relation to the Award Shares be paid to the selected participants even though the RSUs have not yet vested in the form of Award Shares, the selected participant only has a contingent interest in the Award Shares underlying an Award unless and until such Award Shares are actually transferred to the selected participant, nor does he/she have any rights to any related income until the RSUs vest in the form of Award Shares.

The RSU Trustee shall not exercise the voting rights in respect of any Award Shares which are held under the Trust that have not yet vested.

7. *Issue of Shares and/or transfer of funds to the RSU Trustee*

Our Company shall, as soon as reasonably practicable and no later than 30 business days from the Grant Date, (i) issue and allot Shares to the RSU Trustee and/or (ii) transfer to the RSU Trustee the necessary funds and instruct the RSU Trustee to acquire Shares through on-market transactions at the prevailing market price, so as to satisfy the Awards.

Our Company shall not issue or allot Award Shares nor instruct the RSU Trustee to acquire Shares through on-market transactions at the prevailing market price, where such action (as applicable) is prohibited under the Listing Rules, the Securities and Futures Ordinance or other applicable laws from time to time. Where such a prohibition causes the prescribed timing imposed by the Post-IPO RSU Scheme Rules or the trust deed to be missed, such prescribed timing shall be treated as extended until as soon as reasonably practicable after the first Business Day on which the prohibition no longer prevents the relevant action.

8. *Assignment of Awards*

Unless express written consent is obtained from the Board or the committee of the Board or person(s) to which the Board has delegated its authorities, any Award granted under the Post-IPO RSU Scheme but not yet vested are personal to the selected participants to whom they are granted and cannot be assigned or transferred. A selected participant shall not in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any Award, or enter into any agreement to do so.

9. *Vesting of Awards*

The Board or its delegate(s) may from time to time while the Post-IPO RSU Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

Within a reasonable time period as agreed between the RSU Trustee and the Board from time to time prior to any Vesting Date, the Board or its delegate(s) will send a vesting notice to the relevant selected participant and instruct the RSU Trustee the extent to which the Award Shares held in the trust shall be transferred and released from the trust to the selected participant. Subject to the receipt of the vesting notice and notification from the Board or its delegate(s), the RSU Trustee will transfer and release the relevant Award in the manner as determined by the Board or its delegate(s).

If, in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, solely due to legal or regulatory restrictions with respect to the selected participant's ability to receive the Award in Shares or the RSU Trustee's ability to give effect to any such transfer to the selected participant, the Board or its delegate(s) will direct and procure the RSU Trustee to sell, on-market at the prevailing market price, the number of RSUs so vested in the form of Award Shares in respect of the selected participant and pay the selected participant the proceeds arising from such sale based on the actual selling price of the Award Shares following vesting of such RSUs in cash as set out in the vesting notice.

If there is an event of change in control of our Company by way of a merger, a privatization of our Company by way of a scheme or by way of an offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at their sole discretion determine whether the Vesting Dates of any Awards will be accelerated to an earlier date.

10. *Consolidation, subdivision, bonus issue and other distribution*

In the event our Company undertakes a subdivision or consolidation of the Shares, corresponding changes will be made to the number of outstanding RSUs that have been granted provided that the adjustments shall be made in such manner as the Board determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Post-IPO RSU Scheme for the selected participants. All fractional shares (if any) arising out of such consolidation or subdivision in respect of the Award Shares of a selected participant shall be deemed as returned shares and shall not be transferred to the relevant selected participant on the relevant Vesting Date. The RSU Trustee shall hold returned shares to be applied towards future Awards in accordance with the provisions of the Post-IPO RSU Scheme rules for the purpose of the Post-IPO RSU Scheme.

In the event of an issue of Shares by our Company credited as fully paid to the holders of the Shares by way of capitalization of profits or reserves (including share premium account), the Shares attributable to any Award Shares held by the RSU Trustee shall be deemed to be an accretion to such Award Shares and shall be held by the RSU Trustee as if they were Award Shares purchased by the RSU Trustee hereunder and all the provisions hereof in relation to the original Award Shares shall apply to such additional Shares.

In the event of any non-cash distribution or other events not referred to above by reason of which the Board considers an adjustment to an outstanding Award to be fair and reasonable, an adjustment shall be made to the number of outstanding RSUs of each selected participant as the Board shall consider as fair and reasonable, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Post-IPO RSU Scheme for the selected participants. Our Company shall provide such funds, or such directions on application of the returned shares or returned trust funds, as may be required to enable the RSU Trustee to purchase Shares on-market at the prevailing market price to satisfy the additional Award.

In the event of other non-cash and non-scrip distributions made by our Company not otherwise referred to in the Post-IPO RSU Scheme rules in respect of the Shares held upon trust, the RSU Trustee shall sell such distribution and the net sale proceeds thereof shall be deemed as related income of the Post-IPO RSU Scheme or returned trust funds of the returned Shares held upon trust as the case may be.

11. Cessation of employment and other events

Except as otherwise determined by the Board or the committee of the Board or person(s) to which the Board has delegated its authority, upon termination of employment, office or service with our Company during the applicable restriction period, Awards that are at that time unvested shall be forfeited or repurchased in accordance with the terms and provisions of the grant letter and/or award agreement to be entered into by such selected participant; provided, however, that the Board or the committee of the Board or person(s) to which the Board has delegated its authority may (a) provide in any grant letter and/or award agreement that restrictions or forfeiture and repurchase conditions relating to the Awards will be waived in whole or in part in the event of terminations resulting from specified causes; and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to the Awards.

If a selected participant ceases to be an Eligible Person for reasons other than those stated this paragraph, any outstanding RSUs and related income not yet vested in the form of Award Shares shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

12. Alteration of the Post-IPO RSU Scheme

The Post-IPO RSU Scheme may be altered in any respect (save for the Post-IPO RSU Scheme Limit) by a resolution of the Board provided that no such alteration shall operate to affect adversely any subsisting rights of any selected participant unless otherwise provided for in the rules of the Post-IPO RSU Scheme, except:

(i) with the consent in writing of selected participants amounting to three-fourths in nominal value of all RSUs held by the RSU Trustee on that date; or

(ii) with the sanction of a special resolution that is passed at a meeting of the selected participants amounting to three-fourths in nominal value of all RSUs held by the RSU Trustee on that date.

13. Termination

The Post-IPO RSU Scheme shall terminate on the earlier of:

(i) the end of the period of ten years commencing on the Listing Date except in respect of any non-vested RSUs granted hereunder prior to the expiration of the Post-IPO RSU Scheme, for the purpose of giving effect to the vesting in the form of Award Shares of such RSUs or otherwise as may be required in accordance with the provisions of the Post-IPO RSU Scheme; and

(ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the Post-IPO RSU Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the RSUs already granted to a selected participant.

As such, the remaining life of the Post-IPO RSU Scheme is approximately 7.5 years.

14. Administration of the Post-IPO RSU Scheme

Our Company has established a committee comprising of, among others, Directors and senior management members, for the administration of the Post-IPO RSU Scheme.

Post-IPO Share Option Scheme

A summary of the principal terms of the Post-IPO Share Option Scheme conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by resolutions of our Shareholders on September 16, 2021 is as follows. As at December 31, 2023, the aggregate number of underlying ordinary shares pursuant to the outstanding options granted was 4,265,000 Shares, representing approximately 0.61% of the total issued Shares.

1. Purpose

The Post-IPO Share Option Scheme is established to reward employees, Directors or Consultants for their past contribution to the success of the Company, and to provide incentives to them to further contribute to the Company.

2. Eligible persons

Any individual, being an employee, Director or Consultant of any member of our Group ("**Selected Participant**") who the Board may in its absolute discretion select to grant an Option to subscribe for such number of Shares as the Board may determine at the Exercise Price (as defined below).

3. Maximum number of Shares

The maximum number of Shares in respect of which Options may be granted under the Post-IPO Share Option Scheme shall not exceed 10% of the issued share capital of the Company as of the date of approval of the Post-IPO Share Option Scheme by the Shareholders of the Company, being 4,872,343 ordinary shares, which was subsequently adjusted to 48,723,430 Shares following the Share Subdivision. As at January 1, 2023 and December 31, 2023, the number of options available for grant under the Post-IPO Share Option Scheme is 45,088,430 Shares and 44,458,430 Shares respectively. The total number of shares available for issue under the Post-IPO Share Option Scheme, comprising the options available for grant and the number of granted outstanding options which remained unexercised, as at the date of this report is 48,693,430 Shares, representing approximately 6.93% of the total number of issued shares of the Company as at the date of this report. Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme shall not be counted for the purpose of calculating the Limit of the Scheme. The total number of Shares to be issued upon exercise of all outstanding Options under the Post-IPO Share Option Scheme and all other schemes of the Company granted and yet to be exercised shall not exceed 30% of all the Shares in issue from time to time. No Option may be granted under the Post-IPO Share Option Scheme if this will result in the limit being exceeded. No service provider sublimit has been adopted for the Post-IPO Share Option Scheme.

The maximum number of Shares shall be adjusted, in such manner as the auditor of the Company shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of the Company whether by way of capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction to which the Company is a party.

4. Maximum entitlement of a grantee

Except with the approval of Shareholders in general meeting with the prospective Grantee and his associates abstaining from voting, no Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options and any other Option or Award over the Shares (including exercised, canceled 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. The Company shall send a circular to its Shareholders containing the information required under the Listing Rules. The number and terms of the Options to be granted to such prospective Grantee shall be fixed before the Shareholders' approval of the grant of such Options and the date of Board meeting for proposing such further grant should be taken as the Offer Date for the purpose of calculating the Exercise Price.

5. Performance target

The Post-IPO Share Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, 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 including, without limitation, conditions as to performance criteria to be satisfied and/or the Company and/or the Group which must be satisfied before an Option can be exercised, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the Post-IPO Share Option Scheme.

6. Exercise Price

The amount payable for each Share to be subscribed for under an option ("**Exercise Price**") in the event of the option being exercised shall be determined by the Board at its absolute discretion, but shall be not less than the greater of:

(i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share on the date of grant, provided that, for the purpose of determining the Exercise Price where the Shares have been listed on the Stock Exchange for less than five business days, the issue price of the Shares in the Company's Global Offering of the Shares shall be used as the closing price of the Shares for any business day falling within the period before the listing of the Shares on the Stock Exchange.

7. *Rights are personal to grantee*

An Option is personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of the Post-IPO Share Option Scheme.

8. *Grant offer letter and notification of grant of options*

An offer of the grant of an 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 28 days after the Offer Date (provided such offer shall be open for acceptance after the effective period of the Post-IPO Share Option Scheme) and further requiring the employee to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Post-IPO Share Option Scheme. The letter shall also state that the offer of an Option shall be personal to the employee concerned and shall not be transferable. The inadvertent non-compliance with the requirements of the above shall not render the grant of an Option invalid if the Board so determines and makes such remedial action, if any, as it deems appropriate in its absolute discretion.

An 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 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 within the time period specified in the offer of the grant of the Option. Such remittance shall not be refundable.

Any offer of the grant of an Option may be accepted or deemed to have been accepted in respect of any number of Shares up to the number in respect of which the Option is offered provided that it is accepted in respect of a Board Lot or an integral multiple thereof. To the extent that the offer of the grant of an Option is not accepted within 28 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.

9. Restriction of grant of options

No Option shall be offered or granted:

(a) to any employee after inside information has become to the Company's knowledge until (and including) the trading day after the Company has announced the information;

(b) to any employee during the period commencing one month immediately before the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the results of the Company 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 announce 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 Option shall be granted during any period of delay in publishing a results announcement.

(c) to any director of the Company (except where the Exercise Price is to be determined by the Board at the time of exercise of the Option):

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

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

10. Time of exercise of an Option

Subject as provided in the Post-IPO Share Option Scheme and any conditions specified by the Board, an Option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

11. Lapse of Option

Any Option shall elapse automatically and not be exercisable on the earliest of:

(a) the expiry of the Option Period;

(b) subject to the date of the commencement of the winding-up of the Company;

(c) the date on which the Grantee ceases to be an employee, Director or Consultant of the Company by reason of the summary termination of his employment, office or service on any one or more of the grounds that he has been guilty of misconduct, or has been convicted of any criminal offense involving his integrity or honesty or (if so determined by the Board in its absolute discretion) on any other ground on which the relevant company in the Group would be entitled to terminate his employment, office or service summarily at common law or pursuant to any applicable laws or under the Grantee's service contract with relevant company in the Group;

(d) where the Grantee is an employee, Director or Consultant of a subsidiary of the Company, the date on which such subsidiary ceases to be a member of the Group;

(e) the date on which the Option is canceled by the Board;

(f) the date on which the Grantee commits a breach of Post-IPO Share Option Scheme rule; or

(g) the occurrence or non-occurrence of any event, expiry of any period, or nonsatisfaction of any condition, as specified in the letter containing the offer or grant of the relevant Option.

12. Voting and dividend rights

No dividends shall be payable and no voting rights shall be exercisable in relation to any options or Shares that are the subject of options that have not been exercised.

13. Effects of alterations in the capital structure of our Company

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company in accordance with applicable laws and regulatory requirements (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such corresponding adjustments (if any) shall be made to:

(a) the number or nominal amount of Shares, the subject matter of the Option (insofar as it is unexercised); and/or

(b) the aggregate number of Shares subject to outstanding Options; and/or

(c) the Exercise Price; and/or

(d) the method of exercise of the Option, as the auditor of the Company shall certify in writing to the Board to be in their opinion fair and reasonable, provided that any adjustment shall be made on the basis that the proportion of the issued share capital of the Company to which a Grantee is entitled after such adjustment shall remain the same, or as nearly as possible the same as that to which he was entitled to subscribe had he exercised all the Options held by him immediately before such adjustment, but so that no such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to alter any terms of the relevant Option to the advantage of the Grantee without the approval of the shareholders of the Company.

If there has been any alteration in the capital structure of the Company as referred to in the Company shall, upon receipt of a notice from the Grantee, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made pursuant to the certificate of the auditor of the Company obtained by the Company for such purpose, or if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the auditor of the Company to issue a certificate in that regard.

14. Rights on takeover and schemes of compromise or arrangement

If a general or partial offer (whether by way of take-over offer, share repurchase offer or otherwise in like manner other than by way of a scheme of arrangement) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror) the Company shall use its best endeavors to procure that such offer is extended to all the Grantees (on the same terms mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, shareholders of the Company). If such offer becomes or is declared unconditional, the Grantee (or his legal personal representative(s)) shall be entitled to exercise his outstanding Option(s) in full at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

15. Rights on a voluntary winding up

In the event of an effective resolution being passed for the voluntary winding-up of the Company or an order of the court being made for the winding-up of the Company, notice thereof shall be given by the Company to Grantees with Options outstanding in full or in part at such date. If a Grantee immediately prior to such event had any outstanding Options, the Grantee (or his legal personal representative(s)) may by notice in writing to the Company within 21 days after the date of such resolution elect to be treated as if the Options had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the notice, such notice to be accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given, whereupon the Grantee shall be duly issued and allotted with the relevant Shares (or treated as such by the Company) and entitled to receive out of the assets available in the liquidation pari passu with the holders of Shares such sum as would have been received in respect of the Shares that are the subject of such election.

16. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association of the Company for the time being in force and will rank pari passu with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends and other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor falls before the date of allotment.

17. Duration

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date when the Post-IPO Share Option Scheme becomes unconditional, after which period no further Options will be granted by the provisions of the Post-IPO Share Option Scheme, but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. The remaining life of the Post-IPO Share Option Scheme is approximately 7.5 years.

18. Alteration of the Post-IPO Share Option Scheme

The Board may subject to the rules of the Post-IPO Share Option Scheme amend any of the provisions of the Post-IPO Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Post-IPO Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any grantee at that date).

Those specific provisions of the Post-IPO Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of selected participants, and no changes to the authority of the administrator of the Post-IPO Share Option Scheme in relation to any alteration of the terms of the Post-IPO Share Option Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms of the Post-IPO Share Option Scheme which are of a material nature, or any change to the terms and conditions of options granted (including those granted to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates), must also, to be effective, be approved by our Shareholders in general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme. The options and the Post-IPO Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules. Any change to the authority of the Directors or Post-IPO Share Option Scheme administrators in relation to any alternation to the terms of the Post-IPO Share Option Scheme must be approved by Shareholders in general meeting.

Notwithstanding any provisions to the contrary in the Post-IPO Share Option Scheme, if on the relevant date of exercise there are restrictions or conditions imposed by the relevant laws and regulations to which the grantee is subject and the grantee has not obtained approval, exemption or waiver from the relevant regulatory authorities for the subscription of and dealing in our Shares, the grantee may sell the options to such transferee, subject to the approval by the Board, which shall not unreasonably withhold or delay such approval. In the event that the options are transferred to a connected person of our Company, no Shares shall be allotted and issued upon the exercise of the options by a connected person of our Company unless the Board is satisfied that the allotment and issue of Shares will not trigger any breach of the Listing Rules, the Articles of Association, the Companies Act or the Takeovers Code.

19. Termination

The Company by an ordinary resolution in general meeting or the Board may at any time terminate the operation of the Post-IPO Share Option Scheme and in such event no further Options will be offered but the provisions of the Post-IPO Share Option Scheme shall remain in full force in all other respects. All 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 Post-IPO Share Option Scheme.

20. Administration of the Post-IPO Share Option Scheme

Our Company has established a committee comprising of, among others, Directors and senior management members, for the administration of the Post-IPO Share Option Scheme.

21. General

Details of movements of share options under the Post-IPO Share Option Scheme during the Reporting Period are as follows:

			Number of shares underlying options										
Name of Participant or Category of Participant	Date of grant	Closing price of shares immediately before the date on which the options were granted	outstanding as of the beginning of the Reporting Period	granted during the Reporting Period	lapsed during the Reporting Period	cancelled during the Reporting Period	exercised during the Reporting Period	outstanding as of the ending of the Reporting Period	Vesting period	Exercise period	Exercise price	Performance targets	Fair value of options at the date of grant
Employee participants													
	June 1, 2022	HK$4.00	1,700,000	0	0	0	0	1,700,000	Note 1	Note 2	HKD4.00	Note 3	N/A
	November 1, 2022	HK$2.85	1,935,000	0	265,000	0	30,000	1,640,000	Note 1	Note 2	HKD2.85	Note 3	N/A
	March 17, 2023	HK$3.108	–	425,000	50,000	0	0	375,000	Note 1	Note 2	HKD3.108	Note 3	HKD1.5090
	June 1, 2023	HK$2.774	–	600,000	50,000	0	0	550,000	Note 1	Note 2	HKD2.774	Note 3	HKD1.4781
Total			**3,635,000**	**1,025,000**	**365,000**	**0**	**30,000**	**4,265,000**					

Notes:

1. 25% of the Options shall vest on each of the 1st, 2nd, 3rd and 4th anniversary of the Grant Date.

2. The exercise period of the Options commences on any day after the date upon which the Option is accepted or deemed to be accepted and in any event shall end not later than the 10th anniversary of the relevant date of the letter by which an Option is offered, subject to the provisions for early termination or the relevant document of grant or other notification issued by the Board.

3. Subject to satisfaction of certain performance targets as determined by the Board at its absolute discretion, either on a case by-case basis or generally:

   (i) Group level performance: The Board will assess the performance of the Group for the relevant year, including in particular key performance indicators, such as revenue, profit and sales volume of the Group as a whole and of the applicable business.

   (ii) Individual level performance: The Group has established a standard performance appraisal system for its employees to evaluate their performance and contribution to the Group. The Company will determine whether the Grantees meet the individual performance target based on their performance appraisal results for the relevant year.

4. The fair value of the equity-settled Options granted under the Post-IPO Share Option Scheme during the Reporting period was estimated as at the dates of grant using a binomial model, taking into account the terms and conditions upon which the Options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0
Expected volatility (%)	57.43-57.53
Risk-free interest rate (%)	2.97-3.36
Exercise multiple	2.20
Weighted average share price (HKD per share)	2.68-2.85

   The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the Options granted was incorporated into the measurement of fair value. For more details of the accounting standard and policy adopted for the fair value of the Options at the date of grant, please refer to Note 24 to the consolidated financial statements in this report.

5. No option has been granted to any of the directors, chief executive or substantial shareholders of the Company, or their respective associates under the Post-IPO Share Option Scheme; no participant has been granted with options under the Post-IPO Share Option Scheme in excess of the 1% individual limit; no related entity participant or service provider has been granted with options under the Post-IPO Share Option Scheme.

6. Employee participants include employees of the Company and its subsidiaries.

7. The weighted average closing price of the Shares immediately before the dates on which the share options under the Post-IPO Share Option Scheme were exercised was HKD4.22.

The number of shares that may be issued in respect of options and awards granted under all schemes of the Company during the Reporting Period divided by the weighted average number of shares of the relevant class in issue for the Reporting Period was 0.09%.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

For the year ended December 31, 2023, certain related parties transactions as disclosed in note 28 to the consolidated financial statements constitute connected transaction or continuing connected transaction as defined under the Listing Rules. None of the related parties transactions as disclosed in note 28 to the consolidated financial statements constitute any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. For the year ended December 31, 2023, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules. During the Reporting Period, the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year ended December 31, 2023 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the Reporting Period are set out in note 22 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2023, the Company's reserves available for distribution from share premium less accumulated losses, calculated in accordance with the provisions of Companies Law of the Cayman Islands, was nil (2022: nil).

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Stock Exchange on October 13, 2021 and the Company obtained net proceeds of approximately HK$1,674 million (after deducting the underwriting commissions and other estimated expenses in connection with the global offering and the exercise of the over-allotment option).

The net proceeds have been and will be utilized in accordance with the purposes set out in the prospectus of the Company dated September 30, 2021 under the section headed "Future Plans and Use of Proceeds". The table below sets out the planned allocations of the net proceeds and actual usage up to December 31, 2023:

Planned usage	% of use of proceeds (Approximately)	Net proceeds from the IPO *(HK$ million)*	Amount of unutilized net proceeds as at January 1, 2023 *(HK$ million)*	Actual usage during the Reporting Period *(HK$ million)*	Unutilized net proceeds as of December 31, 2023 *(HK$ million)*	Expected timeline for application of the unutilized net proceeds
Fund the ongoing and future R&D including planned clinical trials, preparation of registration filings, and future commercialization of our Core Product Candidate irpagratinib (ABSK011)	19.7%	329.78	308.90	45.31	263.59	Expected to be fully utilized by December 31, 2024
Fund the ongoing and future R&D including planned clinical trials, preparation of registration filings and future commercialization of our Core Product candidate fexagratinib (ABSK091, AZD4547)	32.6%	545.72	517.38	54.58	462.80	Expected to be fully utilized by December 31, 2024
Fund our other clinical stage products and product candidates in our pipeline	28.0%	468.72	402.45	231.67	170.78	Expected to be fully utilized by December 31, 2024
Fund our preclinical research and studies, including continued development of our R&D platform and R&D of new preclinical candidates	8.4%	140.62	77.60	77.60	0	Expected to be fully utilized by December 31, 2024
Fund the construction of manufacturing facility in Shanghai	6.3%	105.46	85.21	24.28	60.93	Expected to be fully utilized by December 31, 2024
Working capital and general corporate purposes	5.0%	83.70	62.76	62.76	0	Expected to be fully utilized by December 31, 2024
Total	**100%**	**1,674.00**	**1,454.30**	**496.20**	**958.10**	

Note:

(1) Net IPO proceeds were received in Hong Kong dollars and translated to Renminbi for application planning.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company's sufficiency of public float complies with the requirements of the Listing Rules.

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

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

PRE-EMPTIVE RIGHTS

There is no provision 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 existing Shareholders.

TAX RELIEF AND EXEMPTION

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

MAJOR CUSTOMERS AND SUPPLIERS

As at December 31, 2023, the Company has not commercialized its products and there was no major customer.

During the year ended December 31, 2023, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in relation to R&D activities and business operations in aggregate was 3.93% and 12.84%, respectively.

None of our Directors or any of their close associates or any Shareholder (which to the best knowledge of our Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest suppliers.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2023, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

KEY RELATIONSHIP WITH STAKEHOLDERS

The details of an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company are set out in the ESG Report of the Company.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" of this report.

EQUITY-LINKED AGREEMENT

Other than the 2019 Share Incentive Plan, the Post-IPO RSU Scheme and the Post-IPO Share Award Scheme as disclosed above and in note 24 to the financial statements respectively and the grant letters issued pursuant to the schemes, the Company has not entered into any equity-linked agreement during the Reporting Period.

REVIEW BY AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Sun Hongbin, Dr. Sun Piaoyang and Mr. Wang Lei. The Audit Committee with the management of the Company have reviewed the audited consolidated financial statements of the Group for the Reporting Period.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2023 have been audited by Ernst & Young.

Ernst & Young shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the forthcoming annual general meeting.

There has been no change of independent auditor of the Company in the preceding three years.

By order of the Board of Directors
Abbisko Cayman Limited
Dr. Xu Yao-Chang
Chairman and Chief Executive Officer

Shanghai, March 12, 2024

CORPORATE GOVERNANCE REPORT

The Board is committed to achieving good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate our business strategies and policies, and enhance its transparency and accountability. The Company has adopted the principles and code provisions contained in Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices. In the opinion of the Directors, during the Reporting Period, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules ("**CG Code**"), except for code provision C.2.1 of the CG Code which provides that the roles of Chairman and CEO should be separated and should not be performed by the same individual, details of which are set out on page 77 under the section headed "Board of Directors – Chairman and Chief Executive Officer" of this Corporate Governance Report.

CORPORATE CULTURE

The Board is committed to achieve high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. All Directors are committed to act with integrity, lead by example, and promote the desired culture. Such culture should instil and continually reinforce across the organisation values of acting lawfully, ethically and responsibly.

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; and
- that high standards of ethics are maintained.

The Group promotes its corporate culture in alignment with its core values and vision, which enables the Group to deliver its long-term strategies and create sustainable value for Shareholders and other stakeholders. The Group adopts a top-down approach in implementation and promotion of our corporate culture by providing continuous training to all staff within the Group. All staff are reminded to uphold their highest integrity during daily operations.

High corporate governance standards are being promoted across the Group and embedded in the daily operations of our various business segments. Employees are encouraged to raise their concern and provide feedback to the Company in relation to the incorporation of corporate culture into our daily operations during our training sessions. Senior management should collect and consolidate the staffs' responses and monitor the progress of implementing corporate culture and report to the Board periodically.

During the year ended December 31, 2023, the Board is satisfied with the progress of implementation of our desired corporate culture to daily operations.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its code of conduct regarding dealings in the securities of the Company by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the Reporting Period. The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company during the Reporting Period.

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 best interests of the Company.

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.

Board Composition

As at the date of this report, the Board currently comprises seven Directors, consisting of three executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors

Dr. Xu Yao-Chang *(Chairman and CEO)*
Dr. Yu Hongping
Dr. Chen Zhui

Non-Executive Director

Ms. Tang Yanmin

Independent Non-Executive Directors

Dr. Sun Piaoyang
Mr. Sun Hongbin
Mr. Wang Lei

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" on pages 32 to 35 of this report.

Except for the relationships between the Directors set forth in the respective Director's biography under the section headed "Directors and Senior Management", the Directors do not have financial, business, family or other material/relevant relationships with one another.

Chairman and Chief Executive Officer

The roles of the Chairman and CEO of the Company are held by Dr. Xu who is also an executive Director. Therefore, the Board considers that there is a deviation from the code provision C.2.1 of the CG Code. The Board believes that, in view of Dr. Xu's experience, personal profile and his roles in our Company as mentioned in the section headed "Directors and Senior Management – Executive Directors", Dr. Xu is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our chief executive officer. The Board also believes that the combined role of Chairman and CEO can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. The Board will continue to review and consider splitting the roles of chairman of our Board and the CEO of our Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole.

Independent Non-Executive Directors

During the Reporting Period, 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 in accordance with Rules 3.10 and 3.10A. The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the executive Directors and non-executive Directors has entered into a service agreement with the Company under which the initial term of their service agreement shall commence from the date of their appointment for a period of three years until terminated in accordance with the terms and conditions of the service agreement and subject to re-election as and when required under the Articles of Association or by either party giving to the other not less than three months' prior notice.

Each of the independent non-executive Directors has entered into an appointment letter with the Company effective from September 16, 2021. The initial term of their appointment letters shall commence from the date of their appointment for a period of three years (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than two month's prior notice in writing (as the case may be). The appointments of Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Under the Articles of Association, at every AGM of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any AGM at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

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.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company.

Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

The Board has reviewed "Independent Views Mechanism" and "Shareholders' communication policy" semi-yearly. Both of the policies remained effective.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

For the year ended December 31, 2023, all Directors attended training sessions on the respective obligations of the Directors and senior management. The training sessions covered a wide range of relevant topics including Directors' duties and responsibilities, continuing connected transaction, disclosure of interests and regulatory updates. In addition, relevant reading materials including compliance manual, legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying.

The record of continuous professional development relating to Director's duties and regulatory and business development that have been received by the Directors for the year ended December 31, 2023 is summarized as follows:

Directors	**Participated in continuous professional development** Note 1
Executive Directors	
Dr. Xu Yao-Chang (Chairman and CEO)	√
Dr. Yu Hongping	√
Dr. Chen Zhui	√
Non-Executive Directors	
Dr. Xia Gavin Guoyao (resigned as a non-executive Director with effect on June 19, 2023)	–
Ms. Tang Yanmin	√
Independent Non-Executive Directors	
Dr. Sun Piaoyang	√
Mr. Sun Hongbin	√
Mr. Wang Lei	√

Note:

1. Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.

Board Diversity and Board Diversity Policy

The Board has adopted a Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of the Board, in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board. The Board will continue to seek opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

Pursuant to the Board 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. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of chemistry, biotechnology, clinical research and life sciences, business management and finance and accounting. They obtained degrees in various areas including chemistry, biology, biological science, pharmaceutical chemistry, pharmacy, business administration, economics, finance and accounting. The Company has also taken, and will continue to take steps to promote gender diversity at the Board level of our Company. The Board currently comprises 6 male members (including 3 executive Directors and 3 independent non-executive Directors) and 1 female member (a non-executive Director). The Board of Directors is of the view that the Board satisfies the gender diversity and other aspects of diversity on the Board under the Board Diversity Policy. The Nomination Committee is responsible for reviewing the diversity of the Board. The Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Board Diversity Policy is well implemented as evidenced by the fact that there are both female and male Directors ranging from 48 years old to 67 years old with experience from different sectors.

The Company is also committed to adopting a similar approach to promote diversity within 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. 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 relevant criteria as set out in the Company's Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. The Nomination Committee would consider criteria such as candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

Nomination Policy

The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board of Directors on matters relating to the appointment of Directors. The Company has a Director Nomination Policy which sets out the objectives, selection criteria and nomination procedures for identifying and recommending candidates for appointment or reappointment of Directors.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Audit Committee consists of three members, including three independent non-executive Directors, namely Dr. Sun Piaoyang, Mr. Sun Hongbin and Mr. Wang Lei. Mr. Sun Hongbin, being the chairperson of the Audit Committee, holds the appropriate professional qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules. The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Audit Committee include but are not limited to:

- making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor;

- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- developing and implementing policy on the engagement of an external auditor to supply non-audit services and report to the Board, identifying and making recommendations on any matters in respect of which it considers that action or improvement is needed;

- discussing with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

- discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of Senior Management where necessary);

- monitoring integrity of financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;

- reviewing the Company's financial controls and, unless expressly addressed by a separate Board risk committee or by the Board itself, reviewing the Company's risk management and internal control systems;

- discussing the risk management and internal control system with the senior management of the Company and to ensure that the senior management of the Company has performed its duties in establishing and maintaining effective systems, including adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

- considering major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and the response of the senior management of the Company to those findings;

- where an internal audit function exists, ensuring co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness; and

- reviewing the Group's financial and accounting policies and practices.

During the Reporting Period, the Audit Committee has held 3 meetings to review material controls including the draft audited annual consolidated financial statements and significant issues on the financial reporting, the draft annual results announcement, the draft annual report, the independence of the both internal and external audit team of the Company, interim results, re-appointment of external auditor, remuneration and terms of engagement of external auditor.

Remuneration Committee

The Remuneration Committee consists of three members, including one executive Director, namely Dr. Xu Yao-Chang and two independent non-executive Directors, namely Mr. Sun Hongbin and Mr. Wang Lei. Mr. Wang Lei is the chairperson of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Remuneration Committee include but not limited to:

- making recommendations to the Board on the Company's policy and structure for all Directors' and senior management of the Company remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- assessing performance of executive Directors and senior management:
- reviewing and approve management's remuneration proposals with reference to the Board's goals and objectives;
- being responsible for either: (i) determining with delegated responsibility, the remuneration packages of individual executive Directors and senior management of the Company; or (ii) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Company including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of non-executive Directors;
- considering salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;
- reviewing and approving the compensation payable to executive Directors and senior management of the Company for any loss or termination of office or appointment in order to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;
- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct in order to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate;
- ensuring that no Director or any of his associates is involved in deciding his own remuneration;
- reviewing the Group's policy on expense reimbursements for the Directors and senior management of the Company; and
- reviewing and/or approving matters relating to share schemes under chapter 17 of the Listing Rules.

During the Reporting Period, the Remuneration Committee has held 1 meeting. The Remuneration Committee is responsible in making recommendations to the Board on the remuneration packages of individual executive Directors and senior management. During the Reporting Period, the Remuneration Committee has not reviewed or approved any material matters relating to the Company's share schemes.

The remuneration payable to the senior management of the Company (who are not the Directors) is shown in the following table by band:

	2023 Number of Individual(s)	2022 Number of Individual(s)
Annual Remuneration		
HK$100,001 to HK$500,000	**0**	0
HK$500,001 to HK$1,000,000	**0**	0
HK$5,000,001 to HK$5,500,000	**1**	0
HK$6,000,001 to HK$6,500,000	**0**	2
HK$6,500,001 to HK$7,000,000	**0**	1
HK$7,000,001 to HK$12,500,000	**2**	1
HK$12,500,001 to HK$13,000,000	**0**	0

Nomination Committee

The Nomination Committee consists of three members, including one executive Director namely Dr. Xu Yao-Chang, and two independent non-executive Directors, namely Dr. Sun Piaoyang and Mr. Sun Hongbin. Dr. Xu Yao-Chang is the chairperson of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, as well as formulating, or assisting the Board to formulate, a Board diversity policy for the Company;

- identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorship;

- assessing the independence of independent non-executive Directors on an annual basis;

- reviewing annually the time required from non-executive Directors to assess whether the non-executive Directors are spending enough time in fulfilling their duties;

- keeping up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates; and

- formulating, or assisting the Board to formulate, a Board diversity policy for the Company.

During the Reporting Period, the Nomination Committee has held 1 meeting. The structure, size and composition of the Board and the independence of the independent non-executive Directors have been reviewed by the Board and the Board considered that an appropriate balance of diversity perspectives of the Board is maintained for 2023.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of part 2 of the CG Code.

During the Reporting Period, the Board had reviewed and determined the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

During the Reporting Period, the Company has held 4 Board meetings to review and discuss the annual and interim results and operating performance, and considering and approving the overall strategies and policies of the Company. During the Reporting Period, management of the Company has provided all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail. During the Reporting Period, the Chairman held 1 meeting with the independent non-executive Directors without the presence of the other Directors.

The attendance records of each Director at the Board and Board committee meetings and the general meeting(s) of the Company held during the Reporting Period are set out in the table below:

	Attendance/Number of meetings eligible for attendance				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual general meeting**
Executive Directors					
Dr. Xu Yao-Chang (Chairman and CEO)	4/4	–	1/1	1/1	1/1
Dr. Yu Hongping	4/4	–	–	–	1/1
Dr. Chen Zhui	4/4	–	–	–	1/1
Non-Executive Directors					
Dr. Xia Gavin Guoyao (resigned as a non-executive Director with effect on June 19, 2023)	1/4	–	–	–	1/1
Ms. Tang Yanmin	4/4	–	–	–	1/1
Independent Non-Executive Directors					
Dr. Sun Piaoyang	4/4	3/3	–	1/1	1/1
Mr. Sun Hongbin	4/4	3/3	1/1	1/1	1/1
Mr. Wang Lei	4/4	3/3	1/1	–	1/1

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

The Company recognizes that risk management is critical to the success of its business. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company has established a Whistle-blowing Policy and system for employees and those who deal with the Company, including but not limited to customers and suppliers, to raise concerns in confidence and anonymity with the Audit Committee or senior management or the Company's Legal and Compliance Department about possible improprieties in any matter related to the Company.

The Company has adopted risk management policies to identify, assess, evaluate and monitor key risks (including ESG risks) associated with its strategic objectives on an ongoing basis. Our Audit Committee and ultimately our Directors supervise the implementation of our risk management policies. Risks identified by our management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Group and reported to our Directors. The Board reviews and assesses the adequacy and effectiveness of risk management system of the Group semi-annually.

The following key principles outline our Group's approach to risk management and internal control:

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

- The CFO, Dr. Zhang Zidong, has been responsible for (i) reviewing and approving major risk management issues of the Company; (ii) providing guidance on the Company's risk management approach to the relevant departments in the Company; (iii) reviewing the relevant departments' reporting on key risks and providing feedback; (iv) supervising the implementation of the Company's risk management measures by the relevant departments; and (v) reporting to the Audit Committee on the Company's material risks.

- The relevant departments in the Company, including but not limited to the finance department, the legal department and the human resources department are responsible for developing and implementing the 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; (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 the Group's risk management framework.

The Company considers that its 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.

Internal Control

The Board is responsible for establishing and ensuring effective internal controls to safeguard the Shareholder's investment at all times. The Board reviews and assesses the adequacy and effectiveness of internal control system of the Group semi-annually. 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 established internal audit function for risk management and internal control systems with relevant policies and procedures that the Company believes are appropriate for our business operations. The Company has adopted various measures and procedures regarding each aspect of its business operation, such as protection of intellectual property, environmental protection, and occupational health and safety. The Company also constantly monitors the implementation of those measures and procedures through its on-site internal control for each stage of the drug development process. 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.

The Company had engaged a legal advisor to provide advice to the Directors and management team regarding matters relating to the Listing Rules. The legal adviser is expected to provide support and advice regarding the requirements of relevant regulatory authorities, including those relating to corporate governance, on a timely basis.

The Company has engaged a PRC law firm to advise it on and keep it abreast of PRC laws and regulations. The Company will continue to arrange various trainings sessions to be provided by external legal advisors from time to time when necessary, and/or any appropriate accredited institution to update the Directors, senior management and relevant employees on the latest PRC laws and regulations.

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. During the Reporting Period, the Company has regularly reviewed and enhanced its internal control system.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. The Board confirms its responsibilities for risk management and internal control systems, and for reviewing the effectiveness of such risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failing to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Reporting Period, the Company has reviewed the effectiveness of the internal audit system and the risk management and the internal control system of the Group, including qualifications and experience of staff in the aforementioned systems, and the adequacy of their training programs and budget and ESG risks. Accordingly, the Company believes that its risk management and internal control systems are effective and adequate.

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. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the independent auditors' report in this report.

AUDITORS' REMUNERATION

The remuneration paid or payable to the Company's external auditors of the Group in respect of audit services and non-audit services for the year ended December 31, 2023 is set out below:

Service category	Fees paid and payable for the year ended December 31, 2023 (RMB)
Audit Services	1,800,000
Non-audit Services	–

JOINT COMPANY SECRETARIES

During the Reporting Period, Ms. Tian Huimin and Ms. Chan Yin Wah, who is an associate director of SWCS Corporate Services Group (Hong Kong) Limited, were the joint company secretaries of the Company. Dr. Xu Yao-Chang, the CEO and Chairman of the Board, is the primary corporate contact person at the Group. During the Reporting Period, Ms. Tian Huimin and Ms. Chan Yin Wah have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the Reporting Period. All Directors have access to the advice and services of the joint company secretaries on corporate governance and Board practices related matters.

SHAREHOLDERS' RIGHTS

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

Convening Shareholders' General Meetings

A Shareholders' annual general meeting is required to be held in each year, within six months (or such other period as may be permitted by the Listing Rules or the Exchange) from the end of last financial year.

Pursuant to Article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, call extraordinary general meetings. Extraordinary general meetings shall also be convened on the written requisition to the Board or the Secretary of the Company of one or more members holding at the date of deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, in the share of the Company carrying the right of voting at general meetings of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions under the Articles of Association or the Companies Law 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 meetings for any business specified in such requisition. The contents of such proposals shall fall with the functions and powers of the general meeting, shall feature definite topics and specific issues for resolution, and shall be in compliance with relevant requirements of laws, administrative regulations, listing rules for stock exchanges where the Company's shares are listed and the Articles of Association. 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 for election, be eligible for election to the office as a Director at any general meeting unless a notice in writing by member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected shall have been given to the joint company secretaries of the Company. The minimum length of the period during which such notice(s) are given shall be at least seven days, and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. For procedures of nomination of candidates for directorship by Shareholders, please refer to the website of the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may supervise the operations of the Company, and to make suggestions and enquiries accordingly.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, by online feedback, a web-based enquiry form (https://www.computershare.com/hk/en/online_feedback), or calling its hotline at +852 2862 8555, or go in person to its public counter at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. For this purpose, the Company has set up a website (www.abbisko.com), where relevant latest information, the up-to-date state of the Company's business operation and development, the Company's financial information and corporate governance practices and other data are available to the public. The Shareholders may send written enquiries to the Company, for the attention of the Board of Directors by mail to IR Dept., Building 3, No. 898, Halei Road, Zhangjiang Hi-Tech Park Pudong New Area, Shanghai, PRC or by email to IR@abbisko.com.

Changes to the Articles of Association

Upon obtaining Shareholders' approval at the annual general meeting of the Company held on June 14, 2023, the Company has amended its memorandum and articles of association, for the purpose of, among others, conforming to the core shareholder protection standards set out in Appendix A1 (formerly Appendix 3) to the Listing Rules. For further details, please refer to the announcement of the Company dated March 15, 2023 and the circular of the Company dated April 21, 2023. The up-to-date version of Articles of Association is also available on the Company's website and the Stock Exchange's website.

Save as disclosed above, during the year ended December 31, 2023, there was no significant change in the memorandum and articles of association of the Company.

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings, annual and interim earning release meetings, road shows and other communication meetings and social networks. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries. Also, the Company discloses information and publishes periodic reports and announcements to the public on the Stock Exchange's website in a timely manner in accordance with the Listing Rules, the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and does not contain any material omission, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions. The Board reviewed the policy on a semi-year basis and the policy remained effective.

The Company's proactive approach to investor relations has widened and expanded the coverage of the Company. A number of local and international sell-side brokers published research reports on the Company. The Company's management and investor relations function take great efforts to maintain an open dialogue with the investment community to ensure a thorough understanding of the Company's business development, core strategies and corporate governance principles.

The Company announced its progresses in a timely manner to enhance Shareholders' understanding of business performance and strategy, including but not limited to the following documents of the Company: (a) the directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; (f) a proxy form; and (g) voluntary announcements of material business progresses.

The implementation and effectiveness of the shareholders' 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.

Dividend Policy

The Company has adopted a policy on payment of dividends pursuant to code provision F.1.1 of the CG Code taking into consideration of various elements including but not limited to, among other things, the capital requirements of the Company, financial results and general business conditions of the Company and any other conditions which the Board may deem relevant. The policy sets out the factors in consideration, procedures and methods of the payment of dividends with an objective to provide the Shareholders with continuing, stable and reasonable returns on investment while maintaining the Company's business operation and achieving its long-term development goal. The distribution of dividends will be formulated by our Board, and will be subject to Shareholders' approval.

WORKFORCE DIVERSITY

The Company is committed to promote diversity in our Company to the extent practicable by taking into consideration a number of factors in respect of our corporate governance structure. The Company seeks to achieve Board diversity and workforce diversity through the consideration of a number of factors, including but not limited to gender, age, language, cultural background, educational background, industry experience and professional experience.

We have adopted the Board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. For more details, please refer to the section headed "Corporate Governance Report – Board of Directors – Board Diversity and Board Diversity Policy" in this report. As at December 31, 2023, we hired 258 full-time employees, of which 111 were male and 147 were female. The gender ratio in the workforce (including senior management) was approximately 43% males to 57% females. The Company will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness.

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Abbisko Cayman Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Abbisko Cayman Limited (the "Company") and its subsidiaries (the "Group") set out on pages 97 to 165, 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 ("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 Accountant ("HKIPCA"). 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 matter	How our audit addressed the key audit matter
Measurement research and development costs	
The Group incurred significant research and development ("R&D") costs of RMB433,736,000 as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023. A large portion of the Group's R&D costs was service fees paid to contract research organisations ("CROs") and contract development manufacture organisations ("CDMO") (collectively referred to as the "Outsourced Service Providers"). The R&D activities with these Outsourced Service Providers are documented in detailed agreements and are typically performed over an extended period. The expenses for R&D activities with these Outsourced Service Providers are charged to profit or loss based on the progress of the research and development projects. We identified the measurement of R&D costs as a key audit matter due to the significant amount of R&D costs and the risk of not recording R&D costs incurred in the appropriate financial reporting period. Related disclosures are included in notes 2.4 and 3 to the financial statements.	Our procedures included, among others: 1. obtaining an understanding of and evaluating the design of controls, and testing the operating effectiveness of the controls in relation to the measurement of the R&D costs; 2. reviewing the contracts entered with the Outsourced Service Providers, on a sampling basis, and evaluating the completion status of R&D projects based on inquiry with project managers, and inspection of supporting documents and external progress reports from the Outsourced Service Providers; 3. obtaining the external confirmations of the Outsourced Service Providers; and 4. evaluating the method adopted by the management in setting up the calculation basis for R&D costs and re-calculating the accrued R&D costs using the management's method. We also read and assessed the Group's disclosures of R&D.

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.

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.

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.

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

- 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.

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 SHUN, Lung Wai.

Ernst & Young
Certified Public Accountants
Hong Kong
12 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	5	**19,060**	–
Cost of sales		**–**	–
Gross profit		**19,060**	–
Other income and gains	6	**87,376**	45,563
Research and development expenses		**(433,736)**	(378,746)
Administrative expenses		**(96,401)**	(118,443)
Other expenses		**(5,712)**	(41,295)
Finance costs	8	**(2,170)**	(2,685)
LOSS BEFORE TAX	7	**(431,583)**	(495,606)
Income tax expenses	11	**–**	–
LOSS FOR THE YEAR		**(431,583)**	(495,606)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(1,079)**	774
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company		**32,885**	199,493
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**31,806**	200,267
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(399,777)**	(295,339)
Loss attributable to:			
Owners of the parent		**(431,583)**	(495,606)
Total comprehensive loss attributable to:			
Owners of the parent		**(399,777)**	(295,339)
LOSS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
For loss for the year		**RMB(0.67)**	RMB(0.80)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**34,264**	32,364
Right-of-use assets	15	**35,082**	44,936
Intangible assets	16	**4,634**	4,505
Other non-current assets		**–**	27
Total non-current assets		**73,980**	81,832
CURRENT ASSETS			
Prepayments and other receivables	19	**68,993**	55,094
Financial assets at fair value through profit or loss	17	**918**	93,796
Cash and bank balances	20	**1,971,491**	2,258,827
Total current assets		**2,041,402**	2,407,717
CURRENT LIABILITIES			
Other payables and accruals	21	**98,119**	97,585
Derivative financial instruments	18	**437**	–
Lease liabilities	15	**10,610**	9,968
Total current liabilities		**109,166**	107,553
NET CURRENT ASSETS		**1,932,236**	2,300,164
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,006,216**	2,381,996
NON-CURRENT LIABILITIES			
Lease liabilities	15	**25,114**	35,607
Total non-current liabilities		**25,114**	35,607
Net assets		**1,981,102**	2,346,389
EQUITY			
Equity attributable to owners of the parent			
Share capital	22	**46**	46
Treasury shares	22	**(4)**	(3)
Other reserves	23	**1,981,060**	2,346,346
Total equity		**1,981,102**	2,346,389

XU Yao-Chang
Director

CHEN Zhui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent						
	Share capital RMB'000	Treasury shares RMB'000	Share option reserve* RMB'000	Share premium* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses* RMB'000	Total RMB'000
At 1 January 2023	46	(3)	75,719	5,498,389	247,723	(3,475,485)	2,346,389
Loss for the year	–	–	–	–	–	(431,583)	(431,583)
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations and the Company	–	–	–	–	31,806	–	31,806
Total comprehensive loss for the year	–	–	–	–	31,806	(431,583)	(399,777)
Issue of shares	–	–	–	–	–	–	–
Issue of shares from initial public offering ("IPO")	–	–	–	–	–	–	–
Issue of shares from exercise of an over-allotment option	–	–	–	–	–	–	–
Share issue expenses	–	–	–	–	–	–	–
Conversion of convertible redeemable preferred shares to ordinary shares	–	–	–	–	–	–	–
Repurchase of shares	–	(1)	–	(12,907)	–	–	(12,908)
Vesting of equity-settled share options and restricted share units	–	–	(7,504)	7,504	–	–	–
Equity-settled share-based payment expense	–	–	47,398	–	–	–	47,398
At 31 December 2023	46	(4)	115,613	5,492,986	279,529	(3,907,068)	1,981,102

* These reserve accounts comprise the consolidated other reserves of RMB1,981,060,000 (2022: RMB2,346,346,000) in the consolidated statement of financial position.

continued/...

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent						
	Share capital RMB'000	Treasury shares RMB'000	Share option reserve* RMB'000	Share premium* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses* RMB'000	Total RMB'000
At 1 January 2022	46	(5)	98,847	5,369,594	47,456	(2,979,879)	2,536,059
Loss for the year	–	–	–	–	–	(495,606)	(495,606)
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations and the Company	–	–	–	–	200,267	–	200,267
Total comprehensive loss for the year	–	–	–	–	200,267	(495,606)	(295,339)
Issue of shares	–	–	–	–	–	–	–
Issue of shares from initial public offering ("IPO")	–	–	–	–	–	–	–
Issue of shares from exercise of an over-allotment option	–	–	–	–	–	–	–
Share issue expenses	–	–	–	–	–	–	–
Conversion of convertible redeemable preferred shares to ordinary shares	–	–	–	–	–	–	–
Repurchase of shares	–	–	–	(4,055)	–	–	(4,055)
Vesting of equity-settled share options and restricted share units	–	2	(133,249)	132,850	–	–	(397)
Equity-settled share-based payment expense	–	–	110,121	–	–	–	110,121
At 31 December 2022	46	(3)	75,719	5,498,389	247,723	(3,475,485)	2,346,389

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023	2022
		RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(431,583)**	(495,606)
Adjustments for:			
Finance costs	8	**2,170**	2,685
Bank interest income	6	**(65,493)**	(35,018)
Depreciation of property, plant and equipment	14	**6,316**	4,569
Loss on disposal of items of property, plant and equipment		**59**	–
Depreciation of right-of-use assets	15	**9,448**	9,555
Amortisation of intangible assets	16	**2,658**	1,674
Equity-settled share option expense	24	**47,398**	110,121
Fair value loss/(gains), net:			
Fair value (gain)/loss on financial assets at fair value through profit or loss	7	**(1,143)**	219
Derivative financial instruments	7	**437**	–
Foreign exchange differences, net	7	**5,605**	41,001
		(424,128)	(360,800)
Increase in prepayments and other receivables		**(22,316)**	(1,921)
Increase in other payables and accruals		**1,717**	18,824
Net cash flows used in operating activities		**(444,727)**	(343,897)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from bank		**53,581**	20,324
Purchases of items of property, plant and equipment		**(9,603)**	(19,618)
Purchases of intangible assets		**(2,648)**	(3,128)
Purchases of financial assets at fair value through profit or loss		**–**	(94,015)
Purchases of pledged deposits		**(7,437)**	–
Redemption of financial assets at fair value through profit and loss		**95,616**	–
Purchases of time deposits with original maturity of more than three months		**(4,462,064)**	(5,488,778)
Redemption of time deposits with original maturity of more than three months		**4,711,079**	5,368,640
Net cash flows from/(used) in investing activities		**378,524**	(216,575)

continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	**2023**	2022
		RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments	25	**(9,445)**	(8,635)
Interest portion of lease payments	15	**(2,170)**	(2,685)
Exercise of share options		**8,418**	3,740
Repurchase of shares		**(12,908)**	(4,055)
Share issue expenses		**–**	(9,179)
Net cash flows used in financing activities	25	**(16,105)**	(20,814)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(82,308)**	(581,286)
Cash and cash equivalents at beginning of the year		**641,837**	1,063,857
Effect of foreign exchange rate changes, net		**18,552**	159,266
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		**578,081**	641,837

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 28 March 2018. The registered address of the Company is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were involved in the research and development of pharmaceutical products.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") effective from 13 October 2021.

In the opinion of the Company's directors (the "Directors"), the holding company and the ultimate holding company of the Company is Yao Chang Family Holding Limited, which was incorporated in the Cayman Islands on 20 April 2021. Yao Chang Family Holding Limited is ultimately controlled by Dr. XU Yao-Chang, the chairman and the chief executive officer of the Company.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Abbisko Hongkong Limited	Hong Kong 13 April 2018	Hong Kong Dollars ("HKD") 10,000	100%	–	Investment holding
Abbisko Therapeutics Co., Ltd.[1, 2] (上海和譽生物醫藥科技有限公司)	the People's Republic of China ("PRC")/ Chinese Mainland 12 April 2016	RMB1,200,000,000	–	100%	Research and development in areas of biomedical and biotechnology, technical services and technical consultation
Wuxi Abbisko Biomedical Technology Co., Ltd.[1, 2] (無錫和譽生物醫藥科技有限公司)	PRC/Chinese Mainland 28 July 2020	United States Dollars ("USD") 40,000,000	–	100%	Research and development

1. CORPORATE INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Abbisko Therapeutics Australia Pty Ltd.	Australia 25 September 2020	Australian Dollars ("AUD") 3,958,510	–	100%	Research and development
Beijing Qianyu Therapeutics Co. Ltd.[1] (北京千譽生物醫藥科技有限公司)	PRC/Chinese Mainland 24 November 2021	RMB20,000,000	–	100%	Research and development

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

2 These subsidiaries were registered as wholly-foreign-owned enterprises under PRC law.

3 Save for disclosed in this annual report, none of the subsidiaries had issued any debt securities at the end of the year.

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 (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and wealth management products which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") 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).

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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 recognise 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.

Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Estimates*
Amendments to IAS 8	*Definition of Accounting Policies*
Amendments to IAS 12	*Deferred Tax relates 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) The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Group's consolidated financial statements.

(c) The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. Upon initial application of these amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, 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) The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and

- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023. The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules.

2.3 Issued but not yet effective IFRSs

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

2. ACCOUNTING POLICIES (continued)

2.3 Issued but not yet effective IFRSs (continued)

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.

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.

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.

2. ACCOUNTING POLICIES (continued)

2.3 Issued but not yet effective IFRSs (continued)

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.

2.4 Material accounting policies

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Investments in associates and joint ventures (continued)

The Group's investments in associates and joint ventures are 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated 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 or joint venture, 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 associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where recognised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

The Group measures derivative financial instruments and wealth management products 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.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Fair value measurement (continued)

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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, investment properties and non-current assets), 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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss 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 the statement of profit or loss and other comprehensive income 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 the statement of profit or loss and other comprehensive income 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 the statement of profit or loss and other comprehensive income 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 plant and equipment to its residual value over its estimated useful life. The principal annual rates and estimated useful lives used for this purpose are as follows:

	Principal annual rates	Estimated useful lives
Electronic equipment	19%	5 years
Office equipment	19%	5 years
R&D equipment	19%	5 years
Motor vehicles	19%	5 years
Leasehold improvements	20%	5 years

Where parts of an item of 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 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 the statement of profit or loss and other comprehensive income 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 plant and equipment when completed and ready for use.

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.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software for research and development activities	1 to 3 years
Software for management activities	10 years

The useful life of the software for R&D activities is estimated based on the authority period of the software, while the useful life of the software for management activities is estimated based on management's judgement.

Research and development expenses

All research costs are charged to the statement of profit or loss and other comprehensive income 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.

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.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Leases (continued)

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:

Property, office premises and plant	1 to 5 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.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

(b) *Lease liabilities (continued)*

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.

(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 laptops 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 ("FVOCI"), and fair value through profit or loss ("FVTPL").

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.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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.

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 the statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss and other comprehensive income.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Investments and other financial assets (continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss and other comprehensive income. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

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 the statement of profit or loss and other comprehensive income.

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 equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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 the statement of profit or loss and other comprehensive income. 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.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

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.

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 90 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.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Impairment of financial assets (continued)

General approach (continued)

Debt investments at fair value through other comprehensive income and 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

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, or payables 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 derivative financial instruments.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income. The net fair value gain or loss recognised in the statement of profit or loss and other comprehensive income does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss and other comprehensive income, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss and other comprehensive income. The net fair value gain or loss recognised in the statement of profit or loss and other comprehensive income does not include any interest charged on these financial liabilities.

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 the statement of profit or loss and other comprehensive income 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 the statement of profit or loss and other comprehensive income.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

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 the statement of profit or loss and other comprehensive income.

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.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

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.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

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 the statement of profit or loss and other comprehensive income.

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 each 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 each 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.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Income tax (continued)

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.

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 each 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.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

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.

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.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

The revenue from a license is recognised over time if all of the following criteria are met:

(a) the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property 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 entity'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.

Otherwise, revenue is recognised at the point in time when the customer obtains the control of the licence.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Revenue recognition (continued)

Other 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.

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 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 a binomial model, further details of which are given in note 24 to the consolidated 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 the statement of profit or loss and other comprehensive income 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.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Share-based payments (continued)

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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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. These 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 the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

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 note 12 to the consolidated 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.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Foreign currencies

The consolidated financial statements are presented in RMB, which is the Company's functional currency. 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 the statement of profit or loss and other comprehensive income.

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 certain overseas subsidiaries, joint ventures and associates are currencies other than the RMB. 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 weighted average exchange rates for the year.

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 the statement of profit or loss and other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated 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:

Research and development expenses

Development expenses incurred on the Group's drug product pipelines are 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, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the reporting period, all expenses incurred for research and development activities were expensed when incurred.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as 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.

Share-based payments

The Group has set up an equity share option plan for the Company's directors and the Group's employees. The fair value of the options is determined by the binomial model at the grant dates.

Estimating the fair value for share-based payment transactions requires the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share options, volatility and dividend yield and making assumptions about them.

For the fair value measurement of equity-settled transactions with employees at the grant date, the Group uses a binomial model. The assumptions and models used for estimating the fair value for share-based payment transactions are disclosed in note 24.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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).

4. OPERATING SEGMENT INFORMATION

Operating segment information

For management purposes, the Group has only one reportable operating segment, which is the development of innovative medicines. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Since nearly all of the Group's non-current assets were located in Chinese Mainland, no geographical information in accordance with IFRS 8 *Operating Segments* is presented.

5. REVENUE

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	**19,060**	–

Disaggregated revenue information

For the year ended 31 December 2023

	License fee income RMB'000
Type of goods or services	
License fee income	**19,060**
Geographical market	
Chinese Mainland	**19,060**
Timing of revenue recognition	
License fee income at a point in time	**19,060**

During the year, the Group recorded one-time license fee income of RMB19,060,000, which was generated from an exclusive licensing agreement with Shanghai Allist Pharmaceuticals Co., Ltd.

6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2023 RMB'000	2022 RMB'000
Other income		
Bank interest income	**65,493**	35,018
Other gains		
Government grants*	**21,177**	10,545
Fair value gains on financial assets at fair value through profit or loss	**706**	–
Total gains	**21,883**	10,545
Total other income and gains	**87,376**	45,563

* The government grants mainly represent subsidies received from the local governments for the purpose of supporting on research and clinical trial activities, allowance for new drug development and funds for talents. There were no unfulfilled conditions or contingences relating to these grants received during the year.

7. LOSS BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Depreciation of items of property, plant and equipment	14	**6,316**	4,569
Depreciation of right-of-use assets	15	**9,448**	9,555
Amortisation of intangible assets	16	**2,658**	1,674
Research and development costs – Current year expenditure		**418,203**	366,714
Lease payments not included in the measurement of lease liabilities		**725**	1,351
Auditor's remuneration		**1,800**	2,150
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):			
Wages and salaries		**140,884**	103,328
Pension scheme contributions (defined contribution scheme)*		**27,108**	18,992
Equity-settled share option expense		**21,385**	32,469
		189,377	154,789
Foreign exchange differences, net		**5,605**	41,001
Fair value (gain)/loss on financial assets at fair value through profit or loss		**(1,143)**	219
Fair value loss on derivative financial instruments		**437**	–

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	**2,170**	2,685

9. 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	2022
	RMB'000	RMB'000
Fees	**706**	676
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind*	**10,013**	23,175
Pension scheme contributions	**226**	246
Equity-settled share option expense	**26,013**	77,652
Subtotal	**36,252**	101,073
Total	**36,958**	101,749

* The bonuses paid or receivable by the directors and chief executive of the Company are not discretionary or based on the Company's, the Group's or any member of the Group's performance.

In prior years, certain directors were granted restricted share units, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 24 to the financial statements. The fair value of such restricted share units, which has been recognised in the statement of profit or loss and other comprehensive income 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	2022
	RMB'000	RMB'000
Mr. Sun Piaoyang	**–**	–
Mr. Sun Hongbin	**353**	338
Mr. Wang Lei	**353**	338
Total	**706**	676

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2023					
Executive directors:					
Dr. YU Hongping	–	2,829	113	8,015	10,957
Dr. CHEN Zhui	–	2,926	113	8,015	11,054
Subtotal	–	5,755	226	16,030	22,011
Non-executive directors:					
Dr. XIA Gavin Guoyao (i)	–	–	–	–	–
Ms. Tang Yanmin	–	–	–	–	–
Chief executive:					
Dr. XU Yao-Chang	–	4,258	–	9,983	14,241
Total	–	10,013	226	26,013	36,252
2022					
Executive directors:					
Dr. YU Hongping	–	3,305	106	22,787	26,198
Dr. CHEN Zhui	–	6,482	106	22,787	29,375
Mr. YEH Richard	–	2,804	34	3,647	6,485
Subtotal	–	12,591	246	49,221	62,058
Non-executive directors:					
Dr. XIA Gavin Guoyao	–	–	–	–	–
Ms. Tang Yanmin	–	–	–	–	–
Chief executive:					
Dr. XU Yao-Chang	–	10,584	–	28,431	39,015
Total	–	23,175	246	77,652	101,073

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

(i) Dr. XIA Gavin Guoyao was appointed as a director of the Company on 22 October 2018 and resigned as a director on 22 June 2023.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2022: four directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2022: one) highest paid employees who is neither a director nor chief executive of the Company are as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries, bonuses, allowances, and benefits in kind*	**7,936**	4,532
Pension scheme contributions	**186**	92
Equity-settled share option expenses	**7,119**	4,657
Total	**15,241**	9,281

* The aggregate of bonuses paid or receivable by the Company's five highest paid employees are not discretionary or based on the Company's, the Group's or any member of the Group's performance for the financial year.

The remuneration of the non-director and non-chief executive highest paid employee fell within the following bands:

	2023	2022
HKD8,000,001 to HKD8,500,000	**1**	–
HKD8,500,001 to HKD9,000,000	**1**	–
HKD10,500,001 to HKD11,000,000	**–**	1
Total	**2**	1

In prior years, share options were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 24 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss and other comprehensive income 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 non-director and non-chief executive highest paid employees' remuneration disclosures.

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Nil).

11. INCOME TAX

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

Cayman Islands

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

Hong Kong

The subsidiary incorporated in Hong Kong are subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

Chinese Mainland

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the subsidiaries which operate in Chinese Mainland are subject to CIT at a rate of 25% on the taxable income. A subsidiary was accredited as a "High and New Technology Enterprise" ("HNTE") in October 2022 and therefore it was entitled to a preferential CIT rate of 15% from 1 January 2022 to 31 December 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Australia

No provision for Australia income tax has been made as the Group had no assessable profits derived from or earned in Australia during the year. The subsidiary incorporated in Australia is subject to income tax at the rate of 25% on the estimated assessable profits arising in Australia during the year.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2023 **RMB'000**	2022 RMB'000
Loss before tax	**(431,583)**	(495,606)
Tax at the statutory tax rate	**(79,725)**	(81,081)
Income not subject to tax	**(136)**	(13)
Additional deductible allowance for qualified research and development costs	**(60,646)**	(40,196)
Expenses not deductible for tax	**7,980**	17,490
Temporary difference not recognised	**2,040**	251
Tax losses not recognised	**130,487**	103,549
Tax charge at the Group's effective rate	**–**	–

11. INCOME TAX (continued)

The Group had accumulated tax losses in Chinese Mainland of RMB2,082,252,000 as at 31 December 2023 (2022: RMB1,272,848,000), which will expire in five to ten years for offsetting against future taxable profits of the companies in which the losses arose:

	2023 RMB'000	2022 RMB'000
Expire in 2026	10,034	10,034
Expire in 2027	40,722	40,722
Expire in 2028	81,191	81,191
Expire in 2029	113,384	113,384
Expire in 2030	183,711	183,711
Expire in 2031	285,350	285,350
Expire in 2032	610,714	558,456
Expire in 2033	757,146	–
Total	2,082,252	1,272,848

The Group also had accumulated tax losses in overseas subsidiaries of RMB113,511,000 as at 31 December 2023 (2022: RMB92,702,000), which 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.

12. DIVIDENDS

No dividend was paid or declared by the Company during the year.

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 647,226,272 (2022: 620,675,952), after adjusting for the effect of the Share Subdivision) in issue during the year, as adjusted to reflect the rights issue during the year.

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

The calculations of basic and diluted loss per share are based on:

	2023 RMB'000	2022 RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**(431,583)**	(495,606)

	Numbers of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**647,226,272**	620,675,952

14. PROPERTY, PLANT AND EQUIPMENT

	Electronic equipment RMB'000	Office equipment RMB'000	R&D equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023							
At 1 January 2023:							
Cost	2,075	359	29,588	1,244	3,931	13,682	50,879
Accumulated depreciation	(565)	(185)	(14,865)	(536)	(2,364)	–	(18,515)
Net carrying amount	1,510	174	14,723	708	1,567	13,682	32,364
At 1 January 2023, net of accumulated depreciation	1,510	174	14,723	708	1,567	13,682	32,364
Additions	568	8	7,700	–	–	140	8,416
Disposals of cost	–	–	(33)	–	–	–	(33)
Disposals of depreciation	–	–	31	–	–	–	31
Transfer from construction in progress	–	–	3,820	–	–	(3,820)	–
Transfer to others	–	–	–	–	–	(198)	(198)
Depreciation provided during the year	(397)	(56)	(5,103)	(161)	(599)	–	(6,316)
At 31 December 2023, net of accumulated depreciation	1,681	126	21,138	547	968	9,804	34,264
At 31 December 2023:							
Cost	2,643	367	41,075	1,244	3,931	13,822	63,082
Accumulated depreciation	(962)	(241)	(19,937)	(697)	(2,963)	(4,018)	(28,818)
Net carrying amount	1,681	126	21,138	547	968	9,804	34,264
31 December 2022							
At 1 January 2022:							
Cost	1,235	346	22,586	1,244	3,744	–	29,155
Accumulated depreciation	(329)	(127)	(11,410)	(331)	(1,749)	–	(13,946)
Net carrying amount	906	219	11,176	913	1,995	–	15,209
At 1 January 2022, net of accumulated depreciation	906	219	11,176	913	1,995	–	15,209
Additions	840	13	7,002	–	187	13,682	21,724
Depreciation provided during the year	(236)	(58)	(3,455)	(205)	(615)	–	(4,569)
At 31 December 2022, net of accumulated depreciation	1,510	174	14,723	708	1,567	13,682	32,364
At 31 December 2022:							
Cost	2,075	359	29,588	1,244	3,931	13,682	50,879
Accumulated depreciation	(565)	(185)	(14,865)	(536)	(2,364)	–	(18,515)
Net carrying amount	1,510	174	14,723	708	1,567	13,682	32,364

As at 31 December 2023 and 2022, there were no pledged property, plant and equipment.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties used in its operations. Leases of properties generally have lease terms between 1 and 5 years. 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:

	Property, office premises and plant RMB'000
As at 31 December 2023	
At 1 January 2023	**44,936**
Disposals	**(406)**
Depreciation charge	**(9,448)**
As at 31 December 2023	**35,082**
As at 31 December 2022	
As at 1 January 2022	54,085
Additions	406
Depreciation charge	(9,555)
As at 31 December 2022	44,936

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2023 **RMB'000**	2022 RMB'000
Carrying amount at 1 January	**45,575**	53,804
New leases	**–**	406
Disposals	**(406)**	–
Accretion of interest recognised during the year	**2,170**	2,685
Lease payment	**(11,615)**	(11,320)
Carrying amount at the end of the year	**35,724**	45,575
Analysed into:		
Current portion	**10,610**	9,968
Non-current portion	**25,114**	35,607

15. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities (continued)

The maturity analysis of lease liabilities is as follows:

	2023			2022		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities	**4.75-5.5**	**2024**	**10,610**	4.75-5.5	2023	9,968
Non-current						
Lease liabilities	**5.5**	**2025-2029**	**25,114**	5.5	2024-2028	35,607

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 **RMB'000**	2022 RMB'000
Interest on lease liabilities	**2,170**	2,685
Depreciation charge of right-of-use assets	**9,448**	9,555
Expense relating to short-term leases	**725**	1,351
Total amount recognised in profit or loss	**12,343**	13,591

(d) The total cash outflow for leases is disclosed in note 25(c), respectively, to the financial statements.

16. OTHER INTANGIBLE ASSETS

	Software RMB'000	Total RMB'000
31 December 2023		
Cost at 1 January 2023, net of accumulated amortisation	**4,505**	**4,505**
Additions	**2,648**	**2,648**
Transferred from CIP	**139**	**139**
Amortisation provided during the year	**(2,658)**	**(2,658)**
At 31 December 2023	**4,634**	**4,634**
At 31 December 2023:		
Cost	**9,808**	**9,808**
Accumulated amortisation	**(5,174)**	**(5,174)**
Net carrying amount	**4,634**	**4,634**
31 December 2022		
Cost at 1 January 2022, net of accumulated amortisation	3,051	3,051
Additions	3,128	3,128
Amortisation provided during the year	(1,674)	(1,674)
At 31 December 2022	4,505	4,505
At 31 December 2022:		
Cost	7,021	7,021
Accumulated amortisation	(2,516)	(2,516)
Net carrying amount	4,505	4,505

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 **RMB'000**	2022 RMB'000
Wealth management products	**918**	93,796

The above wealth management product was issued by a financial institution in Hong Kong. It was mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2023	
	Assets	**Liabilities**
	RMB'000	RMB'000
Forward currency contracts*	**–**	**437**

* Changes in the fair value of forward currency contracts are charged to the statement of profit or loss and other comprehensive income during the reporting periods. The forward currency contracts incurred are pledged with one-year deposits of USD1,050,000 (equivalent to RMB7,437,000) of the Group as collateral.

The Group holds the following foreign exchange forward contracts:

			Maturity		
	Less than 3 months	**3 to 6 months**	**6 to 9 months**	**9 to 12 months**	**Total**
As at 31 December 2023					
Forward currency contracts					
Nominal amount (RMB'000)	**–**	**–**	**105,300**	**–**	**105,300**
Average forward rate (US$/RMB)	**N/A**	**N/A**	**7.0600-7.0000**	**N/A**	

19. PREPAYMENTS AND OTHER RECEIVABLES

	Note	**2023**	2022
		RMB'000	RMB'000
Prepayments to suppliers		**21,292**	11,249
Amounts due from related parties	28	**–**	7,741
Loans to employees*		**9,381**	10,058
Deposits and other receivables		**38,320**	26,046
Total		**68,993**	55,094

* The loans to employees were given by the Company for the purpose of enabling the employees to exercise share options of the Company.

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

20. CASH AND BANK BALANCES

	2023 RMB'000	2022 RMB'000
Cash and bank balances	1,971,491	2,258,827
Less:		
Pledged time deposits (i)	7,437	–
Bank deposits with original maturity of more than three months when acquired (ii)	1,385,973	1,616,990
Cash and cash equivalents	578,081	641,837

(i) They represent one-year time deposits of USD1,050,000 (equivalent to RMB7,437,000) pledged for the Group's forward currency contracts with annual return rates ranging from 5.0% to 5.1%.

(ii) They represent time deposits with initial terms of over three months when acquired in commercial banks with annual return rates ranging from 2.02% to 5.7% (2022: 2.55% to 4.6%). None of these deposits are either past due or impaired. None of these deposits are pledged.

	2023 RMB'000	2022 RMB'000
Denominated in:		
RMB	594,887	729,738
USD	1,364,728	1,524,612
HKD	11,644	3,219
AUD	232	1,258
Cash and bank balances	1,971,491	2,258,827

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. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

21. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Payroll payable	25,740	23,196
Payables of construction and purchase of equipment	132	1,346
Other tax payables	2,113	24,051
Share issue expenses payables	–	127
Amounts due to related parties	388	–
Payables for research and development services	55,524	42,847
Other payables	14,222	6,018
Total	98,119	97,585

Other payables and accruals are unsecured, non-interest-bearing and repayable on demand. The carrying amounts of financial liabilities included in other payables and accruals as at the end of each of the reporting periods approximated to their fair values due to their short-term maturities.

22. SHARE CAPITAL

	2023 USD'000	2022 USD'000
Issued and fully paid:		
701,774,350 (2022: 701,774,350) ordinary shares	7	7
Equivalent to RMB'000	46	46

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2022	702,578,350	46
Shares repurchased (i)	(804,000)	–
At 31 December 2022 and 31 December 2023 (ii)	701,774,350	46

(i) The Company purchased 804,000 of its shares on the Hong Kong Stock Exchange at a total consideration of HKD4,699,053 (equivalent to approximately RMB4,055,000). The purchased shares were cancelled during the year and the total amount paid for the purchase of the shares has been charged to share capital and share premium of the Company.

(ii) During the year, the Group purchased 5,323,000 of its shares on the Hong Kong Stock Exchange at a total consideration of HKD14,066,000 (equivalent to approximately RMB12,908,000). The purchased shares were reserved in Futu Trustee Limited and the total amount paid for the purchase of the shares has been charged to treasury shares and share premium of the Group.

23. 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 on pages 102 to 103 of the financial statements.

(i) Share premium

The share premium account represents the amount paid by shareholders for capital injection in excess of its nominal value and proceeds received from IPO less related costs.

(ii) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised or be transferred to retained profits should the related options expire or be forfeited.

24. SHARE-BASED PAYMENTS

2019 Share Incentive Plan

In July 2019, the Company adopted the Share Incentive Plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Eligible participants of the Share Incentive Plan may include any employees and directors of the Company and its subsidiaries. The maximum aggregate number of shares that may be issued under this plan is 83,602,800 Ordinary Shares (taking into account the effect of Share Subdivision). Unless otherwise cancelled or amended, the Share Incentive Plan will remain in force for 10 years from that date.

The Board shall have the authority to approve the 2019 Plan and the separate programs under the 2019 Share Incentive Plan and the shareholders shall have the power to approve and determine the maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the 2019 Share Incentive Plan.

24. SHARE-BASED PAYMENTS (continued)

2019 Share Incentive Plan (continued)

(a) Share options

The exercise period of the share options granted is determinable by the directors and commences after a vesting period of one to four years and ends on a date which is not later than ten years from the date of offer of the share options.

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 Incentive Plan as an equity-settled plan.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Share Incentive Plan during the years ended 31 December 2023 and 2022:

	Weighted average exercise price RMB per share	Number of options
At 1 January 2023	**1.39**	**10,509,145**
Forfeited during the year	**1.45**	**(559,850)**
Exercised during the year	**1.06**	**(552,843)**
At 31 December 2023	**1.41**	**9,396,452**
At 1 January 2022	1.26	30,006,990
Forfeited during the year	1.42	(1,554,060)
Share Subdivision	1.21	(17,943,785)
At 31 December 2022	1.39	10,509,145

24. SHARE-BASED PAYMENTS (continued)

2019 Share Incentive Plan (continued)

(a) Share options (continued)

The exercise prices and exercise periods of the share options outstanding as at December 31, 2023 and December 31, 2022 are as follows:

2023

Number of options	Exercise price RMB per share	Exercise period
331,517	0.01-0.2	1-12-19 to 1-12-29
869,685	1.34-2.61	1-12-21 to 1-12-29
227,500	1.45	1-12-21 to 1-12-30
6,872,750	1.45	1-6-22 to 1-6-31
1,095,000	1.45	1-9-22 to 1-9-31
9,396,452		

2022

Number of options	Exercise price RMB per share	Exercise period
482,300	0.01-0.2	1-12-19 to 1-12-29
896,595	1.34-2.61	1-12-21 to 1-12-29
247,500	1.45	1-12-21 to 1-12-30
7,485,250	1.45	1-6-22 to 1-6-31
1,397,500	1.45	1-9-22 to 1-9-31
10,509,145		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year was nil (2022: nil).

The Group recognised share option expenses of RMB9,559,011 during the year (2022: RMB22,665,336).

24. SHARE-BASED PAYMENTS (continued)

2019 Share Incentive Plan (continued)

(b) Restricted share units

The purpose of granting the restricted share units ("RSUs") under the Share Incentive Plan is to incentivise the Directors and experts for their contribution to the Group and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group, by providing them with the opportunity to own equity interests in the Company.

Unless otherwise cancelled or amended, the exercise period of the RSUs shall commence after a vesting period of one to four years and ends on a date which is not later than ten years from the date of offer of the RSUs.

The following RSUs were outstanding under the Scheme during the years ended 31 December 2023 and 2022:

	Number of RSUs
At 1 January 2023	**23,272,250**
Granted during the year	**1,025,000**
Forfeited during the year	**(517,500)**
Exercised during the year	**(1,932,750)**
At 31 December 2023	**21,847,000**
At 1 January 2022	38,184,800
Granted during the year	7,936,000
Forfeited during the year	(5,062,077)
Surrendered during the year*	(6,418,744)
Exercised during the year	(11,367,729)
At 31 December 2022	23,272,250

* For the year ended 31 December 2022, tax has been paid in January 2023 by the Group on behalf of certain directors whose rights were vested under the 2019 Share Incentive Plan and 6,418,744 RSUs were deducted from the total number of RSUs entitled to be vested to those directors, as settlement for the individual income tax paid by the Group on their behalf.

24. SHARE-BASED PAYMENTS (continued)

2019 Share Incentive Plan (continued)

(b) Restricted share units (continued)

The exercise prices and exercise periods of the RSUs outstanding as at December 31, 2023 and December 31, 2022 are as follows:

2023

Number of RSUs	Exercise period
14,718,750	1-12-22 to 1-6-31
470,000	1-12-22 to 1-9-31
25,000	1-12-22 to 1-12-31
337,500	1-3-23 to 1-3-32
3,292,500	1-6-23 to 1-6-32
225,000	1-9-23 to 1-9-32
1,853,250	1-11-23 to 1-11-32
375,000	17-3-24 to 17-4-33
550,000	1-6-24 to 1-6-33
21,847,000	

2022

Number of RSUs	Exercise period
14,718,750	1-12-22 to 1-6-31
470,000	1-12-22 to 1-9-31
187,500	1-12-22 to 1-12-31
450,000	1-3-23 to 1-3-32
4,390,000	1-6-23 to 1-6-32
375,000	1-9-23 to 1-9-32
2,681,000	1-11-23 to 1-11-32
23,272,250	

The fair value of the RSUs granted during the year was RMB2,516,713 (2022: RMB22,948,882), and the Group recognised a share-based payment expense of RMB35,046,299 (2022: RMB86,354,544) during the year.

The fair value of the RSUs granted during the year was measured as at the date of grant using the fair value of the Company's ordinary shares.

24. SHARE-BASED PAYMENTS (continued)

Post-IPO Share Option Scheme

In September 2021, the Company adopted the Post-IPO Share Option Scheme for the purpose of rewarding employees, Directors or Consultants for their past contribution to the success of the Company and providing incentives to them to further contribute to the Company. The maximum aggregate number of shares that may be issued under this plan is 48,723,430 Ordinary Shares (taking into account the effect of Share Subdivision). Unless otherwise cancelled or amended, the Share Incentive Plan will remain in force for 10 years from that date.

The Board shall have the authority to approve the Post-IPO Share Option Scheme and the shareholders shall have the power to approve and determine the maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the Post-IPO Share Option Scheme.

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date when the Post-IPO Share Option Scheme becomes unconditional, after which period no further Options will be granted by the provisions of the Post-IPO Share Option Scheme, but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Post-IPO Share Option Scheme during the years ended 31 December 2023 and 2022:

	Weighted average exercise price RMB per share	**Number of options**
At 1 January 2023	**3.09**	**3,635,000**
Granted during the year	**2.60**	**1,025,000**
Forfeited during the year	**2.63**	**(365,000)**
Exercised during the year	**2.63**	**(30,000)**
At 31 December 2023		**4,265,000**
At 1 January 2022	–	–
Granted during the year	3.09	3,675,000
Forfeited during the year	2.63	(40,000)
At 31 December 2022		3,635,000

24. SHARE-BASED PAYMENTS (continued)

Post-IPO Share Option Scheme (continued)

The exercise prices and exercise periods of the share options outstanding under the Post-IPO Share Option Scheme as at December 31, 2023 and December 31, 2022 are as follows:

2023

Number of options	Exercise price RMB per share*	Exercise period
1,700,000	**3.62**	**1-6-23 to 1-6-32**
1,640,000	**2.63**	**1-11-23 to 1-11-32**
375,000	**2.72**	**17-3-24 to 17-3-33**
550,000	**2.51**	**1-6-24 to 1-6-33**
4,265,000		

2022

Number of options	Exercise price RMB per share*	Exercise period
1,700,000	3.62	1-6-23 to 1-6-32
1,935,000	2.63	1-11-23 to 1-11-32
3,635,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the equity-settled share options granted under the Post-IPO Share Option Scheme during the year was estimated as at the dates of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2023	2022
Dividend yield (%)	**–**	–
Expected volatility (%)	**57.43-57.53**	57.08
Risk-free interest rate (%)	**2.97-3.36**	3.91
Exercise multiple	**2.2**	2.2-2.8
Weighted average share price (HKD per share)	**2.68-2.85**	3.20

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the options granted was incorporated into the measurement of fair value.

The fair value of the share options granted under the Post-IPO Share Option Scheme during the year was RMB1,364,638 (2022: RMB6,037,996).

The Group recognised share option expenses of RMB2,793,270 during the year (2022: 1,100,924).

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group did not have non-cash additions to right-of-use assets (2022: RMB406,000) and non-cash additions to lease liabilities (2022: RMB406,000), in respect of lease arrangements for property, office premises and plant.

(b) Changes in liabilities arising from financing activities

	Lease liabilities RMB'000	**Other payables and accruals RMB'000**
At 1 January 2023	**45,575**	**127**
Lease payments	**(11,615)**	**–**
Reverse of share issue expenses	**–**	**(127)**
Disposals of lease	**(406)**	**–**
Interest expenses	**2,170**	**–**
At 31 December 2023	**35,724**	**–**

	Lease liabilities RMB'000	Other payables and accruals RMB'000
At 1 January 2022	53,804	9,306
Lease payments	(11,320)	–
Payment of share issue expenses	–	(9,179)
New leases	406	–
Interest expenses	2,685	–
At 31 December 2022	45,575	127

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within financing activities	**11,615**	11,320
Within operating activities	**725**	1,351
	12,340	12,671

26. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for		
Plant and machinery	–	1,084

27. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's forward currency contracts are included in notes 18 to the consolidated financial statements.

28. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties:

	2023 RMB'000	2022 RMB'000
Due from related parties:		
Dr. XU Yao-Chang	–	4,549
Dr. CHEN Zhui	–	3,192
	–	7,741
Due to related parties:		
Dr. XU Yao-Chang	194	–
Dr. CHEN Zhui	194	–
	388	–

The Group had no outstanding balances due from certain directors (2022: RMB7,741,000) as at the end of the reporting period.

The Group had outstanding balances due to certain directors of RMB388,000 as at the end of the reporting period. Outstanding balances were payments from certain directors for exercising the share options under the 2019 Share Incentive Plan on 10 January 2024, which have been prepaid as at the end of the reporting period.

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

	2023 RMB'000	2022 RMB'000
Salaries, bonuses, allowances, and benefits in kind	23,535	35,435
Pension scheme contributions	698	683
Equity-settled share option expenses	36,376	89,879
Total compensation paid to key management personnel	60,609	125,997

Further details of directors' and the chief executive's emoluments are included in note 9 to the consolidated financial statements.

29. 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 fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in other receivables	–	15,226	15,226
Financial assets at fair value through profit or loss	918	–	918
Cash and bank balances	–	1,971,491	1,971,491
Total	918	1,986,717	1,987,635

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	–	70,266	70,266
Derivative financial instruments	437	–	437
Total	437	70,266	70,703

As at 31 December 2023, financial assets included in trade and other receivables amounting to RMB15,228,000 (2022: RMB27,102,000) were measured at amortised cost, and financial liabilities included in trade and other payables amounting to RMB67,548,000 (2022: RMB50,338,000) were measured at amortised cost.

29. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2022

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in other receivables	–	27,102	27,102
Financial assets at fair value through profit or loss	93,796	–	93,796
Cash and bank balances	–	2,258,827	2,258,827
Total	93,796	2,285,929	2,379,725

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	50,338

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of the Group's financial instrument, other than that with carrying amount that reasonably approximate to fair value, 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	**918**	93,796	**918**	93,796
Financial liabilities				
Derivative financial instruments	**437**	–	**437**	–

Management has assessed that the fair values of cash and cash – equivalents, financial assets included in deposits and other receivables, financial liabilities included in other payables and accruals and other non-current liabilities 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 financial reporting.

The Group invests in a wealth management product issued by a bank in Hong Kong. The Group has estimated the fair value of the wealth management product based on fair values provided by financial institutions.

The Group enters into derivative financial instruments with Ping An Bank Co., Ltd. Derivative financial instruments including forward currency contracts are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts are the same as their fair values.

As at 31 December 2023, the mark-to-market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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	–	918	–	918
Derivative financial instruments	–	437	–	437

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	–	93,796	–	93,796

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2022: Nil).

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. 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 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 Board of 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 changes in exchange rates.

The following table demonstrates the sensitivity at each reporting date to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
31 December 2023			
If RMB weakens against USD	**5**	**82,308**	**82,308**
If RMB strengthens against USD	**(5)**	**(82,308)**	**(82,308)**
31 December 2022			
If RMB weakens against USD	5	94,113	94,113
If RMB strengthens against USD	(5)	(94,113)	(94,113)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 comprise cash and cash equivalents, financial assets included in deposits and other receivables and other assets, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's other receivables are widely dispersed in different sectors and industries.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2023

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Financial liabilities in other payables and accruals	–	70,266	–	–	70,266
Lease liabilities	–	2,495	8,248	29,036	39,779
Total	–	72,761	8,248	29,036	110,045

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

2022

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Financial liabilities in other payables and accruals	–	50,338	–	–	50,338
Lease liabilities	–	2,480	7,637	42,055	52,172
Total	–	52,818	7,637	42,055	102,510

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 31 December 2022.

32. EVENTS AFTER THE REPORTING PERIOD

The Group has no other significant events after the reporting period up to the approval date of these financial statements.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,891,971**	1,420,960
Total non-current assets	**1,891,971**	1,420,960
CURRENT ASSETS		
Prepayments and other receivables	**13,714**	22,584
Cash and bank balances	**1,604,582**	1,873,895
Financial assets at fair value through profit or loss	**918**	93,796
Total current assets	**1,619,214**	1,990,275
CURRENT LIABILITIES		
Derivative financial instruments	**437**	–
Other payables and accruals	**914**	24,644
Total current liabilities	**1,351**	24,644
NET CURRENT ASSETS	**1,617,863**	1,965,631
Net assets	**3,509,834**	3,386,591
EQUITY		
Equity attributable to owners of the parent		
Share capital	**46**	46
Other reserves	**3,509,788**	3,386,545
Total equity	**3,509,834**	3,386,591

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

A summary of the Company's reserves is as follows

	Attributable to owners of the parent					
	Share capital	Share option reserve	Share premium	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	46	75,719	5,498,389	192,083	(2,379,646)	3,386,591
Loss for the year	–	–	–	–	42,960	42,960
Other comprehensive loss for the year:						
Exchange differences on translation of foreign operations and the Company	–	–	–	32,885	–	32,885
Total comprehensive loss for the year	–	–	–	32,885	42,960	75,845
Issue of shares	–	–	–	–	–	–
Issue of shares from initial public offering ("IPO")	–	–	–	–	–	–
Issue of shares from exercise of an over-allotment option	–	–	–	–	–	–
Share issue expenses	–	–	–	–	–	–
Conversion of convertible redeemable preferred shares to ordinary shares	–	–	–	–	–	–
Repurchase of shares	–	–	–	–	–	–
Vesting of equity-settled share options and restricted share units	–	(7,504)	7,504	–	–	–
Equity-settled share-based payment expense	–	47,398	–	–	–	47,398
At 31 December 2023	46	115,613	5,505,893	224,968	(2,336,686)	3,509,834

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	Attributable to owners of the parent					
	Share capital RMB'000	Share option reserve RMB'000	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	46	98,847	5,369,594	(7,410)	(2,356,149)	3,104,928
Loss for the year	–	–	–	–	(23,497)	(23,497)
Other comprehensive loss for the year:						
Exchange differences on translation of foreign operations and the Company	–	–	–	199,493	–	199,493
Total comprehensive loss for the year	–	–	–	199,493	(23,497)	175,996
Issue of shares	–	–	–	–	–	–
Issue of shares from initial public offering ("IPO")	–	–	–	–	–	–
Issue of shares from exercise of an over-allotment option	–	–	–	–	–	–
Share issue expenses	–	–	–	–	–	–
Conversion of convertible redeemable preferred shares to ordinary shares	–	–	–	–	–	–
Repurchase of shares	–	–	(4,055)	–	–	(4,055)
Vesting of equity-settled share options and restricted share units	–	(133,249)	132,850	–	–	(399)
Equity-settled share-based payment expense	–	110,121	–	–	–	110,121
At 31 December 2022	46	75,719	5,498,389	192,083	(2,379,646)	3,386,591

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12 March 2024.

DEFINITIONS

"Abbisko Australia"	Abbisko Therapeutics Australia Pty Ltd, a proprietary company limited by shares incorporated in Australia on September 25, 2020 and wholly owned by Abbisko Hong Kong
"Abbisko Beijing"	Beijing Qianyu Therapeutics Co. Ltd. (北京千譽生物醫藥科技有限公司), a limited liability company incorporated in the PRC on 24 November 2021 and wholly owned by Abbisko Shanghai
"Abbisko Hong Kong"	Abbisko Hongkong Limited, a limited liability company incorporated in Hong Kong on April 13, 2018 and wholly owned by our Company
"Abbisko Shanghai"	Abbisko Therapeutics Co., Ltd. (上海和譽生物醫藥科技有限公司), a limited liability company incorporated in the PRC on April 12, 2016 and wholly owned by Abbisko Hong Kong following the Reorganization
"Abbisko Wuxi"	Wuxi Abbisko Biomedical Technology Co., Ltd. (無錫和譽生物醫藥科技有限公司), a limited liability company incorporated in the PRC on July 28, 2020 and wholly owned by Abbisko Hong Kong
"Administrator"	one of the officers or Directors or a committee designated by the Board of the Company
"AGM"	Annual General Meeting
"Allist"	Shanghai Allist Pharmaceuticals Co., Ltd (上海艾力斯醫藥科技股份有限公司)
"APIs"	active pharmaceutical ingredients
"Articles of Association" or "Articles"	articles of association of our Company, as amended from time to time
"AstraZeneca"	AstraZeneca AB
"Award"	options, share appreciation right, dividend equivalent right, restricted shares and restricted share units
"Award Shares"	Award RSUs, by way of which may vest in the form of Shares
"BeiGene"	BeiGene, Ltd.
"BID"	bis in die/twice a day
"Board"	the board of Directors of the Company
"BTD"	breakthrough therapy designation

"CDE"	Center for Drug Evaluation
"CEO"	Chief Executive Officer
"CFO"	Chief Financial Officer
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"cGvHD"	chronic graft-versus-host disease
"China", "PRC", "the Chinese mainland"	People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires otherwise, references in this report to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"CMC"	Chemistry, Manufacturing and Controls
"Company", "our Company", or "the Company"	Abbisko Cayman Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands on March 28, 2018
"CROs"	Contract Research Organisations
"CSF-1R"	colony stimulating factor 1 receptor
"CSO"	Chief Scientific Officer of the Company
"CTOS"	Connective Tissue Oncology Society
"Director(s)"	the Directors of our Company, including all executive, non-executive and independent non-executive Directors
"DLT"	Dose-Limiting Toxicity
"Dr. Chen"	Dr. Chen Zhui, an executive Director and Chief Scientific Officer
"Dr. Xu"	Dr. Xu Yao-Chang, an executive Director, Chief Executive Officer and Chairman of the Board
"Dr. Yu"	Dr. Yu Hongping, an executive Director and Chief Scientific Officer
"Eligible Person(s)"	Any individual, being an employee, Directors (including executive Directors, non-executive Directors and independent non-executive Directors) or consultant of any member of the Group or any affiliate who the Board or its delegate(s) considers

"EMA"	European Medicines Agency
"EORTC"	International Molecular Targets and Cancer Treatment Conference
"ESG"	Environmental, Social and Governance
"ESG Report"	2023 Environmental, Social and Governance (ESG) Report
"ESMO TAT"	European Society for Medical Oncology Targeted Anticancer Therapies Congress
"Exercise Price"	the amount payable fore each Share to be subscribed for under an option
"FTD"	fast track designation
"FGFR"	fibroblast growth factor receptor
"Grant Date"	the date that the Award is granted
"Group"	our Company and its subsidiaries
"Hansoh"	江蘇豪森藥業集團有限公司
"Hansoh Shanghai"	上海翰森生物醫藥科技有限公司
"HCC"	hepatocellular carcinoma
"Hong Kong Stock Exchange" or "the Stock Exchange" or "HKEX"	The Stock Exchange of Hong Kong Limited
"IFRS"	international financial reporting standards
"IND"	investigational new drug
"IRC"	independent review committee
"Junshi"	Shanghai Junshi Biomedical Technology Co., Ltd. (上海君實生物醫藥科技股份有限公司)
"Lilly"	Eli Lilly and Company
"Jiangsu Hengrui Pharmaceuticals"	Jiangsu Hengrui Pharmaceuticals Co., Ltd. (江蘇恒瑞醫藥股份有限公司) (Shanghai Stock Exchange Code: 600276)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Merck"	Merck KGaA, Darmstadt, Germany

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"mUC"	metastatic urothelial cancer
"NON-IFRS"	non-international financial reporting standards
"NMPA"	National Medical Products Administration of the People's Republic of China
"NSCLC"	non-small cells lung cancer
"ODD"	orphan drug designation
"ORR"	objective response rate
"PCC"	preclinical candidate(s)
"PD"	the study of how a drug affects an organism, which, together with pharmacokinetics, influences dosing, benefit, and adverse effects of the drug
"PK"	the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
"POC"	proof-of-concept
"PRIME"	Priority Medicine designation
"Post-IPO RSU Scheme Limit"	10% of the issued share capital of the Company as of the date of approval of the Post-IPO RSU Scheme
"QD"	quaque die/once a day
"R&D"	research and development
"Reporting Period"	for the year ended December 31, 2023
"Roche"	F. Hoffmann-La Roche Ltd. and Roche China Holding Ltd.
"RSU trustee"	a trustee to administer the Post-IPO RSU scheme
"RSUs"	restricted share and restricted share units
"Selected Participant"	any individual, being an employee, Director or Consultant of any member of our Group
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"STS"	soft tissue sarcomas
"TGCT"	tenosynovial giant cell tumor
"TNBC"	triple-negative breast cancer
"the U.S. FDA"	the U.S. Food and Drug Administration
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Vesting Date"	the date that the Award vests
"WHIM"	warts, hypogammaglobulinemia, infections and myelokathexis
"X4"	X4 Pharmaceuticals, Inc.