EVEREST MEDICINES
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Everest Medicines Limited
雲頂新耀有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1952

Better **Medicines**
Better **Life**

2023
Annual Report

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wei Fu (傅唯) *(Chairman of the Board)*
Mr. Yongqing Luo (羅永慶)
Mr. Ian Ying Woo (何穎)
Mr. Xiaofan Zhang (張曉帆)
(resigned with effect from 31 March 2023)

Non-Executive Directors

Mr. Yubo Gong (龔聿波)
(resigned with effect from 9 February 2024)
Ms. Lan Kang (康嵐)
(resigned with effect from 12 January 2024)
Mr. William Ki Chul Cho (曹基哲)
(appointed with effect from 12 January 2024)
Mr. Honggang Feng (馮洪剛)
(appointed with effect from 9 February 2024)

Independent Non-executive Directors

Mr. Shidong Jiang (蔣世東)
Mr. Yifan Li (李軼梵)
Mr. Bo Tan (譚擘)
(resigned with effect from 19 January 2023)
Ms. Hoi Yam Chui (徐海音)
(appointed with effect from 19 January 2023)

AUDIT COMMITTEE

Mr. Yifan Li (李軼梵) *(Chairman)*
Mr. Shidong Jiang (蔣世東)
Ms. Hoi Yam Chui (徐海音)
(appointed with effect from 19 January 2023)
Mr. Bo Tan (譚擘)
(resigned with effect from 19 January 2023)

REMUNERATION COMMITTEE

Ms. Hoi Yam Chui (徐海音) *(Chairman)*
(appointed with effect from 19 January 2023)
Mr. Wei Fu (傅唯)
Mr. Shidong Jiang (蔣世東)
Mr. Bo Tan (譚擘)
(resigned with effect from 19 January 2023)

NOMINATION COMMITTEE

Mr. Wei Fu (傅唯) *(Chairman)*
Mr. Yifan Li (李軼梵)
Ms. Hoi Yam Chui (徐海音)
(appointed with effect from 19 January 2023)
Mr. Bo Tan (譚擘)
(resigned with effect from 19 January 2023)

JOINT COMPANY SECRETARIES

Ms. Leah Liu (劉栩昕)
Ms. Yee Wa Lau (劉綺華)

AUTHORISED REPRESENTATIVES

Mr. Ian Ying Woo (何穎)
Ms. Yee Wa Lau (劉綺華)

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Certified Public Accountants and Registered
Public Interest Entity Auditor
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Central, Hong Kong

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LEGAL ADVISORS

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As to Cayman Islands law

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PRINCIPAL SHARE REGISTRAR

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HONG KONG SHARE REGISTRAR

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PRINCIPAL BANKER

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Hong Kong

STOCK CODE

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COMPANY WEBSITE

www.everestmedicines.com

Chairman's Statement

Dear Everest Medicines Shareholders,

In 2023, China charted a course for high-quality economic development in the post-COVID era, promoting affordable and accessible healthcare nationwide while fostering sustainable growth in China's biopharmaceutical industry. While these regulatory and industry reform measures, including the anti-graft drive in the second half of 2023, will ultimately benefit the healthcare industry and patients alike, they created short-term pressure for the sector. The HSHKBIO index fell nearly 24% for the full year, while the Hang Seng index declined almost 14%, reflecting significant headwinds in the macro environment. In marked contrast, Everest Medicines' share price rose by over 20% in 2023, consistently outperforming the sector and the wider market. This strong showing underscores investors' confidence in the Company as an innovator and value creator driving progress in China's biopharmaceutical industry.

During our first year of commercialization in China, Everest successfully built its own commercial organization in 2023 and launched its first product, Xerava®, in the Chinese market at the end of July. During the five months of sales, we substantially exceeded our revenue guidance by reporting revenues of RMB125.9 million versus our initial expectations of RMB70 million to RMB100 million, highlighting significant clinical needs for our differentiated antibiotic with broad bacterial spectrum coverage and high potency against multidrug-resistant bacterial infections. This significant achievement is a testament to the whole company's efforts in supporting our commercial evolution and building an additional core competency for Everest Medicines.

Another significant milestone for the company in 2023 was the New Drug Application (NDA) approvals of our first-in-disease IgAN therapy, Nefecon, in Macau and Mainland China. Nefecon is the first fully FDA-approved treatment for IgAN to significantly slow kidney function decline. Following Nefecon's successful launch in Macau in late 2023, the Company plans to launch this important and innovative product in mainland China, Singapore and Hong Kong in 2024 while pursuing additional regulatory approvals in South Korea and Taiwan. We will gradually build up the sales team for Nefecon launch in China over 2024, with up to 120 sales representatives by the end of the year, covering core hospitals that encompass approximately 60% of the five million target patient population.

We have also achieved significant progress in the autoimmune disease portfolio. In October 2023, our partner received FDA approval for VELSIPITY® (etrasimod) in adults with moderately to severely active ulcerative colitis (UC). Everest reported positive 12-week topline data from a multi-center Phase 3 clinical trial of etrasimod in Asia in December 2023. We are planning to advance the NDA for etrasimod in Greater China to regulatory submission in 2024 and expect to report etrasimod maintenance period topline results in the second half of this year.

In 2023, we entered into an important licensing partnership with U.S.-based Kezar Life Sciences for zetomipzomib which is being evaluated for a range of immune-mediated disorders, including lupus nephritis (LN). We are joining our partner Kezar in PALIZADE, a global, placebo-controlled Phase 2b clinical trial evaluating the efficacy and safety of two dose-levels of zetomipzomib in patients with active LN as the investigational new drug (IND) application for zetomipzomib was recently approved by China's Centre for Drug Evaluation (CDE).

2024 — Continued Execution Solidifying Leadership Position

As we transition into a fully integrated biopharmaceutical company, it is critical for our commercial organization to be strong and effective. In 2024, we will have the commercial launch of our flagship renal product Nefecon and up to 120 new employees representing the product throughout China. Our antibiotic franchise was well received in 2023 and delivered revenue that significantly exceeded expectation, and now we plan to make Nefecon an even bigger success, with a large target population and as the only medicine approved globally for the treatment of IgAN. We are confident in a successful launch as we have already executed on successful pilot program in Hainan Boao and the commercial launch in Macau provided even more optimism with patients quickly showing interest and seeking prescription.

In March this year, we also expanded and strengthened our management team with the appointments our experienced Chief Medical Officer and Chief Product Officer who will lead the strategic integration between discovery, clinical development, medical affairs and marketing, towards the goal of ensuring success in our products' commercialization.

Another important evolution in 2024 will be the advancement of our internally discovered programs into the clinical stage. We only built our discovery team in late 2021 and completed our laboratory facility in February 2022. Going from scratch and into clinical trials in less than three years through COVID disruptions in China is a significant accomplishment for our entire team. Importantly, the Company terminated the collaboration and license agreements with Providence Therapeutics Holdings Inc. ("Providence") in February this year, after which we will develop our own products utilizing the mRNA platform with full intellectual property rights and full global rights of those products. Going forward, therapeutic vaccines such as cancer vaccines will be the focus of research and discovery at Everest. We believe there is urgent and significant unmet medical needs globally for these. Just as we have succeeded in building an impressive commercial organization, we will continue to build our discovery pipeline that will bring sustained, long-term value to our Shareholders.

The third piece of our growth story in 2024 is additional execution of external business development initiatives to expand our pipeline and create shareholder value. We intend to focus on our three therapeutic areas of renal disease, anti-infectives, and autoimmune diseases where there are significant unmet patient needs, where we believe markets are less crowded, innovation is highly rewarded, and there are synergies with our existing clinical and commercial organization. With these drivers for growth, we strive to reach our 2025 goal of cash breakeven.

On behalf of the Company, I would like to express our sincere appreciation to the Board of Directors, employees, partners, and investors for their unwavering support as we continue to forge ahead to solidify our leadership position in key therapeutic areas and become a leading biopharma in Asia Pacific by 2030.

Mr. Wei Fu
Chairman

Hong Kong
27 March 2024

Financial Highlights

IFRS NUMBERS:

- Revenue increased by RMB113.1 million, or 884% to RMB125.9 million for the year ended 31 December 2023, from RMB12.8 million for the year ended 31 December 2022, primarily due to the launch of Xerava® in mainland China and Hong Kong, the launch of Nefecon® in Macau, sales growth of Xerava® in Singapore and sales of Trodelvy® during the transition period with Gilead Sciences, Inc. ("Gilead") in Singapore.

- Research and development ("R&D") expenses decreased by RMB269.6 million to RMB540.1 million for the year ended 31 December 2023, from RMB809.7 million for the year ended 31 December 2022, primarily due to (i) a number of our drug candidates having completed clinical trials and advanced to the registration phase or commercial stages; and (ii) costs incurred in in-house R&D activities to develop new products in our pipeline, including pre-clinical product.

- General and administrative expenses decreased by RMB111.3 million to RMB165.2 million for the year ended 31 December 2023, from RMB276.5 million for the year ended 31 December 2022, primarily due to the optimization and rationalization of the organizational structure, and associated decrease in share-based compensation expenses.

- Distribution and selling expenses decreased by RMB95.3 million to RMB231.4 million for the year ended 31 December 2023, from RMB326.7 million for the year ended 31 December 2022, primarily due to (i) the broader commercialization activities with respect to more approved products; (ii) a focused commercialization model driven by product clinical value, resulted in the building of a more efficient and leaner commercial team for optimal value creation.

- Net loss for the year increased by RMB597.2 million from RMB247.3 million for the year ended 31 December 2022 to RMB844.5 million for the year ended 31 December 2023, primarily attributable to (i) gain from Trodelvy® transaction, a one-time item which narrowed the net loss for the year ended 31 December 2022; (ii) growth of product sales; (iii) optimization and rationalization of the organizational structure; and (iv) increased bank interest income.

  Adjusted one-time gain from Trodelvy®, transaction, net loss for the year represent a decrease of RMB725.1 million from RMB1,569.6 million for the year ended 31 December 2022.

- Cash and cash equivalents and bank deposits amounted to RMB2,349.7 million as of 31 December 2023.

NON-IFRS MEASURE:

- Adjusted loss for the year[1] was RMB713.6 million for the year ended 31 December 2023, representing an increase of RMB696.2 million from RMB17.4 million for the year ended 31 December 2022, primarily the increased loss of the year (IFRS measure), excluded expenses for share-based compensation, loss on impairment of an intangible asset and amortization of an intangible asset.

1 Adjusted loss for the year represents the loss for the year attributable to the equity holders of the Company excluding the effect of certain non-cash items and one-time events, namely the loss on fair value changes in financial assets at fair value through profit or loss, the loss on fair value changes of preferred shares (non-current financial liabilities measured at fair value through profit or loss), share-based compensation loss and IA amortization. For the calculation and reconciliation of this non-IFRS measure, please refer to the paragraph numbered 16 under the heading "Financial Review" below.

Business Highlights

During the year ended 31 December 2023, and as of the Latest Practicable Date, Everest made significant advancements strengthening its commercial organization and advancing the pipeline portfolio. We secured NMPA regulatory approvals for Xerava® and Nefecon®, as well as advancing cefepime-taniborbactam and etrasimod for which NDAs are expected to be submitted in 2024. On the commercialization front, in mainland China, we have built an effective commercial infrastructure spanning channel and commercial operations, marketing, market access, medical affairs, and a sales force, with over 100 individuals promoting Xerava® and managed to cover 300 first-tier hospitals despite the challenging external environment. The Company will build another sales team of 120 to promote Nefecon® in 600 hospitals representing over 60% of the addressable patient population. We have already commercialized Nefecon® in Macau, the first region of the Everest territories that received Nefecon® approval, which marked the beginning of a new treatment era for IgA nephropathy in Asia. We are also committed to aggressively advancing our in-house discovery portfolio by entering clinical stage development in 2024, leveraging our clinically-validated mRNA platform.

RENAL PRODUCTS PORTFOLIO

Nefecon® (TARPEYO®)*, our anchor drug candidate in the renal therapeutic area, is a novel oral formulation of budesonide that targets the origin of immunoglobulin A nephropathy (IgAN). The formulation is designed as a delayed release capsule that is enterically coated so that it remains intact until it reaches the Peyer's patch region of the lower small intestine. Each capsule contains coated beads of budesonide that target mucosal B-cells present in the ileum where the disease originates. Nefecon® received China NMPA approval for the treatment of primary IgAN in November of 2023 and will be launching in mainland China in 2024.*

— In February 2023, South Korea's Ministry of Food and Drug Safety (MFDS) granted Global Innovative product on Fast Track (GIFT) designation to Nefecon® for the treatment of primary IgAN.

— In March 2023, our partner Calliditas reported positive topline results from the global, randomized, double-blind, placebo-controlled Phase 3 clinical trial NefIgArd, which investigated the effect of Nefecon® versus placebo in patients with primary IgAN over 2 years. The trial met its primary endpoint with Nefecon® demonstrating a highly statistically significant benefit over placebo (p value < 0.0001) in estimated glomerular filtration rate (eGFR) over the two-year period of 9-months of treatment with Nefecon® or placebo and 15-months of follow-up off drug. The key primary endpoint, eGFR over 2 years, was on average 5.05 mL/min/1.73 m^2 higher with Nefecon® compared to placebo ($p<0.0001$). A treatment benefit with eGFR was apparent across baseline urine protein creatinine ratio (UPCR) subgroups, and sustained proteinuria effects and long lasting eGFR treatment benefit were observed even 15 months after discontinuation, supporting disease modification. The results also indicate that Nefecon® was generally well-tolerated.

— In April 2023, the Singapore Health Sciences Authority (HSA) accepted the NDA for Nefecon® for the treatment of primary IgAN in adults at risk of disease progression.

Business Highlights

— In April 2023, the Company launched Nefecon® for clinical use in Shanghai Ruijin Hospital's Hainan Bo'ao subsidiary through an early-access program. The launch of this early-access program in Hainan marked the beginning of a new treatment era for IgA nephropathy in China, where Everest can now offer patients a targeted therapy that could fundamentally change their disease progression. Around 700 patients signed up for the program, underscoring significant unmet medical demand for the first-in-disease therapy.

— In May 2023, an imported version of Nefecon® delayed release capsule was added to the 2023 New Reimbursement Drug List of Specialized Medicines of the "Beijing Puhui Health Insurance Program" as "TARPEYO®", its U.S. trademark. The Beijing Puhui Health Insurance Program is an important part of Beijing's multi-tier medical insurance system. It was included in other local insurance programs such as Kunming City and Shanxi Province.

— In June 2023, our partner Calliditas presented data from the NefIgArd Phase 3 Study at the European Renal Association — European Dialysis and Transplant Association Congress (ERA-EDTA). The presentations showed data and analyses from the NefIgArd Phase 3 clinical trial evaluating Nefecon® in patients with IgA nephropathy (IgAN). In addition to data disclosed in March, at 24 months, eGFR was reduced by 6.11 mL/min/1.73 m^2 from baseline in the Nefecon® arm compared with 12.00 mL/min/1.73 m^2 reduction in the placebo arm, demonstrating 50% less loss of kidney function. Treatment benefit on eGFR was apparent across baseline urine protein creatinine ratio (UPCR) subgroups. The reduction in UPCR was also durable, with a 30.7% decrease in UPCR in the Nefecon® arm even after 15 months off drug compared with only 1% reduction in the placebo arm at 24 months, and 51.3% reduction in the Nefecon® arm at 12 months. For hematuria treatment, the proportion of patients with microhematuria in the Nefecon® arm fell to 40.5% from 66.5% at baseline while in the placebo arm, it only decreased to 61.2% from 67.8% at baseline.

— In August 2023, the Company announced the completion of patient enrollment for the China open-label extension (cOLE) of the Phase 3 NefIgArd study. The cOLE study offers an additional 9 months of treatment with Nefecon® to all qualifying patients who have completed the NefIgArd study and evaluates the efficacy and safety of extended and repeated Nefecon® treatment in patients with IgAN. We hope this will provide more insight into Nefecon future clinical use.

— In August 2023, our partner Calliditas announced the publication in *The Lancet* of the full data from the NefIgArd Phase 3 trial with Nefecon® in adults with primary IgA nephropathy (IgAN). In addition to data published in March and June, Calliditas also showed a difference in two-year eGFR total slope of 2.95 mL/min/1.73 m^2 per year ($p<0.0001$). Patients treated with Nefecon® maintained a greater than 30% proteinuria reduction from the end of the 9-month treatment through the entire follow-up period.

- In October 2023, our partner Calliditas presented new biomarker and subgroup analyses from Nefecon®'s Phase 3 NefIgArd study in both posters and oral presentations at the 17th International Symposium on IgA Nephropathy. Investigation of the effect of Nefecon® on circulating levels of IgA-IC in the Part A population of the NefIgArd clinical trial showed that patients treated with Nefecon® 16mg/day exhibited a statistically significant decrease in IgA-IC levels compared to patients who received placebo when evaluated at the 3-, 6- and 9-months post randomization. Suppression by treatment with Nefecon® of both IgA-IC formation and galactose-deficient IgA1 as previously reported offers an unprecedented opportunity to target the fundamental immune abnormalities that drive IgA deposition in the kidney and development of IgAN.

- In October 2023, the Pharmaceutical Administration Bureau of the Macau Special Administrative Region, China, approved the NDA for Nefecon® for the treatment of IgAN in adults at risk of disease progression. Macau is the first region in the Everest territories that received Nefecon® NDA approval. Macau accepted the Company's NDA for Nefecon® in August 2023.

- In November 2023, the Company made a late-breaking poster presentation at the American Society of Nephrology (ASN) Kidney Week 2023 on Chinese patients enrolled from mainland China. Clinical results from the global Phase 3 trials of Nefecon® demonstrated numerically greater treatment effect in the subpopulation of patients from mainland China. At 24 months, the eGFR in the Chinese patients was 66% less deteriorated compared to 50% in the global population. The mean percent reduction in UPCR was 31% greater at 9 months vs. placebo in Chinese patients and 43% greater than placebo at 24 months. Lastly, the percentage of Chinese patients without microhematuria during the observational follow-up period increased to 57.5% from 26.9% at baseline, while it was maintained at 14.3% in the placebo group. These data demonstrate Chinese patients show faster disease progression compared to the global population.

- In November 2023, NMPA approved Nefecon® for the treatment of primary IgAN in adults at risk of disease progression. NMPA's approval marked a new era of IgAN treatment in China. China has the highest prevalence of primary glomerular diseases in the world with an estimated five million IgAN patients. Current non-targeted treatment options for IgAN do not fundamentally alter disease progression and IgAN patients are at risk of progressing to end-stage renal disease, which may then require dialysis or kidney transplant. There is a very significant unmet medical need for novel effective therapies such as Nefecon among IgAN patients in China.

- In November 2023, the Nefecon® NDA was accepted for review by South Korea's Ministry of Food and Drug Safety (MFDS) for the treatment of primary IgAN in adult patients.

- In December 2023, Nefecon® issued its first prescription at Kiang Wu Hospital in Macau, marking the official start of the Company's first-in-disease drug to patients across Asia, opening a new era of treatment for IgA nephropathy patients in the region. At the same time, a PAP program was officially launched at the Kiang Wu Hospital, which will provide financial assistance to mainland Chinese citizens who prescribe Nefecon® in Macau.

— In December 2023, our partner Calliditas announced that the U.S. Food and Drug Administration (FDA) had approved Nefecon® delayed release capsules to reduce the loss of kidney function in adults with primary immunoglobulin A nephropathy (IgAN) at risk for disease progression, irrespective of proteinuria levels. Nefecon® was first approved in December 2021 under the FDA accelerated approval pathway and is now the first fully FDA-approved treatment for IgAN based on a measure of kidney function.

— In December 2023, the NDA for Nefecon® was accepted for review by the Taiwan Food and Drug Administration (TFDA) for the treatment of primary IgAN in adult patients.

Post-Reporting Period achievements and expected milestones:

– In March 2024, Singapore Health Sciences Authority approved NEFEGAN® for the treatment of primary IgAN in adults at risk of disease progression. NEFEGAN®, known in other Everest's territories as Nefecon®, was the first ever treatment for IgAN fully approved by the U.S. Food and Drug Administration, and Singapore marks the third region in Everest's territories that received NDA approval after Macau and mainland China.

— We expect Nefecon® to be commercially launched in mainland China, Hong Kong and Singapore in 2024.

— We expect to receive Nefecon® NDA approvals in Taiwan and South Korea in 2024.

— We expect to report Nefecon® China open label study results in the third quarter of 2024.

INFECTIOUS DISEASE PORTFOLIO

***XERAVA® (eravacycline)** is a novel, fully synthetic fluorocycline intravenous antibiotic for the treatment of infections caused by susceptible gram-positive, gram-negative and anaerobic pathogens including those multidrug resistant ("MDR") isolates. Xerava® received NMPA approval for the treatment of complicated intra-abdominal infections in adults in March 2023.*

— In March 2023, the NMPA approved the New Drug Application (NDA) for Xerava® (eravacycline) for the treatment of complicated intra-abdominal infections (cIAI) in adult patients.

— In April 2023, the Company signed a Memorandum of Understanding for a strategic partnership with a subsidiary of Shanghai Pharma, SPH Keyuan Xinhua Pharmaceutical Co., Ltd. to promote import and channel distribution of Xerava® (eravacycline) in China.

— In July 2023, the Company launched Xerava® (eravacycline) in China with its first prescription issued at Huashan Hospital affiliated to Fudan University. The commercialization of XERAVA® in China marks Everest's transformation into a commercial-stage innovative biopharmaceutical company.

— In September 2023, the Taiwan Food and Drug Administration (TFDA) approved the NDA for Xerava® (eravacycline) for the treatment of complicated intra-abdominal infections (cIAI) in adult patients.

— In February 2024, eravacycline's clinical breakpoint was officially approved by ECAST, so that the drug can be used more accurately in clinical practice.

***Taniborbactam** is a beta-lactamase inhibitor ("BLI") that, in combination with cefepime, may offer a potential treatment option for patients with serious bacterial infections caused by difficult-to-treat resistant gram-negative bacteria, most notably carbapenem-resistant Enterobacterales ("CRE") and carbapenem-resistant Pseudomonas aeruginosa ("CRPA").*

— In September 2023, the Center for Drug Evaluation (CDE) of the NMPA recommended Priority Review for cefepime-taniborbactam for the treatment of complicated urinary tract infections (cUTI), including pyelonephritis, based on the criteria of "innovative drugs for the prevention and treatment of major infectious diseases and rare diseases that meet urgent clinical needs".

Post-Reporting Period achievements and expected milestones:

— In February 2024, our partner Venatorx Pharmaceuticals announced that The New England Journal of Medicine (NEJM) published the results of the CERTAIN-1 Phase 3 clinical study of the investigational agent cefepime-taniborbactam for the treatment of adult patients with complicated urinary tract infections (cUTI), including acute pyelonephritis. The results showed that cefepime-taniborbactam was superior to meropenem for the treatment of complicated UTI that included acute pyelonephritis, with a similar safety profile to meropenem. We expect to submit NDA for the cUTI indication in Greater China in 2024.

***EVER206 (also known as SPR206)** is a novel intravenous polymyxin derivative in development for the treatment of MDR gram-negative bacterial infections. It has shown antibiotic activity against pathogens such as carbapenem-resistant Enterobacteriacae, Acinetobacter baumannii and Pseudomonas aeruginosa in preclinical studies.*

— In January 2023, the Company reported top-line results from a China Phase I study on healthy subjects demonstrating that EVER206 was well-tolerated with no evidence of acute kidney injury and no new safety signals on healthy subjects with dose ranges applied in the study. The pharmacokinetics of healthy subjects in China were comparable to the results of the overseas Phase I study and the safety profile was also similar to the results from the overseas Phase I trial.

AUTOIMMUNE DISEASE PORTFOLIO

***Etrasimod (VELSIPITY®)** is an oral, once-a-day, selective sphingosine 1-phosphate (S1P) receptor modulator designed for optimized pharmacology and engagement of S1P receptors 1, 4, and 5. The drug has been licensed from Pfizer and received FDA approval in ulcerative colitis as Velsipity® in October 2023.*

— In May 2023, patient enrollment was completed in a multi-center Phase 3 clinical trial of etrasimod in Asia for the treatment of moderate-severe active ulcerative colitis (UC).

— In October 2023, partner Pfizer Inc. received approval from the U.S. Food and Drug Administration (FDA) for VELSIPITY® (etrasimod) in adults with moderately to severely active ulcerative colitis (UC).

— In December 2023, the Company reported positive topline data results from a multi-center Phase 3 clinical trial of etrasimod in Asia for the treatment of moderate-to-severe active ulcerative colitis (UC). The multicenter, randomized, double-blind and placebo-controlled Phase 3 trial of etrasimod 2 mg was conducted in Asian countries, including mainland China, China Taiwan and South Korea. Patients with inadequate response or intolerance to at least one conventional, biologic, or Janus kinase (JAK) inhibitor therapy were randomized to receive etrasimod 2 mg once-daily or placebo for 12 weeks of induction treatment. Etrasimod treatment resulted in a clinically meaningful and statistically significant improvement in the primary endpoint and all key secondary and other secondary endpoints (including mucosal healing, symptomatic remission and endoscopic normalization) after the 12-week induction treatment period. In general, treatment with etrasimod 2 mg was well tolerated. The safety profile was consistent with previous etrasimod studies and no new safety findings were observed.

Post-Reporting Period achievements and expected milestones:

— In March 2024, Pharmaceutical Administration Bureau of the Macau Special Administrative Region, China, accepted Everest's NDA for etrasimod for the treatment of moderately to severely active ulcerative colitis. Macau will be the first of Everest's Asian territories in which etrasimod is anticipated to receive approval.

— We expect to report etrasimod Phase 3 Asia clinical trial maintenance period topline results in the second half of 2024.

— We expect to submit NDA for etrasimod to NMPA for approval in the second half of 2024.

***Zetomipzomib** is a novel, first-in-class, selective immunoproteasome inhibitor currently being evaluated for a range of immune-mediated disorders, including lupus nephritis (LN). It was licensed from Kezar Life Sciences in 2023.*

— In September 2023, Everest entered into a collaboration and license agreement with Kezar Life Sciences to develop and commercialize Kezar's lead drug candidate zetomipzomib, a novel, first-in-class, selective inhibitor of the immunoproteasome for a range of autoimmune diseases including lupus nephritis, in Greater China, South Korea and some Southeast Asian countries. Under the terms of the agreement, Kezar should receive an upfront payment of $7 million, and is entitled to receive future clinical and commercial milestone payments of up to $125.5 million, as well as tiered single-digit to low-teens royalties on net sales of products. Everest will also have the option to localize manufacturing.

— In December 2023, NMPA accepted the Company's IND application for zetomipzomib in China. Everest plans to join its partner, Kezar Life Sciences, in PALIZADE, a global, placebo-controlled Phase 2b clinical trial evaluating the efficacy and safety of two dose-levels of zetomipzomib in patients with active lupus nephritis.

Post-Reporting Period achievements and expected milestones:

— In February 2024, NMPA approved Kezar's IND application for initiation of the Phase 2b PALIZADE trial in China of zetomipzomib in patients with lupus nephritis (LN).

mRNA PLATFORM

In 2023, the Company has made significant progress with its mRNA platform therapeutic vaccines for cancer and autoimmune diseases. Everest plans to announce new mRNA pipeline products that are expected to enter clinical development in 2024. This platform will be an important part of our discovery efforts going forward.

— In February 2024, the Company and Providence terminated their existing collaboration and license agreements. After the termination of the agreements, Everest will continue to develop its own products utilizing the mRNA platform, and will own full intellectual property rights and full global rights of those products. Everest will not need to pay milestone or royalty fees to Providence for any products it develops in the future, except for the rabies or shingles vaccines which were developed in collaboration with Providence.

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

KEY CORPORATE DEVELOPMENTS

— In March 2023, the Company received full upfront payment of US$280 million from Immunomedics, Inc., a wholly-owned subsidiary of Gilead Sciences, Inc., for the transaction around Trodelvy® rights in certain Asia territories. Everest has also received US$34 million reimbursement for expenses related to the Trodelvy® transition.

— We will work with partners to establish an innovative ecosystem for kidney disease diagnostics and treatment, with the aim to provide IgAN patients with a tool to diagnose the disease and show disease progression without biopsy.

For details of any of the foregoing, please refer to the rest of this annual report and, where applicable, the Company's prior announcements.

Management Discussion and Analysis

OVERVIEW

We are a biopharmaceutical company that integrates discovery, licensing, clinical development, commercialization and manufacturing of novel and differentiated therapies to address critical unmet medical needs initially in the Asia Pacific markets and eventually around the world. Since the founding of the Company in 2017, we have strategically built a portfolio of more than 10 promising clinical-stage candidates and are working to complement the existing pipeline through in-house discovery efforts by leveraging our clinically-validated mRNA platform. Currently, our commercial product portfolio consists two approved products — Nefecon® and Xerava®, with additional approvals expected in the next two years. We plan to submit NDAs for cefepime-taniborbactam in our anti-infective franchise as well as autoimmune product etrasimod in 2024.

We are building a fully integrated Asia-based leading global biopharmaceutical company encompassing the whole value chain of capabilities, including discovery, CMC, process and quality development, clinical development, and manufacturing in compliance with global good manufacturing practice (GMP), and are proud of our robust newly-established commercial infrastructure. 2023 was the first year of commercial operations for Everest in China and we are pleased to have exceeded our initial revenue guidance of RMB70 million to RMB100 million during this period. Our strong performance is a testament to the combined efforts and focus of our entire company and its leadership team and underscores the significant unmet medical needs that our products are able to address. Our manufacturing site in Jiashan was completed and began producing mRNA vaccine in late 2022. It will be utilized to manufacture clinical material for advancement of our discovery programs into human trials in 2024.

PRODUCT PIPELINE

Everest has built a strong product pipeline across renal, anti-infective, and autoimmune diseases that are all potentially first-in-treatment or best-in-class assets. These programs encompass short-term, mid-term and long-term opportunities which are collectively expected to generate significant revenue growth for the Company and create value for its Shareholders.

The following table summarizes our key pipeline and the development status of each drug and vaccine candidate as of the Latest Practicable Date:

NDA/BLA approval	Molecule (Modality)	Partner	Commercial Right	Indication	Everest Clinical Status						Global Clinical Status
					Pre-clinical	Phase 1	Phase 2	Phase 3	BLA/NDA Application	Approval	
2023	Nefecon®	calliditas THERAPEUTICS	Greater China, Singapore, South Korea	IgA nephropathy	Approved in Macau ,Mainland China and Singapore ; NDA accepted in South Korea and Taiwan						Approved in US, EU
2023	Xerava® (eravacycline)	INNOVIVA / TETRAPHASE	Greater China, South Korea, SE Asia	cIAI	Approved in Mainland China, Hong Kong ,Taiwan and Singapore						Approved in US, EU, UK
2024–25	Cefepime-taniborbactam	VenatoRx PHARMACEUTICALS	Greater China, South Korea, SE Asia	cUTI							Priority review granted in US
2024–25	Velsipity®/ Etrasimod	Pfizer	Greater China, South Korea, Singapore	Ulcerative Colitis	NDA accepted in Macau						Approved in US,EU
2024–25	Velsipity®/ Etrasimod	Pfizer	Greater China, South Korea, Singapore	CD, AD, AA, EoE (2025 and beyond)							Phase 2
2026 and beyond	Zetomipzomib	KEZAR LIFE SCIENCES	Greater China, South Korea, SE Asia	Lupus nephritis							Phase 2b
2026 and beyond	EVER001 (XNW1011)	EVOPOINT 信诺维 Biosciences / SINOMAB	Worldwide	Glomerulonephritis							Phase 1b/2
2026 and beyond	EVER206 (SPR206)	SPERO THERAPEUTICS	Greater China, South Korea, SE Asia	Gram negative infections							Phase 1
Discovery Platform	Personalized cancer vaccine	Self-developed	Worldwide	Cancer							Pre-clinical
Discovery Platform	TAA cancer vaccine	Self-developed	Worldwide	Cancer							Pre-clinical
Discovery Platform	Immune-modulatory cancer vaccine	Self-developed	Worldwide	Cancer							Pre-clinical
Discovery Platform	In vivo CAR-T	Self-developed	Worldwide	Cancer							Pre-clinical

Abbreviations: IgA = immunoglobulin A; cIAI = complicated intra-abdominal infections; cUTI = complicated urinary tract infections; NDA/BLA = new drug application.

Note: Additional pipeline products include FGF401, mRNA COVID-19 vaccine, mRNA rabies vaccine and mRNA shingles vaccine.

BUSINESS REVIEW

Pipeline Outlook

Leveraging our strong development and regulatory affairs expertise, we plan to advance both cefepime-taniborbactam and etrasimod to NDA submissions in China in 2024. In our clinical stage portfolio, we continue to make progress in the ongoing Phase 3 trial of etrasimod in Asia and expect to report maintenance period results from the trial in the second half of 2024. An IND application to initiate the Phase 2b trial for zetomipzomib was recently approved by the NMPA in February 2024, and we will join our partner Kezar in the PALIZADE study, an ongoing global, placebo-controlled Phase 2b clinical trial evaluating the efficacy and safety of two dose-levels of zetomipzomib in patients with active lupus nephritis. Results from our open-label study on Nefecon®, expected in the second half of 2024, will offer insight into the value of extended and repeated use of the medicine and provide very important guidance for doctors in clinical practice. We are also expecting topline results from Ever001's Phase 1b clinical trial in the second half of 2024.

Commercialization

2023 marked Everest's first year of commercialization in China with Xerava® 's launch in late-July and Nefecon®'s commercial launch in Macau in December. We generated RMB125.9 million in revenue last year, substantially above the previous revenue guidance of RMB70 million to RMB100 million.

The Company strengthened its infrastructure and capabilities as a commercial-stage company by building an industry-leading central commercial platform comprising of medical affairs, marketing, market access, channel and commercial operations. With a commercial team of approximately 200 individuals comprising of the central platform and a dedicated hospital sales team, we managed to cover Xerava® across 300 core tertiary hospitals in just five months, despite the difficult regulatory environment towards healthcare product promotion to medical professionals starting in the second half of 2023. We have educated healthcare providers and built brand awareness through engagements with different stakeholders. Xerava® has been recommended by multiple treatment guidelines in China and globally as the foundation for empirical treatment of multidrug-resistant infections, based on its broad bacterial spectrum coverage and high potency against MDR bacterial infections.

Xerava®'s commercial success was followed by Nefecon®'s NDA approvals in Macau and mainland China in October 2023 and November 2023, respectively. 2024 will be a flagship year for Nefecon® as Everest plans to commercially launch the product in mainland China, where there are an estimated five million IgAN patients. The Company prepared for this launch by initiating an early access program in the Hainan Boao pilot zone. This program demonstrated significant demand for Nefecon®, with approximately 700 patients signed up. We also initiated sales in Macau in late 2023, which was the first Everest territory to have received regulatory approval of the product. In addition, around 20,000 Chinese patients have registered in an IgAN patient program funded through a charity foundation, which underscores the significant unmet needs for this first-in-disease medicine and will serve as our initial patient base when Nefecon® is officially launched in mainland China. We have been working extensively on brand optimization and were able to engage key opinion leader and promote disease awareness on IgAN through innovative channels ahead of launch.

To ensure smooth commercial launch and continued supply of our products afterwards, the Company established multiple partnerships with China's leading pharmaceutical supply chain service providers in 2023, including SPH Keyuan Xinhai Pharmaceutical Co., Ltd., Sinopharm Group, Guangzhou Pharmaceuticals Co., Ltd., Chongqing Pharmaceutical (Group) Co., Ltd. and Shanghai Pharmaceutical Co., Ltd. We will leverage their industry-leading import and channel distribution networks to commercialize Xerava® and Nefecon® in mainland China.

Everest is actively working to enhance patient access to both Xerava® and Nefecon®, and improve affordability through private or local commercial insurance plans, patient assistance programs (PAP) and by pursuing NRDL listings. For instance, Xerava® was included in Dalian's local insurance program while the imported version of Nefecon® was added to the Beijing Puhui Health Insurance Program's 2023 New Reimbursement Drug List of Specialized Medicines, as well as other local insurance programs such as Kunming City and Shanxi Province. We have established our PAP program for Nefecon® in Macau through a charitable foundation. We expect the momentum to continue until we officially launch the product in mainland China. This PAP project in Kiang Wu Hospital greatly alleviated financial burden of Chinese citizens who prescribed Nefecon® in Macau.

Commercialization Outlook

By the end of 2024, we expect to have three commercialized products in our core therapeutic areas. We will focus on successfully commercializing Nefecon® in China, continuing to grow the sales of Xerava®, while starting to commercialize etrasimod in the Greater Bay area. We expect to achieve a revenue target of RMB700 million in 2024 from the combined sales of Xerava® and Nefecon®. With our strong balance sheet and expected substantial increases in revenue, the Company has set a goal of achieving cash breakeven by the end of 2025.

We will continue to increase patient access through patients registered for our charity program for Nefecon®, and gradually establish a second sales team of up to 120 nephrology-focused representatives in 2024 commercializing Nefecon® across 600 hospitals. We also plan to engage in National Reimbursement Drug List (NRDL) negotiations in 2024 for Nefecon®, with the goal to be included in 2025 so more patients can enjoy the benefits of the medicine. We plan to expand Nefecon® approvals to additional territories, including Singapore, Hong Kong, Taiwan and South Korea in 2024.

With a selectively larger sales team for Xerava® this year, we will increase penetration in our 300 core tertiary hospitals and further establish Xerava® as the foundation for empirical treatment of multidrug-resistant infections. We will accumulate real world data and establish academic platforms to educate healthcare professionals about Xerava® as the best-in-class treatment for MDR infections.

Meanwhile, we aim to receive NDA approval for etrasimod, our anchor product in autoimmune diseases, in Macau. We will take advantage of the preferential policies in the Greater Bay Area of China (which includes Macau, and Guangdong Province) to accelerate drug accessibility to patients in China in 2024.

Business Development

Our business development efforts centered around renal diseases and autoimmune disorders in 2023. We continue to bolster our leadership position in these areas by expanding our pipeline. In September 2023, the Company entered into a collaboration and license agreement with Kezar Life Sciences to develop and commercialize Kezar's lead drug candidate zetomipzomib, a novel, first-in-class, selective inhibitor of the immunoproteasome for a range of autoimmune diseases including lupus nephritis (LN), in Greater China, South Korea and some Southeast Asian countries. The in-licensing of zetomipzomib added another mid-to-late stage asset to our pipeline.

Going forward, we will continue to pursue first-in-class or best-in-class assets in our focused therapeutic areas, including commercial-stage products that could utilize our established commercial capabilities and complement our pipeline.

Discovery

2024 will be an important year for Everest, as our first product from internal discovery is expected to enter clinical development. Our discovery team was established in late 2021, and the research laboratory in Zhangjiang, a state-of-the-art, 1,700 square meters facility including a BSL-2 lab, was completed and became fully functional in February 2022. In less than three years, we have successfully localized of our mRNA platform with the first program expected to enter clinical development in 2024, in spite of the significant COVID disruptions in China. This is a significant achievement for our entire organization.

As part of our increasing focus on internal discovery programs, the Company agreed to terminate the collaboration and license agreements with Providence in February 2024 and instead will develop our own mRNA products with full intellectual property and global commercial rights (except for the Shingles and Rabies vaccines co-developed previously with Providence). Since licensing in the platform in Sept. 2021, Everest has established end-to-end capabilities for development and manufacturing of mRNA therapeutics. Based on the clinically-validated platform, therapeutic vaccines such as cancer vaccines will be a core focus of Everest's research and discovery as this area holds broad unmet medical needs globally, and represents significant growth opportunities for Everest. We believe this transition supports our evolution to becoming a fully integrated biopharmaceutical company where internal innovation is an important capability, and can create long-term value for our Shareholders along with our commercial success.

FINANCIAL REVIEW

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

	Years Ended 31 December	
	2023	2022
	(RMB in thousands)	
Revenue	125,932	12,792
Cost of revenue	(34,414)	(4,645)
Gross Profit	91,518	8,147
General and administrative expenses	(165,155)	(276,547)
Research and development expenses	(540,054)	(809,736)
Distribution and selling expenses	(231,419)	(326,687)
Other income	13,175	4,624
Other gains/(losses) — net	(100,803)	1,143,399
Operating loss	(932,738)	(256,800)
Finance income/(costs) — net	84,608	32,887
Fair value change in financial assets at fair value through profit or loss ("FVPL")	848	(21,748)
Fair value change in financial instruments issued to investors	2,819	(1,614)
Loss before income tax	(844,463)	(247,275)
Income tax expense	–	(8)
Loss for the year attributable to the equity holders of the Company	(844,463)	(247,283)
Total comprehensive loss for the year attributable to the equity holders of the Company	(789,022)	(490,146)
Non-IFRS measure:		
Adjusted loss for the year	(713,614)	(17,426)

1. Overview

For the year ended 31 December 2023, the Group recorded a loss of RMB844.5 million. The general and administrative expenses were RMB165.2 million for the year ended 31 December 2023 as compared with RMB276.5 million for the year ended 31 December 2022. The research and development expenses of the group were RMB540.1 million for the year ended 31 December 2023, as compared with RMB809.7 million for the year ended 31 December 2022.

2. Revenue

For the year ended 31 December 2023, the Group generated revenue of RMB125.9 million from the launch of Xerava® in mainland China and Hong Kong, the launch of Nefecon® in Macau, sales growth of Xerava® in Singapore and sales of Trodelvy® during the transition period with Gilead in Singapore.

3. Research & Development ("R&D") Expenses

The Group's R&D expenses decreased from RMB809.7 million for the year ended 31 December 2022 to RMB540.1 million for the year ended 31 December 2023. The decrease was primarily attributable to (i) a number of our drug candidates have completed clinical trials and advanced to the registration phase or commercial stages; and (ii) costs incurred in in-house R&D activities to develop new products (including pre-clinical product) for our pipeline expansion.

The following table sets forth the components of our R&D expenses for the periods indicated:

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Research, clinical trial and test expenses	**243,757**	378,495
Employee benefit expenses	**207,413**	386,214
Professional expenses	**13,761**	16,021
Depreciation and amortization	**49,581**	20,077
Office and travelling expenses	**24,265**	6,995
Others	**1,277**	1,934
Total	**540,054**	809,736

4. Distribution and Selling Expenses

Our distribution and selling expenses decreased from RMB326.7 million for the year ended 31 December 2022 to RMB231.4 million for the year ended 31 December 2023. The decrease was primarily attributable to (i) the broader commercialization activities with respect to more approved products; and (ii) a focused commercialization model driven by product clinical value, resulted in the building of a more efficient and leaner commercial team for optimal value creation.

5. General and Administrative Expenses

Our general and administrative expenses decreased from RMB276.5 million for the year ended 31 December 2022 to RMB165.2 million for the year ended 31 December 2023. The decrease was primarily attributable to optimization and rationalization of the organizational structure, and decreased share-based compensations.

6. Other Income

Other income increased from RMB4.6 million for the year ended 31 December 2022 to RMB13.2 million for the year ended 31 December 2023. This was primarily attributable to an increase in government grants received.

7. Other Losses — Net

The Group's other losses for the year ended 31 December 2023 was RMB100.8 million, compared to other gains of RMB1,143.4 million for the year ended 31 December 2022, primarily attributable to loss from the termination of Ralinepag.

8. Operating Loss

The operating loss of the Group increased from RMB256.8 million for the year ended 31 December 2022 to RMB932.7 million for the year ended 31 December 2023. The increase primarily attributable to (i) gain from Trodelvy® transaction, which was a one-time item, narrowed the operating loss for the year 2022; (ii) growth of product sales; and (iii) optimization and rationalization of the organizational structure.

9. Finance Income — Net

The Group's finance income increased from RMB32.9 million for the year ended 31 December 2022 to RMB84.6 million for the year ended 31 December 2023, primarily attributable to increased interest income on bank deposits.

10. Fair Value Change in Financial Assets at Fair Value Through Profit or Loss

The Group recorded a loss from fair value change in financial assets at fair value through profit or loss of RMB21.7 million for the year ended 31 December 2022 and a gain of RMB0.8 million for the year ended 31 December 2023 due to the increase in the fair value of investment in Venatorx.

11. Fair Value Change in Financial Instruments Issued to Investors

The Group recorded a loss from fair value change of financial instruments issued to investors of RMB1.6 million for the year ended 31 December 2022 and a gain of RMB2.8 million for the year ended 31 December 2023. The change was primarily attributable to fair value change of preferred shares issued by our subsidiary, EverNov Medicines Limited ("EverNov").

12. Income Tax Expense

The Company incurred income tax expense of RMB8 thousand for the year ended 31 December 2022, and Nil for the year ended 31 December 2023.

13. Loss For The Year Attributable To The Equity Holders Of The Company

The loss for the year attributable to equity holders of the Company increased by RMB596.6 million to RMB844.5 million for the year ended 31 December 2023 from RMB247.3 million for the year ended 31 December 2022, primarily attributable to (i) gain from Trodelvy® transaction, a one-time item which narrowed the net loss for the year 2022; (ii) growth of product sales; (iii) optimization and rationalization of the organizational structure and (iv) increased of bank interest income.

Adjusted one-time gain from Trodelvy® transaction, net loss for the year represents a decrease of RMB725.1 million from RMB1,569.6 million for the year ended 31 December 2022.

14. Other Comprehensive Income

Other comprehensive income for the year ended 31 December 2023 was RMB55.4 million, compared to other comprehensive loss of RMB242.9 million for the year ended 31 December 2022. Such change was primarily attributable to gains from foreign currency translation, net off by changes in fair value of financial assets at fair value through other comprehensive income/(loss).

15. Total Comprehensive Loss for the Year Attributable to the Equity Holders of the Company

As a result of the foregoing, the Group's loss for the year ended 31 December 2023 was RMB789.0 million, compared to a loss for the year ended 31 December 2022 was RMB490.1 million.

16. Non-IFRS Measure

To supplement the Group's consolidate financial statements, which are presented in accordance with the IFRS, the Company also uses adjusted loss for the year, which is not required by, or presented in accordance with the IFRS. The Company believes that the adjusted loss for the year provides 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 attributable to the equity holders of the Company excluding the effect of certain non-cash items and one-time events, namely the loss on fair value changes in financial instruments issued to investors, share-based compensation expenses, impairment of an intangible asset and amortization of an intangible asset. The term adjusted loss for the year is not defined under the IFRS. The use of this non-IFRS measures have 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 measure is a reflection 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 extend applicable.

The table below sets forth a reconciliation of the loss for the year attributable to the equity holders of the Company to adjusted loss for the year during the periods indicated:

	Years ended 31 December	
	2023	2022
	(RMB in thousands)	
Loss for the year attributable to the equity holders of the Company	**(844,463)**	(247,283)
Added:		
Gain/(loss) on fair value changes in financial assets at fair value through profit or loss	**(848)**	21,748
Gain/(loss) on fair value changes in financial instruments issued to investors	**(2,819)**	1,614
Share-based compensation expenses	**73,420**	206,495
Impairment of an intangible asset	**51,968**	–
Amortization of an intangible asset	**9,128**	–
Adjusted loss for the year	**(713,614)**	(17,426)

17. Liquidity and Source of Funding

As of 31 December 2023, the Group's cash and cash equivalents plus bank deposits increased to RMB2,349.7 million from RMB1,651.4 million as of 31 December 2022. The increase primarily resulted from US$196 million cash received in the first quarter of 2023 related to the Trodelvy® transaction.

As of 31 December 2023, the current assets of the Group were RMB2,507.6 million, including cash and cash equivalents and bank deposits of RMB2,349.7 million and other current assets of RMB157.9 million. As of 31 December 2023, the current liabilities of the Group were RMB300.1 million, including trade and other payables of RMB258.8 million, lease liabilities of RMB18.7 million and borrowings of RMB22.7 million.

Details of cash and cash equivalents are set out in Note 23 to the consolidated financial statements.

Operating Activities

Net cash used in our operating activities for the year ended 31 December 2023 was RMB769.2 million. Our net loss was RMB844.5 million for the same period. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to (i) share-based compensation in the amount of RMB73.4 million, (ii) finance income which was classified as investing activities and (iii) changes in working capital.

Net cash used in our operating activities for the year ended 31 December 2022 was RMB1,155.8 million. Our net loss was RMB247.3 million for the same period. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to gains from Trodelvy® transaction which was classified as investing activities.

Investing Activities

Net cash generated from investing activities for the year ended 31 December 2023 was RMB752.5 million, primarily attributable to (i) disposal of an intangible assets of RMB1,580.6 million; and (ii) partially offset by purchase and disposal of bank deposits of RMB568.8 million.

Net cash used in investing activities for the year ended 31 December 2022 was RMB1,028 million, primarily attributable to (i) investment in manufacturing site build-up of RMB355.9 million; (ii) payment on R&D milestones of RMB76.8 million; and (iii) purchase of bank deposits of RMB1,160.6 million, partially offset by cash income from Trodelvy® transaction of RMB565 million.

Financing Activities

Net cash generated from financing activities for the year ended 31 December 2023 was RMB10.1 million, primarily attributable to (i) the redemption of all equity interests held by Jiashan Shanhe Equity Investment Company ("Jiashan Shanhe") for RMB442.9 million; and (ii) partially offset by bank loans of RMB451.5 million.

Net cash used in financing activities for the year ended 31 December 2022 was RMB25.3 million, primarily attributable to payment on office lease.

18. Treasury Policy

Our cash can only be invested in relatively liquid and low-risk instruments such as bank deposits or money market instruments. The primary objective of our investments is to generate finance income at a yield higher than the interest rate of current bank deposits, with an emphasis on preserving principal and maintaining liquidity.

19. Key Financial Ratios

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

	As at 31 December	
	2023	2022
Current ratio[(1)]	**8.36**	3.92

Note:

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

Gearing ratio is calculated using interest-bearing borrowings less bank balances and cash, divided by total equity and multiplied by 100%. As at 31 December 2023, the Group was in a net cash position and thus, gearing ratio is not applicable.

20. Significant Investments

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 31 December 2023) during the year ended 31 December 2023.

21. Material Acquisitions and Disposals

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

22. Future Plans for Material Investments or Capital Assets

The construction and facilities of the Jiashan manufacturing site are nearing completion, and we will continue the equipment installation, which is expected to be funded by the Group's internal resources.

Except as disclosed in this annual report, the Company has no other future plans for material investments and capital assets.

23. Pledge of Assets

As at 31 December 2023, the Group did not have any pledged assets as the pledge of the land for our Jiashan manufacturing facility had been released from Jiashan Shanhe (31 December 2022: the land for our Jiashan manufacturing facility pledged to Jiashan Shanhe).

24. Contingent Liabilities

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

25. Foreign Exchange Exposure

The Company's functional currency is United States Dollars and the functional currency of the Company's subsidiaries in China is Renminbi. During the year ended 31 December 2023, the Group mainly operated in China and the majority of the transactions were settled in RMB, the same as the functional currency of the operating entities. Our financial assets and liabilities are subject to foreign currency risk as a result of certain bank deposits and trade and other payables denominated in non-functional currency. Therefore, the fluctuations in the exchange rate of functional currency against non-functional currency could affect our results of operations. As at 31 December 2023, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations. We have not entered into any hedging transactions to manage the potential fluctuation in foreign currency as at 31 December 2023.

26. Continuing disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules

The Company does not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

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

DIRECTORS

The Directors who held office during the year ended 31 December 2023 and up to the Latest Practicable Date are:

Executive Directors

Mr. Wei Fu (傅唯) *(Chairman of the Board)*
Mr. Yongqing Luo (羅永慶)
Mr. Ian Ying Woo (何穎)
Mr. Xiaofan Zhang (張曉帆) (resigned with effect from 31 March 2023)

Non-Executive Directors

Mr. Yubo Gong (龔聿波) (resigned with effect from 9 February 2024)
Ms. Lan Kang (康嵐) (resigned with effect from 12 January 2024)
Mr. William Ki Chul Cho (曹基哲) (appointed with effect from 12 January 2024)
Mr. Honggang Feng (馮洪剛) (appointed with effect from 9 February 2024)

Independent Non-executive Directors

Mr. Shidong Jiang (蔣世東)
Mr. Yifan Li (李軼梵)
Mr. Bo Tan (譚擘) (resigned with effect from 19 January 2023)
Ms. Hoi Yam Chui (徐海音) (appointed with effect from 19 January 2023)

Biographical details of the Directors are set out in the section headed “Directors and Senior Management” on pages 60 to 65 of this annual report.

In accordance with Articles 16.2 and 16.19 of the Article of Association, Mr. William Ki Chul Cho, Mr. Honggang Feng, Mr. Shidong Jiang, Mr. Yifan Li and Ms. Hoi Yam Chui shall retire at the AGM. All of the above Directors, being eligible, will offer themselves for re-election at the AGM.

CHANGES IN DIRECTOR'S INFORMATION

Changes in Director's information since the last published interim report is set out below pursuant to Rule 13.51(B) of the Listing Rules:

Name of Director	Details of Change
Mr. Shidong Jiang	Mr. Jiang resigned from Beijing Astellas Medical Co., Ltd. (北京安斯泰來醫藥有限公司) with effect from 15 January 2024.
Mr. Yifan Li	Mr. Li resigned from Human Horizons Group Inc. with effect from 31 December 2023.
Ms. Kang Lan	Ms. Kang resigned as a non-executive director of the Company with effect from 12 January 2024.
Mr. William Ki Chul Cho	Mr. Cho was appointed as a non-executive director of the Company with effect from 12 January 2024.
Mr. Yubo Gong	Mr. Gong resigned as a non-executive director of the Company with effect from 9 February 2024.
Mr. Honggang Feng	Mr. Feng was appointed as a non-executive director of the Company with effect from 9 February 2024.

Save as disclosed above, the Company is not aware of other changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 14 July 2017 as an exempted limited liability company. The Company's Shares were listed on the Main Board of the Stock Exchange on 9 October 2020.

PRINCIPAL ACTIVITIES

We are a biopharmaceutical company that integrates licensing, clinical development and commercialization of potentially novel or differentiated therapies to address critical unmet medical needs in Greater China and other emerging Asia Pacific markets.

RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of comprehensive loss on page 96 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this report. These discussions form part of this report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Important Events After the Reporting Period" in this report. An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company is set out in the "Environmental, Social and Governance Report" published on the same date as the 2023 annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

- the financial position and need for additional capital;
- uncertain outcomes of clinical development of our drug candidates;
- its ability to identify, discover or in-license new drug candidates;
- all material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated;
- commercialization of our drug candidates;
- reliance on our business partners and third parties;
- the patent and other intellectual property protection for our drug candidates; and
- risks related to industry, business and operations.

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.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

For more details, please refer to the "Environmental, Social and Governance Report" published on the same date as the 2023 annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 432 (2022: 365) employees, 416 based in China, 9 based in the United States, 3 based in Singapore, 3 based in Korea and 1 based in Indonesia, including a total of 35 employees with a Ph.D. degree or an M.D. degree.

The following table sets forth the total number of employees by function as of 31 December 2023:

Function	Number of employees	% of total
Business Development	6	1.39%
Clinical Development	60	13.89%
Commercialization	209	48.38%
Chemistry, Manufacturing, and Controls	65	15.05%
Discovery	31	7.17%
Operations and Administrative	61	14.12%
Total	**432**	**100%**

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

Employees are important resources for the Group's sustainable operation and steady development. The Company has formulated policies related to employees' remuneration, rights and interests and conducted various staff training, details of which are further set out in the "Environmental, Social and Governance Report" published on the same date as the 2023 annual report.

The Company has also adopted share schemes to provide incentives for the Group's employees. Please refer to the section headed "Pre-IPO Share Incentive Plans" and "Post-IPO Share Incentive Plans" on pages 39 to 52 in this report for further details.

The total remuneration cost incurred by the Group for the year ended 31 December 2023 was RMB474.9 million, as compared to RMB853.1 million for the year ended 31 December 2022.

During the year ended 31 December 2023, the Group did not experience any significant labour arbitration or litigation or any difficulty in recruiting employees.

MAJOR CUSTOMERS AND SUPPLIERS

We have generated revenue from Xerava® in mainland China, Hong Kong and Singapore, Nefecon® in Macau, and Trodelvy® in Singapore. For the year ended 31 December 2023, revenue from the Group's three customers accounted for 100% of the Group's total revenue and the Group's largest customer for the year ended 31 December 2023, Keyuan Xinhai (Beijing) Medical Products, accounted for approximately 73.1% of the Group's sales.

For the year ended 31 December 2023, purchases from the Group's five largest suppliers accounted for approximately 22.4% (2022: 29.5%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended 31 December 2023 accounted for approximately 6.1% (2022: 7.9%) of the Group's total purchase amount for the same year.

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

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

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 208 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUBSIDIARIES

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended 31 December 2023 and details of the Shares issued during the year ended 31 December 2023 are set out in Note 29 to the consolidated financial statements.

DONATION

During the year ended 31 December 2023, the Group made charitable donations of approximately RMB15.8 million (2022: nil)

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended 31 December 2023.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Pre-IPO Share Incentive Scheme" and "Post-IPO Share Incentive Schemes" as set out on pages 39 to 52 in this annual report, no equity-linked agreements were entered into by the Group, or existed for the year ended 31 December 2023.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2023. No dividend was paid or declared by the Company or other members of the Group during the year ended 31 December 2022.

No Shareholder has waived or agreed to waive any dividends for the year ended 31 December 2023.

PERMITTED INDEMNITY

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

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

DISTRIBUTABLE RESERVES

The Company may pay dividends out of the share premium account, retained earnings and any other reserves provided that immediately following the payment of such dividends, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

As at 31 December 2023, the Company had distributable reserves for share premium of RMB13,920,484 (2022: RMB13,817,287).

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity on page 99 and in Note 31 to the consolidated financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2023 are set out in Notes 26 and 27 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date or the date of their service contracts or until the third annual general meeting of the Company since the Listing Date or the date of his/her services contracts (whichever is sooner), upon which their service contracts will be automatically renewed for successive periods of three years. Either party has the right to give not less than three months' written notice to terminate the contract.

Each of the non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the date of his/her letter of appointment, upon which their appointments will be automatically renewed for successive periods of three years. Either party has the right to give not less than three months' written notice to terminate the contract.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years from the date of the letter of appointment unless terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' notice in writing.

The above appointments are always subject to the provisions of retirement and rotation of directors under the Articles of Association.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 10 to the consolidated financial statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 December 2023.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

CBC Group is the Controlling Shareholder of the Company. Save as disclosed in the Prospectus and in this annual report, to the best knowledge and belief of our Directors, CBC Group has no contracts of significance with us apart from their interest in our Company.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2023.

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

As at 31 December 2023, the interests and short positions of the Directors or chief executives of the Company in any of the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of holding(6)	Long position/ Short position
Mr. Wei Fu(1)	Founder of a discretionary trust who can influence how the trustee exercises his discretion	131,103,877	40.50%	Long position
Mr. Luo Yongqing(2)	Beneficial owner	8,319,823	2.57%	Long position
Mr. Ian Ying Woo(3)	Beneficial owner	2,043,642	0.63%	Long position
Mr. Shidong Jiang(4)	Beneficial owner	40,000	0.01%	Long position
Mr. Yifan Li(5)	Beneficial owner	40,000	0.01%	Long position

Notes:

(1) The sole shareholder of C-Bridge Investment Everest Limited is C-Bridge Healthcare Fund II, L.P. while its General Partner is C-Bridge Healthcare Fund GP II, L.P.. The General Partner of C-Bridge Healthcare Fund GP II, L.P. is C-Bridge Capital GP, Ltd., while TF Capital, Ltd. and TF Capital II, Ltd. ("TF Capital II") jointly have controlling interest in it. Nova Aqua Limited has a controlling interest in TF Capital II. C-Bridge IV Investment Two Limited and C-Bridge IV Investment Nine Limited is wholly owned by C-Bridge Healthcare Fund IV, L.P. ("CBH IV"). The General Partner of CBH IV is C-Bridge Healthcare Fund GP IV, L.P. which is under the management by its General Partner C-Bridge Capital GP IV, Ltd. ("CBC IV"). The controlling shareholder of CBC IV is TF Capital IV Ltd., which is wholly owned by Nova Aqua Limited. Everest Management Holding Co., Ltd. is owned as to 78.32% by C-Bridge Joint Value Creation Limited. C-Bridge Joint Value Creation Limited is wholly-owned by Nova Aqua Limited. The sole shareholder of C-Bridge IV Investment Sixteen Limited is Nova Aqua Limited. The entire interest in Nova Aqua Limited is held by Vistra Trust (Singapore) Pte. Limited as trustee for a trust established by Mr. Wei Fu (as settlor) for the benefit of Mr. Wei Fu and his family.

(2) Mr. Yongqing Luo's entitlement to receive up to (i) 4,700,000 shares pursuant to the exercise of options with exercise price at HK$10.084 and (ii) 1,559,349 shares pursuant to the exercise of options with exercise price at HK$15.632 under the Post-IPO Share Option Scheme, subject to the conditions of those options. Mr. Yongqing Luo is also entitled to receive up to 1,080,000 shares pursuant to the performance target awards granted to him under the Post-IPO Share Award Scheme. Details of the options and awards granted to this Director are set out in the section headed "Share Schemes" below.

(3) Mr. Ian Ying Woo's entitlement to receive up to 110,000 Shares and 1,118,078 Shares pursuant to the exercise of options under the Pre-IPO Share Schemes and the Post-IPO Share Option Scheme respectively, subject to the conditions of those options. The exercise prices of these options are USD2.26 (up to 110,000 Shares), HK$72.49 (up to 338,403 Shares) and HK$15.632 (up to 779,675 Shares). Mr. Woo is entitled to receive 83,163 share awards in accordance with the conditions of those share awards. Mr. Woo is also entitled to receive up to (i) 333,333 Shares and (ii) 196,479 Shares under Post-IPO Share Award Scheme and Pre-IPO ESOP respectively, subject to the conditions of those performance target awards. Details of the options and awards granted to this Director are set out in the section headed "Share Schemes" below.

(4) Mr. Shidong Jiang's entitlement to receive up to 40,000 Shares pursuant to the exercise of options under the Post-IPO Share Option Scheme, subject to the conditions of those options. The exercise price of these options are HKD72.49 (up to 20,000 Shares) and HKD23.17 (up to 20,000 Shares). Details of the options granted to this Director are set out in the section headed "Share Schemes" below.

(5) Mr. Yifan Li's entitlement to receive up to 40,000 Shares pursuant to the exercise of options under the Post-IPO Share Option Scheme, subject to the conditions of those options. The exercise price of these options are HKD72.49 (up to 20,000 Shares) and HKD23.17 (up to 20,000 Shares). Details of the options granted to this Director are set out in the section headed "Share Schemes" below.

(6) The calculation is based on the total number of 323,704,720 Shares in issue as at 31 December 2023.

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

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

As at 31 December 2023, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding[4]	Long position/ Short position
VISTRA TRUST (SINGAPORE) PTE. LIMITED [1]	Trustee and other	131,103,877	40.50%	Long position
Nova Aqua Limited [1]	Interest in a controlled corporation	131,103,877	40.50%	Long position
TF Capital II Ltd. [1]	Interest in a controlled corporation	52,777,778	16.30%	Long position
C-Bridge Capital GP, Ltd. [1] [2]	Interest in a controlled corporation	52,777,778	16.30%	Long position
C-Bridge Healthcare Fund GP II, L.P. [1]	Interest in a controlled corporation	52,777,778	16.30%	Long position
C-Bridge Healthcare Fund II, L.P. [1]	Interest in a controlled corporation	52,777,778	16.30%	Long position
TF Capital IV, Ltd. [2]	Interest in a controlled corporation	52,522,482	16.23%	Long position
C-Bridge Capital GP IV, Ltd. [1]	Interest in a controlled corporation	52,522,482	16.23%	Long position
C-Bridge Healthcare Fund GP IV, L.P. [1]	Interest in a controlled corporation	52,522,482	16.23%	Long position
C-Bridge Healthcare Fund IV, L.P. [1]	Interest in a controlled corporation	52,522,482	16.23%	Long position
C-Bridge IV Investment Two Limited [1]	Beneficial owner	37,244,704	11.51%	Long position
C-Bridge Investment Everest Limited [1]	Beneficial owner	50,000,000	15.45%	Long position
Dan Yang [2]	Interest in a controlled corporation	50,000,000	15.45%	Long position
Kang Hua Investment Company Limited [2]	Interest in a controlled corporation	50,000,000	15.45%	Long position
C-Bridge Joint Value Creation Limited [1]	Interest in a controlled corporation	22,425,617	6.93%	Long position
Everest Management Holding Co., Ltd. [1]	Beneficial owner	22,425,617	6.93%	Long position

Notes:

(1) The sole shareholder of C-Bridge Investment Everest Limited is C-Bridge Healthcare Fund II, L.P. while its General Partner is C-Bridge Healthcare Fund GP II, L.P.. The General Partner of C-Bridge Healthcare Fund GP II, L.P. is C-Bridge Capital GP, Ltd., while TF Capital, Ltd. and TF Capital II jointly have controlling interest in it. Nova Aqua Limited has a controlling interest in TF Capital II. C-Bridge IV Investment Two Limited and C-Bridge IV Investment Nine Limited is wholly owned by CBH IV. The General Partner of CBH IV is C-Bridge Healthcare Fund GP IV, L.P., which is under the management by its General Partner CBC IV. The controlling shareholder of CBC IV is TF Capital IV Ltd. which is wholly owned by Nova Aqua Limited. Everest Management Holding Co., Ltd. is owned as to 78.32% by C-Bridge Joint Value Creation Limited. C-Bridge Joint Value Creation Limited is wholly-owned by Nova Aqua Limited. The sole shareholder of C-Bridge IV Investment Sixteen Limited is Nova Aqua Limited. The entire interest in Nova Aqua Limited is held by Vistra Trust (Singapore) Pte. Limited as trustee for a trust established by Mr. Wei Fu (as settlor) for the benefit of Mr. Wei Fu and his family.

(2) TF Capital, Ltd. has controlling interest in C-Bridge Capital GP, Ltd.. Kang Hua Investment Capital Limited has controlling interest in TF Capital, Ltd. Ms. Dan Yang is the sole shareholder of Kang Hua Investment Capital Limited.

(3) The calculation is based on the total number of 323,704,720 Shares in issue as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, based on publicly available information, no other person (other than the Directors or chief executives of the Company) 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 under section 336 of the SFO.

SHARE SCHEMES

The Company has four existing share schemes, namely the Pre-IPO MSOP, Pre-IPO ESOP, Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme, which were all adopted before the effective date of the new Chapter 17 of the Listing Rules on 1 January, 2023. The Company has complied, and will continue to comply, with the new Chapter 17 to the extent required by the transitional arrangements for the existing share schemes.

49,536,571 new Shares, representing approximately 15.61% of the weighted average number of Shares for the Reporting Period, may be issued in respect of options and awards granted during the Reporting Period to eligible participants pursuant to all of the share schemes. The details of each share scheme are set out below.

PRE-IPO SHARE INCENTIVE PLANS

1. Pre-IPO MSOP

A summary of the principal terms of the Pre-IPO MSOP is set out below. Further details of the Pre-IPO MSOP are set out in the Prospectus and Note 30 to the consolidated financial statements.

Purpose

The purpose of the Pre-IPO MSOP is to advance the interests of the Company by providing for the grant to participants of the options, and to motivate the selected participants to contribute to the Company's growth and development. The Pre-IPO MSOP, which will be in the form of options, will enable the Company to recruit, incentivize and retain key employees.

Eligible Participants

Those eligible to participate in the Pre-IPO MSOP include employees, officers, directors, contractors, advisors or consultants of the Group as determined, authorized and notified by the Board or a committee authorized by the Board (the "Pre-IPO MSOP Committee"). The Board or the Committee may, from time to time select from among all eligible individuals to whom awards in the form of options ("Pre-IPO MSOP Option(s)") will be granted ("Pre-IPO MSOP Grantee(s)") and will determine the nature and amount of each grant.

Maximum Number of Shares Available for Grant and Issue under the Pre-IPO MSOP

The maximum number of Shares in respect of which Pre-IPO MSOP Options may be granted under the Pre-IPO MSOP shall not exceed 5,048,779 Shares in the aggregate, subject to any adjustments in the event of any alteration in the capital structure of the Company.

Given that no further Pre-IPO MSOP Options would be granted after the Listing, 0 Shares were available for grant under the Pre-IPO MSOP as at 1 January 2023 and 31 December 2023, respectively, and the outstanding number of Pre-IPO MSOP Options would be equivalent to the number of Shares available for issue under the Pre-IPO MSOP. As at the Latest Practicable Date, outstanding Pre-IPO MSOP Options with 971,951 underlying Shares (representing approximately 0.30% of the issued share capital of the Company as at the Latest Practicable Date) were granted to eligible participants pursuant to the Pre-IPO MSOP.

Maximum Entitlement of Each Participant

Under the Pre-IPO MSOP, there is no specific limit on the maximum number of Pre-IPO MSOP Options which may be granted to a single eligible participant but unvested under the Pre-IPO MSOP.

No employee shall be granted a Pre-IPO MSOP Option which, if exercised in full, would result in such employee becoming entitled to subscribe for an aggregate number of Shares (including all previous Pre-IPO MSOP Options) exceeding 10% of the aggregate number of Shares for the time being issued and issuable under the Pre-IPO MSOP.

Exercise Period

Unless otherwise specified in the offer letter, any Pre-IPO MSOP Option shall become exercisable upon vesting. The expiry of the period within which a Pre-IPO MSOP Option may be exercised, which is to be determined and notified by the Board to each grantee at the time of making an offer, and shall not expire later than 10 years from the date of grant.

Vesting Period

The vesting criteria and conditions, and the vesting date are specified in the offer letter. Unless otherwise approved by the Board and set forth in an offer letter, the vesting schedule for the Pre-IPO MSOP Options shall be a 36-month vesting schedule consisting of a cliff vesting of one-third (1/3) after twelve (12) months from the commencement date and thereafter, monthly vesting of equal installments over the remaining twenty-four (24) months.

Exercise Price

The Board shall be entitled to make an offer to any participant as the Board may in its absolute discretion select to take up Pre-IPO MSOP Options in respect of such number of Shares and at any price per Share (the “Strike Price”) as the Board may determine. The Strike Price of the Pre-IPO MSOP Options shall be US$0.18, which was determined by the fair value of the Shares when the Pre-IPO MSOP was established.

Remaining Life of the Pre-IPO MSOP

The remaining life of the Pre-IPO MSOP is approximately 4 years.

Outstanding Pre-IPO MSOP Options

As at 31 December 2023, the Company had outstanding Pre-IPO MSOP Options to subscribe for an aggregate of 971,951 Shares granted to 1 grantee who is a senior management member of the Company. Details of the outstanding Pre-IPO MSOP Options during the Reporting Period are as follows:

Name	Date of grant	Vesting period	Exercise period	Exercise Price (US$)	Outstanding as at 1 January 2023	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 31 December 2023	Weighted average closing price of the Shares immediately before the date of exercise (HK$)[2]
Senior Management/Director										
Mr. Jason Brown	23 November 2017	4 years	4 years from the Listing Date	0.18	971,951	–	–	–	971,951	N/A
Mr. Xiaofan Zhang[1]	6 March 2020	4 years	3 years from the Listing Date	0.18	2,243,902	2,243,902	–	–	0	15.44
Other grantees by category										
Employee Participant	23 November 2017	4 years	3 years from the Listing Date	0.18	1,682,926	1,682,926	–	–	0	24.88
Total					**4,898,779**	**3,926,828**	**-**	**-**	**971,951**	

Notes:

(1) Mr. Xiaofan Zhang resigned as an executive Director with effect from 31 March 2023.

(2) This information is in respect of the Pre-IPO MSOP Options exercised during the Reporting Period.

2. Pre-IPO ESOP

A summary of the principal terms of the Pre-IPO ESOP is set out below. Further details of the Pre-IPO ESOP are set out in the Prospectus.

Purpose

The purpose of the Pre-IPO ESOP is to advance the interests of the Company by providing for the grant to participants of the Pre-IPO ESOP Awards (defined below), and to motivate the selected participants to contribute to the Company's growth and development. The Pre-IPO ESOP, which will be in the form of Pre-IPO ESOP Options (defined below) and Pre-IPO ESOP RSU (defined below), will enable the Company to recruit, incentivize and retain key employees.

Eligible Participants

Those eligible to participate in the Pre-IPO ESOP include employees, officers, directors, contractors, advisors or consultants of the Group as determined, authorized and notified by the Board or a committee authorized by the Board (the "Pre-IPO ESOP Committee"). The Board or the Pre-IPO ESOP Committee may, from time to time select from among all eligible individuals (the "Pre-IPO ESOP Participants") to whom awards (the "Pre-IPO ESOP Award(s)") in the form of options (the "Pre-IPO ESOP Option(s)") and restricted stock units (the "Pre-IPO ESOP RSU(s)"), will be granted (the "Pre-IPO ESOP Grantee(s)") and will determine the nature and amount of each grant.

Maximum Number of Shares Available for Grant

The maximum number of Shares in respect of which Pre-IPO ESOP Awards may be granted under the Pre-IPO ESOP shall not exceed 22,932,908 Shares in the aggregate, subject to any adjustments in the event of any alteration in the capital structure of the Company. After the Listing, no further Pre-IPO ESOP Options would be granted and only Pre-IPO ESOP RSUs would be granted.

As at 1 January 2023, 5,742,797 Shares were available for grant under the Pre-IPO ESOP. During the Reporting Period, 3,877,078 Pre-IPO ESOP RSUs were granted to eligible participants pursuant to the Pre-IPO ESOP. It follows that, as at 31 December 2023, 4,360,099 Shares were available for grant under the Pre-IPO ESOP.

Maximum Number of Shares Available for Issue

As at 1 January 2023, 14,040,781 Shares were available for issue under the Pre-IPO ESOP. During the Reporting Period, 5,999,210 Shares were issued pursuant to the Pre-IPO ESOP. It follows that, as at 31 December 2023 and the Latest Practicable Date, 8,041,571 Shares and 7,809,774 Shares (representing approximately 2.41% of the issued share capital of the Company as at the Latest Practicable Date) were available for issue under the Pre-IPO ESOP, respectively.

Maximum Entitlement of Each Participant

No employee shall be granted a Pre-IPO ESOP Award which, if exercised in full, would result in such employee becoming entitled to subscribe for an aggregate number of Shares (including all previous Pre-IPO ESOP Awards) exceeding 10% of the aggregate number of Shares for the time being issued and issuable under the Pre-IPO ESOP.

Exercise Period

Unless otherwise specified in the offer letter, any Pre-IPO ESOP Option shall become exercisable upon vesting. The expiry of the period within which a Pre-IPO ESOP Option may be exercised is to be determined and notified by the Board to each grantee at the time of making an offer, and shall not expire later than 10 years from the date of grant.

Vesting Period

The vesting criteria and conditions, and the vesting date are specified in the award agreement.

Exercise or Purchase Price

The Strike Price of the Pre-IPO ESOP Options and any purchase price for the Pre-IPO ESOP RSUs shall be approved by the Board and shall be set out in the offer letter. The Strike Price is determined by the fair value of the Shares on the date of grant of the Pre-IPO ESOP Options.

Amount Payable on Application or Acceptance of the Option or Award and the Period within which Payments or Calls Must or may be made or Loans for such Purposes must be Repaid

A Pre-IPO ESOP Grantee is not required to pay for the grant of any Pre-IPO ESOP Option. The consideration to be paid (if any) for each Share subject to a Pre-IPO ESOP RSU is determined by the Board and shall be set forth in the offer letter for such Pre-IPO ESOP RSUs.

Remaining Life of the Pre-IPO ESOP

The remaining life of the Pre-IPO ESOP is approximately 5 years.

Outstanding Pre-IPO ESOP Options and RSUs

As at 31 December 2023, the Company had outstanding Pre-IPO ESOP Options to subscribe for an aggregate of 854,329 Shares granted to 105 grantees (including Directors, senior management, other connected persons and employees of the Company) and unvested Pre-IPO ESOP RSUs representing an aggregate of 2,827,143 Shares granted to 241 grantees (including Directors, senior management, other connected persons and employees of the Company). Details of the outstanding options and unvested awards under the Pre-IPO ESOP during the Reporting Period are as follows:

Options

Name	Date of grant	Vesting period	Exercise period	Exercise price (US$)	Outstanding as at 1 January 2023	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 31 December 2023	Weighted average closing price of the Shares immediately before the date of exercise[6] (HK$)
Directors										
Mr. Ian Ying Woo	16 July 2020	4 years[1]	7 years from the date of grant	2.26	110,000	–	–	–	110,000	N/A
Mr. Xiaofan Zhang[2]	16 July 2020	4 years[1]	7 years from the date of grant	0.18	110,000	110,000	–	–	0	15.44
Other grantees by category										
Employee Participants	Between 31 December 2018 and 31 July 2020	4 years	7 years from the date of grant	0.18–3.24	5,167,495	3,549,675	–	873,491	744,329	19.72
Service Providers	Between 18 February 2020 and 31 July 2020	Fully vested at IPO or offer day	7 years from the date of grant	0.18–1.21	93,112	93,112	–	–	0	21.68
Total					**5,480,607**	**3,752,787**	**–**	**873,491**	**854,329**	

RSUs

Name	Date of grant	Vesting period	Purchase price	Unvested as at 1 January 2023	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as at 31 December 2023	Fair value of the awards at the date of grant[3][7] (HK$)	Performance targets	Closing price of the Shares immediately before the date of grant[7] (HK$)	Weighted average closing price of the Shares immediately before the date of vested[7] (HK$)
Directors													
Mr. Ian Ying Woo	3 April 2023	Immediate vesting upon achievement of performance targets	nil	–	280,683	28,068	56,136	–	196,479	2,946,610	See Note 4	15.44	23.50
Other grantees by category													
Employee Participants	Between 18 February 2020 and 3 April 2023	Immediate vesting upon achievement of performance targets in respect of 1,313,180 awards and 4 years in respect of the remaining awards	nil	2,817,377	3,480,018	2,108,872	1,557,859	–	2,630,664	48,384,825	See Note 5	15.44	21.92
Service Providers	3 April 2023	1 year	nil	–	116,377	109,483	6,894	–	0	1,633,933	None	15.44	23.07
Total				**2,817,377**	**3,877,078**	**2,246,423**	**1,620,889**	**-**	**2,827,143**				

Notes:

(1) All options granted were subject to immediate vesting upon Listing.

(2) Mr. Xiaofan Zhang resigned as an executive Director with effect from 31 March 2023.

(3) The fair values of the awards are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The fair value is determined by reference to the fair value of the equity instrument as at the grant date, considering market performance conditions, excluding the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

(4) The vesting of 280,683 performance target awards granted to Mr. Ian Ying Woo is subject to the following performance targets: (a) 70% of the performance target awards shall vest equally upon the achievement of seven operational targets during the specified periods stipulated in the offer letter. Such operational targets relate to the research and development and registration progress of drug candidates of the Group, approval and commercial launch of a product, and the achievement of certain revenue targets for a specific product after commercial launch or the achievement of certain financial targets; and (b) 30% of the performance target awards shall vest equally upon the achievement of three stock price targets, more specifically by achieving a market capitalization in the range of HK$12.5 billion to HK$18.0 billion (equivalent to a stock price target of approximately HK$40.0 to HK$57.6 per Share). The performance period for each of the performance targets above is no more than 3 years and the performance targets are expected to be achieved over the 3-year period from the date of grant (i.e. 3 April 2023). For further details of the grant of performance target awards to Mr. Ian Ying Woo, please refer to the announcement of the Company dated 3 April 2023 and the circular of the Company dated 31 May 2023.

(5) 1,064,058 performance target awards were granted to 37 eligible participants and 249,122 performance target awards were granted to 4 connected grantees (being Ms. Min Yu, Mr. Zixin Qiao, Ms. Heasun Park and Ms. Zhengying Zhu) under the Pre-IPO ESOP on 3 April 2023, respectively. In respect of the performance target awards granted to 37 eligible participants, such performance target awards shall become immediately vested upon the achievement of certain operational targets as set out in the relevant offer letter. In respect of the performance target awards granted to Ms. Heasun Park and Ms. Zhengying Zhu, such awards shall become immediately vested upon the achievement of certain operational targets and/or business milestones during the specified period (which will not be more than 3 years) as stipulated in the grant letter. The Company has set different operational targets and business milestones (including but not limited to references to the development of certain products). In respect of the performance target awards granted to Ms. Min Yu and Mr. Zixin Qiao, (a) 70% of the performance target awards shall vest equally upon the achievement of seven operational targets during the specified periods stipulated in the offer letter. Such operational targets relate to the research and development and registration progress of drug candidates of the Group, approval and commercial launch of a product, and the achievement of certain revenue targets for a specific product after commercial launch or the achievement of certain financial targets; and (b) 30% of the performance target awards shall vest equally upon the achievement of three stock price targets, more specifically by achieving a market capitalization in the range of HK$12.5 billion to HK$18.0 billion (equivalent to a stock price target of approximately HK$40.0 to HK$57.6 per Share). The performance period for each of the performance targets above is no more than 3 years and the performance targets are expected to be achieved over the 3-year period from the date of grant (i.e. 3 April 2023). For further details of the performance target awards and other options and awards granted under the Pre-IPO ESOP during the Reporting Period, please refer to the announcement of the Company dated 3 April 2023 and the circular of the Company dated 31 May 2023.

(6) This information is in respect of Pre-IPO ESOP Options exercised during the Reporting Period.

(7) This information is in respect of Pre-IPO ESOP RSUs granted or vested during the Reporting Period.

(8) No further options have been or would be granted after the Listing.

POST-IPO SHARE INCENTIVE PLANS

1. Post-IPO Share Option Scheme

A summary of the principal terms of the Post-IPO Share Option Scheme is set out below. Further details of the Post-IPO Share Option Scheme are set out in the Prospectus.

Purpose

The purpose of the Post-IPO Share Option Scheme is to provide Post-IPO Share Option Scheme Eligible Persons (defined below) with the opportunity to acquire proprietary interests in the Company and to encourage the Eligible Person to work towards enhancing the value of the Company and the Shares for the benefit of the Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to Post-IPO Share Option Scheme Eligible Persons.

Eligible Participants

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any of the Group's affiliates who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options (the "Post-IPO Share Option Scheme Eligible Person(s)").

Maximum Number of Shares Available for Grant

The total number of Shares which may be issued upon exercise of all options (the "Post-IPO Options") to be granted under the Post-IPO Share Option Scheme and any other share option scheme of the Company is 28,369,038, being no more than 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes) (the "Option Scheme Mandate Limit").

As at 1 January 2023, 21,971,816 Shares were available for grant under the Post-IPO Share Option Scheme. During the Reporting Period, 8,920,924 options with underlying 8,920,924 Shares were granted to eligible participants pursuant to the Post-IPO Share Option Scheme and 4,700,000 options with underlying 4,700,000 Shares granted in 19 September 2022 were approved at the Company's annual general meeting on 29 June 2023. It follows that, as at 31 December 2023 13,838,180 Shares were available for grant under the Post-IPO Share Option Scheme.

Maximum Number of Shares Available for Issue

As at 1 January 2023, 28,369,038 new Shares were available for issue under the Post-IPO Share Option Scheme. During the Reporting Period, 733,544 new Shares were issued pursuant to the Post-IPO Share Option Scheme. It follows that, as at 31 December 2023 and the Latest Practicable Date, 27,635,494 new Shares and 27,635,494 new Shares (representing approximately 8.53% of the issued share capital of the Company as at the Latest Practicable Date) were available for issue under the Post-IPO Share Option Scheme, respectively.

Maximum Entitlement of Each Participant

There is no specific maximum entitlement for each Post-IPO Share Option Scheme Eligible Person under the Post-IPO Share Option Plan. Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Company to each Post-IPO Share Option Scheme Eligible Person (including both exercised and outstanding options) in any 12 month period shall not exceed 1% of the total number of Shares in issue (the "Individual Limit"). Any further grant of options to a Post-IPO Share Option Scheme Eligible Person which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such Post-IPO Share Option Scheme Eligible Person (including exercised, canceled and outstanding options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of the Shareholders in general meeting (with such Eligible Persons and his associates abstaining from voting).

Exercise Period

Option period (a period within which an option may be exercised) is to be determined and notified by the Board to each grantee at the time of making an offer, and shall not expire later than 10 years from the grant of the option.

Vesting Period

The Board or its delegates shall be entitled to make an offer, which shall specify the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part.

Consideration

An amount of HK$1.00 is payable by the grantees upon acceptance of the awards granted under the Post-IPO Share Option Scheme.

Exercise Price

The exercise price of each option will be determined by the Board or its delegate(s). Options, once granted, may be repriced only in accordance with the applicable requirements of the Post-IPO Share Option Scheme and the grant agreement.

Remaining Life of the Post-IPO Share Option Scheme

The remaining life of the Post-IPO Share Option Scheme is approximately 7 years.

Outstanding Post-IPO Share Options

As at 31 December 2023, the Company had outstanding Post-IPO ESOP Options to subscribe for an aggregate of 13,797,314 Shares granted to 306 grantees (including Directors, senior management, other connected persons of the Company and other employees of the Company). Details of the outstanding options under the Post-IPO Share Option Scheme during the Reporting Period are as follows:

Name	Date of grant	Vesting period	Exercise period	Exercise price (HK$)	Outstanding as at 1 January 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 31 December 2023	Fair value of the options at the date of grant[4][6] (HK$)	Performance targets	Closing price of the Shares immediately before the date of grant[6] (HK$)	Weighted average closing price of the Shares immediately before the date of exercise[6] (HK$)
Directors														
Mr. Yongqing Luo	19 September 2022 and 3 April 2023	4 years	7 years from the date of grant	10.084 and 15.632	–	6,259,349[3]	–	–	–	6,259,349	10,991,258	None	15.44	N/A
Mr. Ian Ying Woo	14 July 2021 and 3 April 2023	4 years	7 years from the date of grant	72.49 and 15.632	338,403	779,675	–	–	–	1,118,078	5,495,633	None	15.44	N/A
Mr. Xiaofan Zhang[1]	14 July 2021	4 years	7 years from the date of grant	72.49	338,403	–	–	–	338,403	0	N/A	N/A	N/A	N/A
Mr. Shidong Jiang	14 July 2021 and 1 April 2022	1 year	7 years from the date of grant	72.49 and 23.17	40,000	–	–	–	–	40,000	N/A	N/A	N/A	N/A
Mr. Yifan Li	14 July 2021 and 1 April 2022	1 year	7 years from the date of grant	72.49 and 23.17	40,000	–	–	–	–	40,000	N/A	N/A	N/A	N/A
Mr. Bo Tan[2]	14 July 2021 and 1 April 2022	1 year	7 years from the date of grant	72.49 and 23.17	40,000	–	–	–	40,000	0	N/A	N/A	N/A	N/A
Other grantees by category														
Employee Participants	Between 6 May 2021 and 3 April 2023	4 years	7 years from the date of grant	Between 15.632 and 72.49	5,600,416	6,581,900	733,544	–	5,108,885	6,339,887	46,067,111	None	15.44	23.70
Total					**6,397,222**	**13,620,924**	**733,544**	**-**	**5,487,288**	**13,797,314**				

Notes:

(1) Mr. Xiaofan Zhang resigned as an executive Director with effect from 31 March 2023.

(2) Mr. Bo Tan resigned as an independent non-executive Director with effect from 19 January 2023.

(3) As disclosed in the 2022 Annual Report, 4,700,000 options were conditionally granted on 19 September 2022 and were subject to independent shareholders' approval. As disclosed in the announcement of the Company dated 29 June 2023, such grant was approved by the independent Shareholders on the same date. Please refer to the announcements of the Company dated 19 September 2022 and 29 June 2023, the circular of the Company dated 31 May 2023 and the 2022 Annual Report for further details.

(4) The fair values of the options are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The fair value is determined by reference to the fair value of the equity instrument as at the grant date, considering market performance conditions, excluding the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

(5) For details of the options granted under the Post-IPO Share Option Scheme during the Reporting Period, please refer to the announcements of the Company dated 3 April 2023 and 29 June 2023 and the circular of the Company dated 31 May 2023.

(6) This information is in respect of Post-IPO ESOP Options granted or exercised during the Reporting Period.

2. Post-IPO Share Award Scheme

A summary of the principal terms of the Post-IPO Share Award Scheme is set out below. Further details of the Post-IPO Share Award Scheme are set out in the Prospectus and the circular of the Company dated 24 May 2022.

Purpose

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

Eligible Participants

Any individual, being an employee, director, officer, consultant, adviser, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of our Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them) who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to our Group is eligible to receive a Post-IPO Award (as defined below). However, no individual who is resident in a place where the grant, acceptance or vesting of a Post-IPO Award pursuant to the Post-IPO Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board, 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 Share Award Scheme.

Awards

An award under the Post-IPO Share Award Scheme (the "Post-IPO Award") gives a selected participant a conditional right, when the Shares vest, to obtain the Shares or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Post-IPO Award in Shares, the cash equivalent from the sale of the Shares.

Maximum Number of Shares Available for Grant

The Company shall not make any further grant of Award which will result in the aggregate number of Shares underlying all grants made pursuant to the Scheme (excluding Award Shares that have been forfeited in accordance with the Scheme) to exceed 18,684,519 Shares (the "Share Award Scheme Limit") without Shareholders' approval, subject to an annual limit of 2.5% of the total number of issued Shares at the time.

As at 1 January 2023, 11,198,018 Shares were available for grant under the Post-IPO Share Award Scheme. During the Reporting Period, 3,218,278 awards were granted to eligible participants pursuant to the Post-IPO Share Award Scheme. It follows that, as at 31 December 2023 and the Latest Practicable Date, 10,104,512 and 10,344,512 Shares were available for grant under the Post-IPO Share Award Scheme, respectively.

Maximum Number of Shares Available for Issue

As of 1 January 2023, 17,077,784 new Shares were available for issue under the Share Award Scheme Limit. During the Reporting Period, 3,218,278 new Shares were issued pursuant to the Post-IPO Share Award Scheme. It follows that, as at 31 December 2023 and the Latest Practicable Date, 13,859,506 new Shares and 13,839,417 new Shares (representing approximately 4.27% of the issued share capital of the Company as of the Latest Practicable Date) were available for issue under the Post-IPO Share Award Scheme Limit, respectively.

Maximum Entitlement of Each Participant

Save as otherwise restricted by the Share Award Scheme Limit or the Listing Rules, there shall be no limit on the total number of non-vested Shares that may be granted to a selected participant under the Post-IPO Share Award Scheme.

Vesting Period

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

Consideration and Purchase Price

An amount of HK$1.00 is payable by the grantees upon acceptance of the awards granted under the Post-IPO Share Award Scheme. No purchase price is payable in respect of the Shares issued under the Post-IPO Share Award Scheme.

Remaining Life of the Post-IPO Share Award Scheme

The remaining life of the Post-IPO Share Award Scheme is approximately 7 years.

Outstanding Post-IPO Awards

As at 31 December 2023, the Company had unvested Post-IPO Award representing an aggregate of 3,754,994 Shares granted to 324 grantees (including Directors, senior management, other connected persons of the Company and other employees of the Company). Details of the unvested awards under the Post-IPO Share Award Scheme are as follows:

Name	Date of grant	Vesting period	Purchase price	Unvested awards as at 1 January 2023	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested awards as at 31 December 2023	Fair value of awards at the date of grant[3][4] (HK$)	Performance targets	Closing price of the Shares immediately before the grant[4] (HK$)	Weighted average closing price of the Shares immediately before the date of vesting[4] (HK$)
Directors													
Mr. Yongqing Luo	19 September 2022	1–3 years	nil	–	2,060,474[2]	980,474	–	–	1,080,000	N/A	N/A	N/A	18.32
Mr. Ian Ying Woo	14 July 2021– 1 April 2022	3–4 years	nil	1,124,744	–	208,248	500,000	–	416,496	N/A	N/A	N/A	18.23
Dr. Kerry Levan Blanchard	14 July 2021– 1 April 2022	3–4 years	nil	480,227	–	480,227	–	–	0	N/A	N/A	N/A	17.74
Mr. Xiaofan Zhang[1]	14 July 2021– 1 April 2022	3–4 years	nil	1,124,744	–	41,581	1,083,163	–	0	N/A	N/A	N/A	15.44
Other grantees in category													
Employee Participants	Between 6 May 2021 and 3 April 2023	4 years	nil	3,150,051	2,102,896	1,507,748	1,486,701	–	2,258,498	29,524,660	N/A	15.44	21.67
Total				**5,879,766**	**4,163,370**	**3,218,278**	**3,069,864**	**-**	**3,754,994**				

Notes:

(1) Mr. Xiaofan Zhang resigned as an executive Director with effect from 31 March 2023.

(2) As disclosed in the 2022 Annual Report, 860,474 awards and 1,200,000 performance target awards were conditionally granted on 19 September 2022 and were subject to independent shareholders' approval. On 3 April 2023, the Board has resolved to amend the vesting schedule of the 1,200,000 performance target awards and the new vesting period and performance targets are as follows: (a) 70% of the performance target awards shall vest equally upon the achievement of seven operational targets during the specified periods stipulated in the offer letter. Such operational targets relate to the research and development and registration progress of drug candidates of the Group, approval and commercial launch of a product, and the achievement of certain revenue targets for a specific product after commercial launch; and (b) 30% of the performance target awards shall vest equally upon the achievement of three stock price targets, more specifically by achieving a market capitalization in the range of HK$12.5 billion to HK$18.0 billion (equivalent to a stock price target of approximately HK$40.0 to HK$57.6 per Share). As disclosed in the announcement of the Company dated 29 June 2023, such grants were approved by the independent Shareholders on the same date. Please refer to the announcements of the Company dated 19 September 2022 and 3 April 2023, the circular of the Company dated 31 May 2023 and the 2022 Annual Report for further details.

(3) The fair values of the awards are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The fair value is determined by reference to the fair value of the equity instrument as at the grant date, considering market performance conditions, excluding the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

(4) This information is in respect of Post-IPO Awards granted or vested during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed in this annual report, at no time during the year ended 31 December 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with Rule 3.25 of the Listing Rules and the CG Code, the Company established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Share Schemes. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 10 to the consolidated financial statements.

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

For the year ended 31 December 2023, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances, and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors was approximately RMB24.7 million (as set out in Note 10 to the consolidated financial statements) including discretionary bonuses of a total sum of RMB9.1 million.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2023, none of our Directors controlled a business similar to principal business of our Group that competes or is likely to compete, either directly or indirectly, with our Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

CONNECTED TRANSACTIONS

On 3 April 2023, the Company resolved to grant 779,675 options under the Post-IPO Share Option Scheme and 280,683 performance target awards under the Pre-IPO ESOP to Mr. Ian Ying Woo, an executive Director and chief financial officer of the Company, 1,559,349 options under the Post-IPO Share Option Scheme to Mr. Yongqing Luo, an executive Director and Chief Executive Officer of the Company, and 789,983 options under the Post-IPO Share Option Scheme to 5 employees, each of them being a director of a subsidiary of the Company.

On 3 April 2023, the Company also resolved to grant (i) 135,100 awards under the Post-IPO Share Option Scheme to Mr. Yuan Gao, Ms. Min Yu, Mr. Zixin Qiao and Ms. Heasun Park, each being a connected person at the subsidiary level; and (ii) 249,122 performance target awards under the Pre-IPO ESOP to Ms. Min Yu, Mr. Zixin Qiao, Ms. Heasun Park and Ms. Zhengying Zhu, each being a director of a subsidiary of the Company. The above grants were approved by independent Shareholders at the annual general meeting of the Company on 29 June 2023, granted for, among other terms, nil consideration, and represent the right to receive one Share on the date the awards vest.

The above grants are part of the Company's remuneration policy. It enables the Company to attract, retain, incentivize, reward and remunerate the grantees, and encourage them to work towards enhancing the value of the Company and the Shares for the benefit of the Company and Shareholders as a whole.

For further details, please refer to the announcements of the Company dated 3 April 2023 and the circular of the Company dated 31 May 2023.

CONTINUING CONNECTED TRANSACTIONS

The Group did not enter into any non-exempt continuing connected transactions during the Reporting Period. Details of related party transactions of the Group for the year ended 31 December 2023 are set out in Note 34 to the consolidated financial statements, none of which constitute "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules for which disclosure is required following the Listing. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules since the Listing Date.

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

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

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended 31 December 2023. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended 31 December 2023.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Shares were listed on the Stock Exchange on 9 October 2020 with a total of 73,079,000 offer Shares (including Shares issued as a result of the full exercise of the over-allotment option) issued and the net proceeds raised during the Global Offering were approximately HK$3,795 million. Save as disclosed in the 2022 Annual Report, there was no change in the intended use of net proceeds as previously disclosed in the Prospectus in the upcoming 12 months.

Set out below is the status of use of proceeds from the Global Offering as at 31 December 2023.

Purpose	% of use of proceeds	Net proceeds (HK$million)	Utilised for the year ended 31 December 2022 (HK$ million)	Unutilised amount as at 31 December 2022 (HK$ million)	Utilised for the year ended 31 December 2023 (HK$ million)	Unutilised amount as at 31 December 2023 (HK$ million)
Funding ongoing and planned clinical trials (including any potential clinical studies for new indications if appropriate), preparation for registration filings and other steps or activities related to commercialization (including provision of scientific and clinical support by medical affairs team, key opinion leader development, strategic planning and market access analysis) of eravacycline, one of our Core Drug Candidates	15%	569	118	270	180	90

Purpose	% of use of proceeds	Net proceeds (HK$million)	Utilised for the year ended 31 December 2022 (HK$ million)	Unutilised amount as at 31 December 2022 (HK$ million)	Utilised for the year ended 31 December 2023 (HK$ million)	Unutilised amount as at 31 December 2023 (HK$ million)
Funding ongoing and planned clinical trials (including any potential clinical studies for new indications if appropriate), preparation for registration filings and other steps or activities related to commercialization (including provision of scientific and clinical support by medical affairs team, key opinion leader development, strategic planning and market access analysis) of etrasimod, one of our Core Drug Candidates	15%	569	97	341	72	269
Funding ongoing and planned clinical trials, preparation for registration filings and potential commercialization of sacituzumab govitecan-hziy	20%	759	344	–	–	–
Funding ongoing and planned clinical trials, preparation for registration filings and potential commercialization of Nefecon	10%	380	137	103	103	–

Purpose	% of use of proceeds	Net proceeds (HK$million)	Utilised for the year ended 31 December 2022 (HK$ million)	Unutilised amount as at 31 December 2022 (HK$ million)	Utilised for the year ended 31 December 2023 (HK$ million)	Unutilised amount as at 31 December 2023 (HK$ million)
Funding ongoing and planned clinical trials, preparation for registration filings and potential commercialization of other drug candidates in our pipeline	15%	569	77	250	250	–
Funding our business development activities and the expansion of our drug pipeline. To further expand our portfolio, we will continue to bring in high value and differentiated innovative assets with attractive risk-return profiles for our four current core therapeutic areas	15%	569	–	–	–	–
Working capital and general and administrative purposes	10%	380	147	–	–	–
Total	**100%**	**3,795**	**920**	**964**	**605**	**359**

Note: As disclosed in the 2022 Annual Report, the Company announced on 16 August 2022 that in light of the entry into the termination and transition services agreement dated 15 August 2022 (the "Agreement") and the transactions contemplated thereunder (the "Transaction") and having considered the prospects that the Transaction may bring to the Group and the reasons for and benefits of the Transaction, the Board had reviewed the intended use of the unutilised net proceeds for this purpose (being HK$37 million as at 31 July 2022) and resolved to reallocate such amount for working capital and general and administrative purposes in order to better allocate and utilize its financial resources and to capture favorable investment opportunities. For further details, please refer to the announcement of the Company dated 16 August 2022 and circular of the Company dated 14 October 2022.

The Company expects to gradually apply the remaining unutilized proceeds in accordance with the intended purposes and fully utilize the proceeds by the second half of 2025. This expected timeline is based on best estimation on future market conditions and business operations made by the Company, and remains subject to changes based on current and future development of market conditions and actual business needs.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the Latest Practicable Date, the Company had maintained the prescribed percentage of public float under the Listing Rules during the Reporting Period.

AUDITOR

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers, Certified Public Accountants and Registered Public Interest Entity Auditor, who will retire and, being eligible, offer themselves for reappointment at the AGM.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

- Ms. Lan Kang resigned as a non-executive Director, and Mr. William Ki Chul Cho was appointed as a non-executive Director, each with effect from 12 January 2024.

  Mr. Yubo Gong resigned as a non-executive Director, and Mr. Honggang Feng was appointed as a non-executive Director, each with effect from 9 February 2024.

  Each Mr. William Ki Chul Cho and Mr. Honggang Feng obtained legal advice from Hong Kong legal advisers on 10 January 2024 and 7 February 2024, respectively, as required under Rule 3.09D of the Listing Rules and confirmed he understood his obligations as a director of a listed issuer.

  For further details of the above, please refer to the announcements of the Company dated 12 January 2024 and 9 February 2024.

- On 16 February 2024, the Company and Providence entered into a termination agreement (the “Termination Agreement”) whereby the parties agreed to terminate the Collaboration and License Agreement, the COVID-19 Vaccines License Agreement, and the Share Issuance Agreement (collectively, the “Agreements”) in entirety, effective as of 16 February 2024, and any and all obligations of one party to the other party are forever waived, satisfied and extinguished and neither party shall have any further obligation, responsibility, liability to each other under the Agreements or any performance of activities thereunder. Pursuant to the Termination Agreement, the Company and Providence agreed to set forth new terms under which each party may exploit any Collaboration Product and the Company may exploit any Additional Product (including COVID-19 vaccines).

  For further details of the above, please refer to the announcement of the Company dated 19 February 2024.

Save as disclosed in this annual report, no important events affecting the Company occurred since the end of the Reporting Period and up to the Latest Practicable Date.

By the order of the Board
Mr. Wei Fu
Chairman
Hong Kong
27 March 2024

Directors and Senior Management

As at the Latest Practicable Date, the Board consisted of three executive Directors, two non-executive Directors and three independent non-executive Directors.

DIRECTORS

Executive Directors

Mr. Wei Fu (傅唯), aged 41, is an executive Director, chairman of the Board, chairperson of the Nomination Committee and member of the Remuneration Committee. Mr. Fu was appointed as our Director in July 2017 and was redesignated as an executive Director in July 2020. Mr. Fu is also a director of certain subsidiaries of the Company.

Mr. Fu has served as the chief executive officer and managing director of CBC Group, a healthcare dedicated private equity firm, since April 2014. From August 2011 to December 2013, Mr. Fu served as the general manager of the investment department at a wholly-owned subsidiary of Far East Horizon Limited, a financial services organization listed on the Stock Exchange (HKEX: 3360). From March 2008 to April 2010, Mr. Fu worked as an associate director at Standard Chartered Business Consulting (Beijing) Co., Ltd., where he was mainly responsible for private equity investments in infrastructure projects. From July 2006 to March 2008, Mr. Fu worked at Macquarie Capital (Singapore) Pte. Limited, where his last position was as a business analyst. Mr. Fu has been a director of I-Mab (NASDAQ: IMAB) since June 2018.

Mr. Fu received his bachelor's degree in electrical and electronic engineering from Nanyang Technological University in Singapore in February 2005.

Mr. Yongqing Luo (羅永慶), aged 54, was appointed as an executive Director and Chief Executive Officer of the Company on 19 September 2022. He is a director of certain subsidiaries of the Company. Mr. Luo has more than 25 years of experience in the healthcare industry. Mr. Luo was previously the president and general manager of Greater China of Brii Biosciences Limited (HKEX: 2137) from 11 September 2020 to 15 September 2022 and its executive director from 30 March 2021 to 15 September 2022, and the chief executive officer of a subsidiary of Brii Biosciences Limited, TSB Therapeutics, from December 2021 to 15 September 2022. From September 2016 to September 2020, he was the global vice president and general manager of China of Gilead Sciences, Inc., during which he helped to build Gilead Sciences, Inc.'s presence in China. He led the clinical development, regulatory approval process and successful commercial launch of eight innovative products as well as established a unique business model encompassing science, commercialization and patient access. Prior to that, he held senior positions in multiple multinational pharmaceutical companies including Roche and Novartis.

Mr. Luo received his medical education from Xiangya School of Medicine, Central-South University, in China and graduated in July 1992, and then served for three years as a surgeon at St. Luke's Hospital, Shanghai, from July 1992 to July 1995. He obtained an executive master of business administration from China Europe International Business School in China in September 2006.

Mr. Ian Ying Woo (何穎), aged 51, is an executive Director and our president and chief financial officer. Mr. Woo was appointed as our Director in December 2018 and was re-designated as an executive Director in July 2020. Mr. Woo is also a director of certain subsidiaries of the Company.

Mr. Woo is an operating partner of CBC Group and served as a managing director of CBC Group from June 2018 to June 2019. Prior to joining our Company in June 2018, Mr. Woo served as a managing director in the healthcare advisory team at Lazard Frères & Co. LLC ("LFNY"), a subsidiary of the financial advisory and asset management firm Lazard Ltd (NYSE: LAZ). Mr. Woo joined LFNY in March 2005 and was based in New York until June 2018, other than from January 2012 to June 2016 during which period he worked at Lazard Asia (Hong Kong) Limited, LFNY's Hong Kong office and an SFC licensed corporation. Mr. Woo is an independent director of Prenetics Global Ltd. (NASDAQ: PRE) since May 2022.

Mr. Woo received his bachelor's degree in biology from Tufts University in the United States in May 1994, his master's degree in cellular, molecular and biomedical studies from the Columbia University Graduate School of Arts and Sciences in the United States in May 1998 and his master of business administration degree from the Columbia University Graduate School of Business in the United States in May 2003.

Non-executive Directors

Mr. William Ki Chul Cho (曹基哲), aged 46, was appointed as a non-executive Director on 12 January 2024. He is currently a Senior Managing Director of CBC Group where he is a member of the Management Committee and helps lead the portfolio management and private equity investments functions of CBC Group.

Prior to joining CBC Group in 2023, he was the Chief Financial Officer of Zai Lab Limited (stock code: 9688.hk) from March 2018 to July 2023. Mr. Cho also served as Managing Director and Head of Asia Healthcare Investment Banking at Citigroup from 2011 to 2018. Based in Hong Kong since 2011, Mr. Cho was responsible for healthcare client coverage at Citigroup across the Asia Pacific region and led many biopharma transactions in China. Prior to this, he was based in the United States, involved in healthcare investment banking and also spent time in corporate development for a pharmaceutical services company. Mr. Cho started his career at Ernst & Young LLP as an auditor in the healthcare group.

Mr. Cho obtained his MBA degree from the Wharton School of the University of Pennsylvania, his Master degree in Accounting from the University of Virginia, and his Bachelor's degree in Business Administration from the University of Southern California's Marshall School of Business.

Mr. Honggang Feng (馮洪剛), aged 59, was appointed as a non-executive Director on 9 February 2024. Mr. Feng has more than 35 years of experience in the healthcare industry. He is currently a senior advisor of CBC Group where he assists in portfolio management and is responsible for the post-investment management.

He was the president of Simcere Pharmaceutical Group Limited (stock code: 2096.hk) from January 2015 to November 2019, and held other leadership positions in Simcere from 1994 to 2007, including as a director of biomedical department, vice president of its research institute and as a director of marketing department. From August 2007 to October 2014, Mr. Feng was the general manager of Shihuida Pharma Group. Mr. Feng started his career as an internist and an endocrinologist in different hospitals. Mr. Feng received his medical education from Yangzhou Medical College (now known as Medical School, Yangzhou University) in 1982 and obtained a Master of Medicine from China Medical University in 1989.

Independent Non-executive Directors

Mr. Shidong Jiang (蔣世東), aged 56, was appointed as an independent non-executive Director and a member of the Audit Committee and Remuneration Committee in September 2020.

Mr. Jiang has over a decade of experience in the pharmaceutical industry and served as the Head of Sales and Marketing of Beijing Astellas Medical Co., Ltd. (北京安斯泰來醫藥有限公司) to oversee both Hospital & Specialty Business Unit and Oncology Business Unit from 1 January 2022 to 15 January 2024. He was previously the general manager of Hemony Pharma Co., Ltd., a private pharmaceuticals business in China, including in 2017, the chief executive officer of Hisun-Pfizer Pharmaceuticals Ltd., a joint venture between Pfizer Inc. (NYSE: PFE) and Zhejiang Hisun Pharmaceuticals Co., Ltd. (SSE: 600267), in 2015, the president of St. Jude Medical (Shanghai) Limited, St. Jude Medical, Inc.'s (NYSE: STJ, delisted) Chinese subsidiary, including in 2012, and employed by the Pfizer Inc. (NYSE: PFE) pharmaceutical group including as general manager for specialty/anti-infectives in 2010 and 2011.

Mr. Jiang received his bachelor's degree in power engineering from the Dalian University of Technology in Dalian, China in July 1989.

Mr. Yifan Li (李軼梵), aged 56, was appointed as an independent non-executive Director, chairperson of the Audit Committee and member of the Nomination Committee in September 2020.

Mr. Li served as chief financial & investment advisor of Human Horizons Group Inc. between April 2022 to December 2023, and served as its chief financial officer between April 2021 and March 2022. He served as a vice president of Zhejiang Geely Holding Group Co., Ltd. from October 2014 to April 2021, a chief financial officer of Sanpower Group Limited from May 2014 to September 2014, and of China Zenix Auto International Limited (NYSE: ZXAIY) from December 2010 to February 2014. Mr. Li has been an independent non-executive director of Frontage Holdings Corporation (HKEX: 1521) since April 2018 and Xinyuan Property Management Service (Cayman) Ltd. (HKEX: 1895) since September 2019. He has also been an independent director of Xinyuan Real Estate Co., Ltd. (NYSE: XIN) since February 2017, Qudian Inc. (NYSE: QD) since October 2017, Sunlands Technology Group (formerly known as Sunlands Online Education Group) (NYSE: STG) since July 2019, and 36Kr Holdings Inc. (NASDAQ: KRKR) since November 2019. Mr. Li was a director of Zhejiang Qianjiang Motocycle Co., Ltd. (SZSE: 000913) from November 2016 to April 2018. He was an independent director of Heilongjiang Interchina Water Treatment Co., Ltd. (SSE: 600187) from May 2015 to May 2021 and Zhejiang Tiantie Industry Co., Ltd. (SZSE: 300587) from December 2017 to April 2021 and Shanghai International Port Group Co., Ltd. (SSE: 600018) from September 2015 to September 2021. He was also an independent non-executive director of ZhongAn Online P & C Insurance Co., Ltd. (HKEX: 6060) from December 2016 to July 2021.

Mr. Li received his bachelor's degree of economics in world economy from Fudan University in China in July 1989, his master's degree in management and administrative sciences from the University of Texas at Dallas in the United States in May 1994 and his master of business administration from the University of Chicago in the United States in June 2000.

Mr. Li is a certified public accountant in the United States and a chartered global management accountant with the American Institute of Certified Public Accountants.

Ms. Chui Hoi Yam (徐海音) (alias: **徐海瑛**) (former name: **徐海英**), aged 56, was appointed as an independent non-executive Director, chairperson of the Remuneration Committee and member of the Audit Committee and Nomination Committee on 19 January 2023.

Ms. Chui was an executive director of China Biotech Services Holdings Limited (中國生物科技服務控股有限公司), a company listed on the GEM of the Stock Exchange (stock code: 8037), from December 2022 to June 2023 and redesignated to be a non-executive director with effect from 30 June 2023. Previously, she was president of Harbin Pharmaceutical Group Co., Ltd.* (哈藥集團股份有限公司) ("Harbin Pharmaceutical"), a company listed on the Shanghai Stock Exchange (stock code: 600664), from March 2019 to May 2022 and a director of Harbin Pharmaceutical from January 2021 to May 2022, where she was responsible for the overall business operation. Ms. Chui has previously also worked in China Hewlett-Packard Co., Ltd. and Novartis International. Ms. Chui received her bachelor's degree in Economic Administration and master's degree in Finance from Peking University, the People's Republic of China in July 1990 and July 2001, respectively.

SENIOR MANAGEMENT

Mr. Jason Brown, Ph.D., aged 52, has served as our chief business officer since August 2019. Dr. Brown joined us as our senior vice president, business development in July 2017.

Dr. Brown served as a managing director of CBC Group from October 2016 to July 2018 and now serves as an operating partner of CBC Group. From July 2007 to June 2016, Dr. Brown held multiple positions at Thomas, McNerney & Partners, a healthcare venture firm that invests in life science and medical technology companies, and his last position held was partner. From June 2003 to June 2007, Dr. Brown was employed by Forward Ventures, a life science venture capital firm located in San Diego, California, and his last position held was associate.

Dr. Brown received his bachelor's degree in biochemistry and molecular biology from Purdue University in the United States in May 1993 and his Ph.D. in biology from the University of California, San Diego in the United States in June 2000.

Ms. Wei Jennifer Yang, Ph.D (楊煒), aged 55, has served as chief scientific officer since April 2021. Dr. Yang has more than 20 years of drug discovery and development experience in pharmaceutical companies. Before joining Everest Medicines, Dr. Yang was a vice president, head of China Lung Cancer Initiative at Johnson and Johnson from 2019 to 2021.

Dr. Yang transitioned into this role from Janssen China R&D, where she spent 6 years as a senior director, head of discovery center. Prior to Johnson and Johnson, Dr. Yang held various leadership positions at Eli Lilly and Company in Indianapolis from 2002 to 2010 and Pfizer Oncology in La Jolla from 2010 to 2012. Dr. Yang received her bachelor's degree from Fudan University in China and Ph.D. from Eccles Institute of Human Genetics at University of Utah.

JOINT COMPANY SECRETARIES

Ms. Leah Liu (劉栩昕), aged 39, is our joint company secretary and the vice president of corporate affairs, responsible for overseeing the compliance affairs in relations to capital markets, public relations, board of directors, and the Stock Exchange.

Prior to joining the Company, Ms. Liu was chief financial officer of Laekna Therapeutics and head of capital markets at I-Mab (NASDAQ: IMAB) where she led financing and capital markets efforts, including listing preparations. Ms. Liu also worked in CloudMinds Technology (Hong Kong) Limited and Xtep International Holdings Limited (HKEX: 1368) as the head of capital markets and director of investor relations respectively and was the recipient of multiple industry awards. Ms. Liu has extensive experience in the financial services and investment industries and held positions at major international investment banks including The Hongkong and Shanghai Banking Corporation Limited, Daiwa Capital Markets Hong Kong Limited and Lazard Ltd.

Ms. Liu received double bachelor's degrees in biology and international studies and a master's degree in cellular molecular biology from The Johns Hopkins University. Ms. Liu also received a master's degree in corporate governance from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong) in 2020. Ms. Liu is an associate member of each of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

Ms. Yee Wa Lau (劉綺華), aged 51, is our joint company secretary and a director of corporate services of Tricor Services Limited. She is a chartered secretary, a corporate governance professional and an associate member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Lau received her bachelor's degree in business administrative management from the University of South Australia.

Ms. Lau has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Lau is currently the named company secretary of several listed companies on the Stock Exchange, including, BAIOO Family Interactive Limited (HKEX: 2100), Meituan (HKEX: 3690), Transmit Entertainment Limited (HKEX: 1326), Li Auto Inc. (HKEX: 2015), Zhihu Inc. (HKEX: 2390), KE Holdings Inc. (HKEX: 2423), i-CABLE Communications Limited (HKEX: 1097) and RoboSense Technology Co., Ltd. (HKEX: 2498).

Corporate Governance Report

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

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximized in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

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

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

— that overall business risk is understood and managed appropriately;

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

— that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

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 and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions of the CG Code contained in Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices.

During the Reporting Period, the Company had complied with all applicable code provisions set out in the CG Code except for the following deviation:

Code provision C.5.1 of the CG Code stipulates that the board of directors should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. Throughout the Reporting Period, the Board conducted three regular Board meetings. The significant matters related to the Group's business activities and operations were appropriately addressed through either thorough reporting, discussions, and resolutions during the three regular Board meetings or by utilizing written resolutions to facilitate prompt decision-making for commercial purposes. Going forward, the Board will endeavour to comply with the code provision C.5.1.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made to all the Directors and they have confirmed that they have complied with the Model Code during the Reporting Period. No incident of non-compliance of the Model Code by the relevant employees has been noted by the Company for the year ended 31 December 2023.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and the collective responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities.

During the Reporting Period and as at the Latest Practicable Date, the Board comprised three executive Directors, two non-executive Directors and three independent non-executive Directors. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which would allow it to effectively exercise independent judgement.

BOARD COMPOSITION

The composition of the Board during the Reporting Period and as at the date of this annual report is as follows:

Executive Directors

Mr. Wei Fu (傅唯) *(Chairman of the Board)*
Mr. Yongqing Luo (羅永慶) *(Chief executive officer)*
Mr. Ian Ying Woo (何穎) *(President, Chief financial officer)*
Mr. Xiaofan Zhang (張曉帆) (resigned with effect from 31 March 2023)

Non-Executive Directors

Mr. Yubo Gong (龔聿波) (resigned with effect from 9 February 2024)
Ms. Lan Kang (康嵐) (resigned with effect from 12 January 2024)
Mr. William Ki Chul Cho (曹基哲) (appointed with effect from 12 January 2024)
Mr. Honggang Feng (馮洪剛) (appointed with effect from 9 February 2024)

Independent Non-executive Directors

Mr. Shidong Jiang (蔣世東)
Mr. Yifan Li (李軼梵)
Mr. Bo Tan (譚擘) (resigned with effect from 19 January 2023)
Ms. Hoi Yam Chui (徐海音) (appointed with effect from 19 January 2023)

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 60 to 65 of this annual report.

None of the members of the Board is related to one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman and Chief Executive Officer are held by Mr. Wei Fu and Mr. Yongqing Luo, respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and the daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETINGS

Code provision C.5.1 of the CG Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

During the year ended 31 December 2023, 3 Board meetings and 1 general meeting were held. The significant matters related to the Group's business activities and operations were appropriately addressed through either thorough reporting, discussion, and resolution during the three regular Board meetings or by utilizing written resolutions to facilitate prompt decision-making for commercial purposes. Throughout the Reporting Period, the Directors were furnished with pertinent information concerning the Company's operations and financial performance. Sufficient measures were taken to ensure effective communication among the Directors.

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

Name of Director	Board	Remuneration Committee	Nomination Committee	Audit Committee	General Meeting
Executive Directors:					
Mr. Wei Fu	3/3	1/1	1/1	–	1/1
Mr. Yongqing Luo	3/3	–	–	–	1/1
Mr. Ian Ying Woo	3/3	–	–	–	1/1
Mr. Xiaofan Zhang (1)	1/1	–	–	–	–
Non-executive Directors:					
Mr. Yubo Gong (2)	3/3	–	–	–	1/1
Ms. Lan Kang (3)	3/3	–	–	–	1/1
Mr. William Ki Chul Cho (4)	–	–	–	–	–
Mr. Honggang Feng (5)	–	–	–	–	–
Independent Non-executive Directors:					
Mr. Shidong Jiang	3/3	1/1	–	2/2	1/1
Mr. Yifan Li	3/3	–	1/1	2/2	1/1
Mr. Bo Tan (6)	–	–	–	–	–
Ms. Hoi Yam Chui (7)	3/3	1/1	1/1	2/2	1/1

Notes:

(1) Mr. Xiaofan Zhang resigned with effect from 31 March 2023.
(2) Mr. Yubo Gong resigned with effect from 9 February 2024.
(3) Ms. Lan Kang resigned with effect from 12 January 2024.
(4) Mr. William Ki Chul Cho was appointed with effect from 12 January 2024.
(5) Mr. Honggang Feng was appointed with effect from 9 February 2024.
(6) Mr. Bo Tan resigned with effect from 19 January 2023.
(7) Ms. Hoi Yam Chui was appointed with effect from 19 January 2023.

Apart from regular Board meetings, the Chairman of the Board also held a meeting with the independent non-executive Directors without the presence of executive Directors during the Reporting Period.

INDEPENDENCE OF 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 one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company confirms that the Board has received from each of the independent non-executive Directors, namely, Mr. Shidong Jiang, Mr. Yifan Li and Ms. Hoi Yam Chui, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules, and, having taken into account the factors set out in Rule 3.13 of the Listing Rules in assessing the independence of the independent non-executive Directors, the Company considers that each independent non-executive Director to be independent.

BOARD INDEPENDENCE EVALUATION

The Board has established mechanisms to ensure independent views and input from any Director are conveyed to the Board. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which enables it effectively exercise independent judgement. External independent professional advice is available as and when required by individual Directors. The Board reviews annually the independence of the independent non-executive Directors, including but not limited to assessing the independence of non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board also evaluates the board composition and its independence with reference to the requirements under the Listing Rules.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into a service agreement or a letter of appointment with the Company, and the term of service for each of them is three years from the date of appointment or reappointment. All the Directors are subject to retirement by rotation and re-election at annual general meeting.

At every annual general meeting 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's Articles of Association also provides that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first annual general meeting after appointment. The retiring Directors shall be eligible for re-election.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board assumes 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.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of the Company arising out of corporate activities.

BOARD COMMITTEES

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

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. During the Reporting Period, the Audit Committee comprised three independent non-executive Directors, namely, Mr. Yifan Li, Mr. Shidong Jiang, Mr. Bo Tan (prior to his resignation on 19 January 2023) and Ms. Hoi Yam Chui (after her appointment on 19 January 2023). Mr. Yifan Li (being the independent non-executive Director with the appropriate professional qualifications) is the chairman of the Audit Committee.

The primary duties of the Audit Committee include, without limitation to, the following:

- monitoring the integrity of our financial statements, annual reports, accounts, half-yearly reports and our compliance with the Listing Rules and legal requirements in relation to financial reporting;

- making recommendations to the Board on the appointment, reappointment and removal of external auditor, approving the remuneration and terms of engagement of external auditor, and monitoring the independence and objectivity of external auditors and the effectiveness of the audit process in accordance with applicable standards; and

- reviewing our financial controls, risk management (including ESG risks) and internal control systems; and dealing with other matters that are authorized by the Board.

During the Reporting Period, the Audit Committee met twice to review the Company's annual results and annual report for the year ended 31 December 2022 and the interim results and interim report for the six months ended 30 June 2023. During the meeting, the Audit Committee also reviewed the significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management (including ESG risks) and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, and arrangements for employees to raise concerns about possible improprieties.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. During the Reporting Period, the Remuneration Committee consists of three Directors, namely, Mr. Bo Tan (prior to his resignation on 19 January 2023), Ms. Hoi Yam Chui (after her appointment on 19 January 2023), Mr. Wei Fu and Mr. Shidong Jiang. Mr. Wei Fu is an executive Director, Ms. Hoi Yam Chui and Mr. Shidong Jiang are independent non-executive Directors. Ms. Hoi Yam Chui is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, among other things:

- making recommendations to the Board on the Company's policy and structure for the executive Directors and senior management remuneration and on the compensation of non-executive Directors;
- evaluating the performance of Directors and senior management of our Company;
- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- establishing formal and transparent procedures for developing remuneration policy;
- reviewed and approved matters relating to share schemes under Chapter 17 of the listing Rules, in particular regarding to vesting period, performance target and clawback mechanism of the grants; and
- dealing with other matters that are authorized by the Board.

During the Reporting Period, the Remuneration Committee met once. During such meeting, and as well as by way of written resolutions, the Remuneration Committee reviewed and recommended to the Board on the remuneration packages of individual executive Directors, senior management and the new Directors appointed during the Reporting Period.

Furthermore, the Remuneration Committee reviewed and approved the grants made under the Company's share schemes during the Reporting Period. In particular, in respect of the grant of share options and awards to the Directors and specified connected grantees during the Reporting Period, the Remuneration Committee considered that such grants with vesting dates which are less than 12 months to be appropriate as all the previous grants under the same mechanism is consistent with the prior practices of the Company so that the Company can attract, retain, incentivize, reward and remunerate the grantees and enhance operational efficiency. For the grant to Mr. Ian Ying Woo, since vesting is subject to the achievement of certain performance targets which aligns the interests of the grantee with that of the Company and the Shareholders, reward and provide incentive to the grantee to work towards success of the Group, and reinforce his commitment to long-term services of the Group, the Remuneration Committee is of the view that such arrangement is in line with the purpose of the Company's share schemes.

In addition, having considered that the grantees are Directors and senior managers of the Group who will contribute directly to the overall business performance, sustainable development and/or good corporate governance of the Group, the Remuneration Committee considered that such grants without performance targets are market competitive, consistent with the Company's remuneration policy and align with the purpose of the Company's share schemes.

For details of the grants of share options, awards and performance target awards, please refer to the announcement of the Company dated 3 April 2023 and the circular of the Company dated 31 May 2023.

Details of the Directors' remuneration for the year ended 31 December 2023 are set out in Note 10 to the consolidated financial statements.

The remuneration of the five highest paid individuals (including Directors and senior management) of the Group by band for the year ended 31 December 2023 is set out below:

Remuneration bands (HKD)	Number of persons
HK$8,000,001–HK$8,500,000	1
HK$9,500,001–HK$10,000,000	1
HK$12,500,001–HK$13,000,000	1
HK$20,500,001–HK$21,000,000	1
HK$34,000,001–HK$34,500,000	1
Total	5

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises basic salary, pensions and performance bonus. The remuneration policy for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non executive Directors and independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Individual Directors and senior management have not been involved in deciding their own remuneration.

NOMINATION COMMITTEE

The Company established the Nomination Committee with written terms of reference in compliance with the CG Code. During the Reporting Period, the Nomination Committee consisted of three members, namely, Mr. Wei Fu, Mr. Bo Tan (prior to his resignation on 19 January 2023), Ms. Hoi Yam Chui (after her appointment on 19 January 2023) and Mr. Yifan Li. Mr. Wei Fu is an executive Director, Mr. Yifan Li and Ms. Hoi Yam Chui are independent non-executive Directors. Mr. Wei Fu is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession.

The primary duties of the Nomination Committee include, among other things:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board composition to complement the Company's corporate strategies;

- assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment or reappointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive of the Company; and

- performing tasks as assigned by the Board from time to time.

During the Reporting Period, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, the Board Diversity Policy (as defined below) and the Director Nomination Policy and consider the qualifications of the retiring Directors standing for election at the annual general meeting of the Company held on 29 June 2023 and by way of written resolutions an to identify and recommend an individual who is suitably qualified to become a member of the Board.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the Nomination Committee should consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience (the "Measurable Objectives"). Pursuant to the Board Diversity Policy, the Nomination Committee discusses periodically and when necessary, agrees on the Measurable Objectives for achieving diversity, including gender diversity, on the Board and recommends them to the Board for adoption.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

Pursuant to the Board Diversity Policy, the Nomination Committee reviews annually the structure, size and composition of the Board and where appropriate, makes recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

For the purpose of implementation of the Board Diversity Policy, the following Measurable Objectives were adopted:

(A) at least one-third of the members of the Board shall be non-executive Directors or independent non-executive Directors;

(B) at least one-third of the members of the Board shall be independent non-executive Directors; and

(C) at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Board is committed to improving the diversity of the Board and has achieved the above Measurable Objectives since January 2023 and during the Reporting Period. The Board will continuously monitor the board diversity in annual basis.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness and will discuss periodically and, when necessary, agree on specific measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption.

GENDER DIVERSITY

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the Latest Practicable Date:

	Female	Male
Board	12.5% (1)	87.5% (7)
Senior Management	25.0% (1)	75.0% (3)
Other employees	57.0% (244)	43.0% (184)
Overall workforce	56.7% (245)	43.3% (187)

The Company has been taking, and will continue to take, steps to promote gender diversity at the Board and management levels. In particular, our chief medical officer and chief scientific officer are female and form part of our senior management team. Going forward, we will continue to work to enhance gender diversity of the Board.

The Company targets to maintain a Board with female representation, and gender diversity is achieved in respect of the Board. For the year ended 31 December 2023, the Company maintained an effective Board comprising members of different genders, professional background and industry experience. As at the date of this annual report, the Board consists of one female and seven male Directors. It is considered that the current Board composition is well-balanced and appropriate for the business of the Company. The Nomination Committee will continue to use its best endeavors and on suitable basis to identify and recommend multiple suitable female candidates to the Board for its consideration on appointment of a Director.

The Company will continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of the Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

The Board had achieved over 50% of female employees of the Group and considers that the above current gender diversity is satisfactory.

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

DIRECTOR NOMINATION POLICY

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

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee.

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

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

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

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

During the year ended 31 December 2023, the Nomination Committee recommended to the Board the appointment of one new independent non-executive Director, namely Ms. Hoi Yam Chui. The appointment was subject to a stringent nomination process in accordance with the Director Nomination Policy and the Board Diversity Policy, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy.

The Nomination Committee will review the Director Nomination Policy, from time to time and as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE FUNCTION

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

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

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

DIVIDEND POLICY

The Company has adopted a dividend policy on payment of dividends in accordance with code provision F.1.1 of the CG Code.

The Company does not have any pre-determined dividend payout ratio. According to the dividend policy, payment of dividends depends on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. Dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

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 31 December 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 auditor of the Company, PricewaterhouseCoopers, about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 88 to 95 of this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

Every newly appointed Director should receive formal, comprehensive and tailored 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 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 the Directors would be arranged and reading material on relevant topics would be provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2023, the Directors have attended seminars and training sessions arranged by professional/financial institutions, and have read relevant materials relating to regulatory updates, accounting, financial or professional skills and/or directors' duties and responsibilities.

Name of Director	Directors' Training
Executive Directors:	
Mr. Wei Fu	✓
Mr. Yongqing Luo	✓
Mr. Ian Ying Woo	✓
Non-executive Directors:	
Mr. Yubo Gong (1)	✓
Ms. Lan Kang (2)	✓
Mr. William Ki Chul Cho (3)	✓
Mr. Honggang Feng (4)	✓
Independent Non-executive Directors:	
Mr. Shidong Jiang	✓
Mr. Yifan Li	✓
Ms. Hoi Yam Chui	✓

Notes:

(1) Mr. Yubo Gong resigned with effect from 9 February 2024.

(2) Ms. Lan Kang resigned with effect from 12 January 2024.

(3) Mr. William Ki Chul Cho was appointed with effect from 12 January 2024.

(4) Mr. Honggang Feng was appointed with effect from 9 February 2024.

AUDITORS' RESPONSIBILITY AND REMUNERATION

The Company appointed PricewaterhouseCoopers ("PwC") as the external auditor for the year ended 31 December 2023. A statement by PwC about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 88 to 95.

Fees for auditing and non-auditing services provided by PwC for the year ended 31 December 2023 are included in Note 6 to the consolidated financial statements. There were no non-audit services provided by our external auditor for the year ended 31 December 2023.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

All relevant departments in the Company, including but not limited to the finance department, the legal department and the human resources department conduct internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation is also conducted annually to confirm that control policies are properly complied with by each department.

The executive committee, in coordination with the senior management of the Company and department heads, assesses the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reports to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management (including ESG risks) and internal control systems for the year ended 31 December 2023.

During the Reporting Period, the Board had conducted an annual review of the effectiveness of the risk management (including ESG risks) and internal control system of the Company and considered the system effective and adequate.

RISK MANAGEMENT

The Company recognizes that risk management is critical to the success of the Group's business operation. Key operational risks faced by the Company include changes in the general market conditions and the regulatory environment of the Chinese and global pharmaceutical markets, the ability to develop, manufacture and commercialize the drug candidates, and the ability to compete with other pharmaceutical companies. The Company also face various market risks. In particular, the Company is exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of the business.

The Company has adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with the strategic objectives on an on-going basis. The Audit Committee, and ultimately the Directors, supervise the implementation of risk management policies. Risks identified by management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated by the Group and reported to the Directors.

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

- The executive committee which is comprised of senior management and functional heads will oversee and manage the overall risks associated with the business operations, including (i) reviewing and approving the risk management policy to ensure that it is consistent with the corporate objectives; (ii) reviewing and approving the corporate risk tolerance; (iii) monitoring the most significant risks associated with the business operation and the management's handling of such risks; (iv) reviewing the corporate risk in the light of corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of risk management framework across the Group.

- The Company's senior management is responsible for (i) formulating and updating risk management policy and target; (ii) reviewing and approving major risk management issues of the Company; (iii) promulgating risk management measures; (iv) providing guidance on risk management approach to the relevant departments in the Company; (v) reviewing the relevant departments' reporting on key risks and providing feedbacks; (vi) supervising the implementation of risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competencies are in place across the Group; and (viii) reporting to the executive committee on the 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 implementing risk management policy and carrying out day-to-day risk management practice. In order to formalize risk management across the Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) prepare a risk management report annually for the chief executive officer's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of risk management framework.

The Company considers that the Directors and members of the senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control. See "Directors and Senior Management" for details of their qualification and experiences.

INTERNAL CONTROL

The Board is responsible for establishing the internal control system and reviewing its effectiveness. The Company established an internal control function to develop and maintain an appropriate internal control framework. A dedicated workforce was hired in January 2021 to build up internal control metrics, which include both entity-level and business process level controls. In addition, an internal audit function was also established to perform independent monitoring responsibilities.

The Company reviews and enhances the internal control system semi-annually. Below is a summary of the internal control policies, measures and procedures during the Reporting Period the Company has implemented:

- The Company has adopted various measures and procedures regarding each aspect of the business operation, which includes enhanced risk identification policies and corresponding actions, the establishment of a well-defined authority structure with proper segregation of duties, the monitoring of strategic plans and performance, the design of an efficient accounting and information system, the control over price sensitive information, as well as the prompt actions and timely communication with stakeholders are all integral components in ensuring effective risk management within the Group;

- The Company provides periodic training about these measures and procedures to the employees as part of the employee training program. The internal audit team conducts audit field work to monitor the implementation of the internal control policies, reports the weakness identified to the management and Audit Committee and follows up on the rectification actions;

- Comprehensive trainings were delivered to employees to enhance the execution of internal control procedures, which is embedded within business processes so that it functions as an integral part of the overall operation of the Group;

- The Directors (who are responsible for monitoring the corporate governance of the Group), with help from the legal advisers, also periodically review the compliance status with all relevant laws and regulations after the Listing; and

- The Company has established the Audit Committee which (i) makes recommendations to the Directors on the appointment and removal of external auditors; and (ii) reviews the financial statements and renders advice in respect of financial reporting as well as oversees internal control procedures of the Group.

The Company has engaged the PRC Legal Advisor to advise us on and keep us abreast with PRC laws and regulations after the Listing. The Company continues to arrange various trainings to be provided by external legal advisers 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 has in place a whistleblowing policy for employees of the Company (the "Whistleblowing Policy") and those who deal with the Company to raise concerns, in confidence and anonymity, with the compliance officer of the Company (the "Compliance Officer") about possible improprieties in any matters related to the Company.

The Audit Committee has overall responsibility for this policy but has delegated day-to-day responsibility for overseeing and implementing it to the Compliance Officer. All employees are encouraged to disclose any frauds of which they become aware and the management of Group shall ensure that all employees feel comfortable to raise concerns without fear of reprisals. The Whistleblowing Policy is available on the website of the Company.

The Company has also in place the code of conduct and business ethics to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the Compliance Officer, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and antibribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery. There were no non-compliance cases in relation to bribery and corruption.

The Group has adopted an information disclosure management system (the “System”) which sets out comprehensive guidelines in respect of handling and dissemination of material non-public information (“MNPI”). The Board and senior management of the Group are responsible for monitoring and implementing the procedural requirements in the System. Release of MNPI shall be overseen by the Board. Except for designated persons, no person of the Group is permitted to disseminate MNPI relating to the Group to any external parties and to respond to media or public which may materially affect the trading price or volume of the Shares on the market.

JOINT COMPANY SECRETARIES

Ms. Leah Liu (劉栩昕) and Ms. Yee Wa Lau (劉綺華) have been appointed as the Company’s joint company secretaries. Ms. Yee Wa Lau is a director of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services, and assists Ms. Liu in discharging her duties as a joint company secretary of the Company.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Ms. Liu has been designated as the primary contact person at the Company which would work and communicate with Ms. Lau on the Company’s corporate governance and secretarial and administrative matters.

For the Reporting Period, each of Ms. Liu and Ms. Lau has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings ("EGM") by Shareholders and Putting Forward Proposals at General Meetings

Pursuant to article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. EGMs shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

Shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an extraordinary general meeting following the procedures set out in paragraph above.

As regards the procedures for Shareholders to propose a candidate for election as a Director, they are available on the Company's website at www.everestmedicines.com.

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company, for the attention of the Board by mail to 16/F., CITIC Pacific Plaza, 1168 West Nanjing Road, Jing'an District, Shanghai 200041, China. The Company will not normally deal with verbal or anonymous enquiries.

Communication with Shareholders and Investors Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

To promote effective communication, the Company maintains a website at www.everestmedicines.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, 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; and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules.

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Memorandum and Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) Corporate Website

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (www.everestmedicines.com).

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are the primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any).

(e) Shareholders' Enquiries

Enquiries about shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, by Online Feedback at https://www.computershare.com/hk/en/online_feedback or calling its hotline at 2862 8555, or going in person to its public counter at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Enquiries about corporate governance or other matters to be put to the Board and the Company

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send written enquiries to the Company, for the attention of the Board by mail to 16/F., CITIC Pacific Plaza, 1168 West Nanjing Road, Jing'an District, Shanghai 200041, China.

Changes in Constitutional Documents

During the year ended 31 December 2023, the Company did not make any changes to its Articles of Association. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Independent Auditor's Report

pwc 羅兵咸永道

To the Shareholders of Everest Medicines Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Everest Medicines Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 96 to 207, comprise:

- the consolidated statement of comprehensive loss for the year ended 31 December 2023;
- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of changes in equity for the year ended 31 December 2023;
- the consolidated statement of cash flows for the year ended 31 December 2023; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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 IFRS Accounting Standards 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 International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of intangible assets

- Accrued service fees due to contract research organizations ("CROs")

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of intangible assets *Refer to Note 2.1(d)(2), Note 4(a) and Note 16 to the consolidated financial statements.* As at 31 December 2023, the Group had intangible assets of RMB2,343.0 million for in-licenses and acquired in-process research and development of drug products which are not ready for use and the amount of such intangible assets were significant to the consolidated financial statements. These intangible assets are subject to impairment assessment annually, or when there are indicators that these intangible assets might be impaired. The impairment assessment is based on the recoverable amounts of the cash generating units to which the intangible assets are related to. Impairment assessment of intangible assets was considered a key audit matter because it involved significant management estimates and judgements, including assumptions relating to the expected achievement of drug development milestones and the outcome of new drug development, revenue growth rate and discount rate.	Our procedures performed in relation to management's impairment assessment of intangible assets mainly included the following: • Understanding, evaluating and testing key controls relating to management's impairment assessment of intangible assets, including the significant estimates and judgements applied; • Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Assessing the reasonableness of management's identification of cash generating units based on the Group's accounting policies and business arrangements; • Inquiring management and inspecting the relevant supporting documents about the expected achievement of drug development milestones and the outcome of new drug development for each drug candidate;

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
	• Evaluating, with the assistance of our valuation specialist, the appropriateness of the discounted cash flow model used by management to determine the fair value of intangible assets in the impairment assessment and the reasonableness of key assumptions used, including revenue growth rate and discount rate by comparing with the Group's business plan and market data; • Performing retrospective review by evaluating the outcome of prior period forecast to assess the effectiveness of management's estimation process; • Assessing sensitivities over the key assumptions including revenue growth rate and discount rate in the discounted cash flow model to consider the sufficiency of headroom between recoverable amount and carrying amount of each individual asset; • Evaluating the adequacy of disclosure of key assumptions used in the impairment assessment in the consolidated financial statement. Based on the audit procedures performed, we found management's estimates and judgements in impairment assessment of intangible assets to be supportable by the available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Accrued service fees due to contract research organizations ("CROs") *Refer to Note 2.1(d)(1), Note 4(b) and Note 28 to the consolidated financial statements.* As at 31 December 2023, the Group had accrued service fees due to third party CROs of RMB10.3 million related to the services provided by CROs. Management applies estimates and judgment in the measurement of the progress of activities and milestones of services provided by CROs on a contract-by-contract basis, which is the basis of assessing service fees due to CROs that have incurred and therefore should be accrued as at 31 December 2023. Accrued service fees due to CROs was considered a key audit matter because significant efforts were spent on auditing management's measurement of the progress of services provided by CROs as the Group engaged multiple CROs with different contract terms.	Our procedures performed in relation to accrued service fees due to CROs mainly included the following: • Understanding, evaluating and testing key controls relating to management's measurement of the progress of activities and milestones of services provided by CROs; • Inspecting the terms of CRO contracts and testing the reasonableness of management's measurement of the progress of the activities and milestones of services provided by CROs by examining relevant supporting documents, on a sample basis; • Sending confirmations to CROs, on a sample basis, to check the information used by management to measure the progress of activities and milestones of services provided by CROs; • Comparing billings received from and/or payments made to CROs subsequently with the year end balances of accrued service fees due to CROs, on a sample basis. Based on the audit procedures performed, we found management's estimates and judgements in the measurement of the progress of activities and milestones of services provided by CROs to be supportable by the available evidence.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion 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 ISAs 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 ISAs, we exercise professional judgment 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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jack Li.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2024

Consolidated Statement of Comprehensive Loss

(Expressed in thousands of RMB unless otherwise stated)

	Note	Years ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	5	125,932	12,792
Cost of revenue	6	(34,414)	(4,645)
Gross profit		91,518	8,147
General and administrative expenses	6	(165,155)	(276,547)
Research and development expenses	6	(540,054)	(809,736)
Distribution and selling expenses	6	(231,419)	(326,687)
Other income — net	6,7	13,175	4,624
Other (losses)/gains — net	8	(100,803)	1,143,399
Operating loss		(932,738)	(256,800)
Finance income — net	9	84,608	32,887
Fair value change in financial assets at fair value through profit or loss ("FVPL")	17	848	(21,748)
Fair value change in financial instruments issued to investors	24	2,819	(1,614)
Loss before income tax		(844,463)	(247,275)
Income tax expense	11	–	(8)
Loss for the year attributable to the equity holders of the Company		(844,463)	(247,283)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Change in foreign currency translation adjustments of the Company's subsidiaries		18,130	–
Items that will not be reclassified to profit or loss:			
Change in foreign currency translation adjustments of the Company		79,772	525,243
Change in fair value of financial assets at fair value through other comprehensive loss ("FVOCI")	32	(42,461)	(768,106)
Other comprehensive income/(loss)		55,441	(242,863)
Total comprehensive loss for the year attributable to the equity holders of the Company		(789,022)	(490,146)
Basic loss per share for loss attributable to the equity holders of the Company (in RMB)	13	(2.70)	(0.83)
Diluted loss per share for loss attributable to the equity holders of the Company (in RMB)	13	(2.70)	(0.83)

(The accompanying notes on pages 103 to 207 are an integral part of these consolidated financial statements.)

Consolidated Statement of Financial Position

(Expressed in thousands of RMB unless otherwise stated)

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	600,775	537,317
Right-of-use assets	15	83,212	106,539
Intangible assets	16	2,523,716	2,378,477
Investments	17	48,930	89,242
Other non-current assets	18	8,526	89,021
		3,265,159	3,200,596
Current assets			
Inventories	19	18,944	11,637
Prepayments and other current assets	22	89,120	1,745,915
Trade receivables	20	49,858	5,214
Bank deposits	23	1,826,628	1,160,588
Cash and cash equivalents	23	523,063	490,788
		2,507,613	3,414,142
Total assets		5,772,772	6,614,738
Liabilities			
Non-current liabilities			
Financial instruments issued to investors	24	28,614	30,923
Lease liabilities	25	39,996	59,307
Borrowings	26	429,314	–
Other non-current liabilities	27	6,053	–
		503,977	90,230
Current liabilities			
Lease liabilities	25	18,652	20,327
Trade and other payables	28	258,811	425,617
Borrowings	26	22,664	–
Other current liabilities	27	–	424,081
		300,127	870,025
Total liabilities		804,104	960,255

Consolidated Statement of Financial Position

(Expressed in thousands of RMB unless otherwise stated)

	Note	As at 31 December 2023 RMB'000	 2022 RMB'000
Equity			
Equity attributable to the equity holders of the Company			
Share capital	29	**219**	211
Reserves	31	**13,920,483**	13,817,284
Accumulated deficit		**(9,016,481)**	(8,172,018)
Accumulated other comprehensive income	32	**64,447**	9,006
Total equity		**4,968,668**	5,654,483
Total equity and liabilities		**5,772,772**	6,614,738

(The accompanying notes on pages 103 to 207 are an integral part of these consolidated financial statements.)

The financial statements on pages 96 to 207 were approved by the board of directors on 27 March 2024 and were signed on its behalf.

Yongqing Luo
Executive Directors, Chief Executive Officer

Ian Ying Woo
Executive Director, President & Chief Financial Officer

Consolidated Statement of Changes in Equity

(Expressed in thousands of RMB unless otherwise stated)

	Share capital RMB'000 (Note 29)	Capital reserve RMB'000 (Note 31)	Treasury shares RMB'000 (Note 31)	FVOCI reserve RMB'000 (Note 32)	Exchange reserve RMB'000 (Note 32)	Accumulated deficit RMB'000	Total equity RMB'000
Balance at 1 January 2023	211	13,817,287	(3)	(187,042)	196,048	(8,172,018)	5,654,483
Comprehensive loss							
Loss for the year	–	–	–	–	–	(844,463)	(844,463)
Foreign currency translation	–	–	–	–	97,902	–	97,902
	–	–	–	–	97,902	(844,463)	(746,561)
Transactions with owners in their capacity as owners							
Issuance of ordinary shares to Share Scheme Trusts	2	–	(2)	–	–	–	–
Share-based compensation	–	73,420	–	–	–	–	73,420
Change in fair value of financial assets at FVOCI	–	–	–	(42,461)	–	–	(42,461)
Restricted share units vested	–	(4)	4	–	–	–	–
Exercise of stock options	6	29,781	–	–	–	–	29,787
	8	103,197	2	(42,461)	–	–	60,746
Balance at 31 December 2023	219	13,920,484	(1)	(229,503)	293,950	(9,016,481)	4,968,668

(The accompanying notes on pages 103 to 207 are an integral part of these consolidated financial statements.)

Consolidated Statement of Changes in Equity

(Expressed in thousands of RMB unless otherwise stated)

	Share capital RMB'000 (Note 29)	Capital reserve RMB'000 (Note 31)	Treasury shares RMB'000 (Note 31)	FVOCI reserve RMB'000 (Note 32)	Exchange reserve RMB'000 (Note 32)	Accumulated deficit RMB'000	Total equity RMB'000
Balance at 1 January 2022	202	13,623,367	(58,707)	581,064	(329,195)	(7,924,735)	5,891,996
Comprehensive loss							
Loss for the year	–	–	–	–	–	(247,283)	(247,283)
Foreign currency translation	–	–	–	–	525,243	–	525,243
	–	–	–	–	525,243	(247,283)	277,960
Transactions with owners in their capacity as owners							
Issuance of ordinary shares to Share Scheme Trusts	5	–	(5)	–	–	–	–
Issuance of ordinary shares to Providence Therapeutics Holding Inc. ("Providence")	2	40,855	–	–	–	–	40,857
Restricted share units vested	–	(2)	2	–	–	–	–
Exercise of stock options	3	5,278	–	–	–	–	5,281
Cancellation of shares	(1)	(58,706)	58,707	–	–	–	–
Change in fair value of financial assets at FVOCI	–	–	–	(768,106)	–	–	(768,106)
Share-based compensation	–	206,495	–	–	–	–	206,495
	9	193,920	58,704	(768,106)	–	–	(515,473)
Balance at 31 December 2022	211	13,817,287	(3)	(187,042)	196,048	(8,172,018)	5,654,483

(The accompanying notes on pages 103 to 207 are an integral part of these consolidated financial statements.)

Consolidated Statement of Cash Flows

(Expressed in thousands of RMB unless otherwise stated)

	Note	Years ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Loss before income tax		(844,463)	(247,275)
Adjustments for:			
Depreciation of property, plant and equipment	14	46,422	13,811
Depreciation of right-of-use assets	15	17,200	26,414
Amortization of intangible assets	16	13,154	2,547
Fair value change in financial instruments issued to investors	24	(2,819)	1,614
Fair value change in financial assets at FVPL	17	(848)	21,748
Share-based compensation	30	73,420	206,495
Finance income — net	9	(87,833)	(38,478)
Unrealized foreign exchange losses	8	28,074	155,177
Interest expenses on lease liabilities	9	3,225	5,591
Impairment loss of an intangible asset	8	51,968	16,491
Other loss/(gain) on disposal of property, plant and equipment, intangible asset and right-of-use assets	8	1,430	(1,319,573)
Other income recognized for asset related government grant		(142)	–
Changes in working capital:			
— Trade receivables		(44,644)	(5,165)
— Prepayments and other current assets		86,602	(98,120)
— Inventories		(7,307)	(11,190)
— Trade and other payables		(116,550)	70,427
— Amounts due to related parties		–	(582)
— Other non-current assets		619	15,070
Interest received	9	13,302	29,237
Net cash used in operating activities		(769,190)	(1,155,761)

Consolidated Statement of Cash Flows

(Expressed in thousands of RMB unless otherwise stated)

	Note	Years ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(117,336)	(355,916)
Purchase of intangible assets		(148,614)	(76,827)
Purchase of bank deposits	23	(3,533,293)	(1,160,588)
Government grant on purchase of land use right		6,195	–
Disposal of bank deposits		2,964,525	–
Disposal of an intangible asset	16	1,580,582	564,992
Disposal of property, plant and equipment		64	314
Disposal of right-of-use assets		374	–
Net cash generated/(used) in investing activities		752,497	(1,028,025)
Cash flows from financing activities			
Principal elements of lease liabilities		(20,269)	(30,592)
Payment for borrowings from Jiashan Shanhe	27	(442,930)	–
Proceeds from bank borrowings	26	451,460	–
Proceeds from exercise of stock options	30	29,787	5,281
Interests paid for bank loans		(7,945)	–
Net cash generated/(used) in financing activities		10,103	(25,311)
Effect of exchange rate changes on cash and cash equivalents		38,865	59,832
Net increase/(decrease) in cash and cash equivalents		32,275	(2,149,265)
Cash and cash equivalents at the beginning of the year		490,788	2,640,053
Cash and cash equivalents at the end of the year	23	523,063	490,788

(The accompanying notes on pages 103 to 207 are an integral part of these consolidated financial statements.)

(Expressed in thousands of RMB unless otherwise stated)

1 GENERAL INFORMATION

Everest Medicines Limited (the "Company" or "Everest") was incorporated under the law of Cayman Islands as an exempted company with limited liability on 14 July 2017. The Company and its subsidiaries (collectively referred to as the "Group") engages primarily in license-in, development and commercialization of innovative therapies in Greater China and other emerging Asia Pacific markets.

The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company listed its shares on the Main Board of the Stock Exchange of Hong Kong Limited on 9 October 2020 (the "Listing").

As at 31 December 2023, the Company has direct or indirect interests in the following subsidiaries:

Subsidiaries	Place of incorporation/ operation	Date of incorporation/ acquisition	Share capital issued	Interests held by the Group At 31 December 2023	2022	Principal activities
Directly held by the Company						
Everest Medicines (US) Limited	The United States of America	5 September 2017	USD500	100%	100%	Business development and administrative office
Everest Medicines (Singapore) Pte. Ltd.	Singapore	22 November 2018	SGD400,000,000	100%	100%	International activities
EverNov Medicines Limited ("EverNov")	Cayman Islands	14 June 2018	USD50,000	92.86%	92.86%	Holding company
Everest Medicines II Limited ("Everest II")[(a)]	Cayman Islands	25 November 2019	USD50,000	100%	100%	Holding company

(Expressed in thousands of RMB unless otherwise stated)

1 GENERAL INFORMATION (CONTINUED)

Subsidiaries	Place of incorporation/ operation	Date of incorporation/ acquisition	Share capital issued	Interests held by the Group At 31 December 2023	2022	Principal activities
Indirectly held by the Company						
Everstar Therapeutics Limited	Hong Kong	3 January 2018	HKD1	100%	100%	Holding company
EverNov Medicines (HK) Limited	Hong Kong	13 December 2018	USD10,000,000	92.86%	92.86%	Holding company
Everest Medicines II (HK) Limited ("Everest II HK")[(a)]	Hong Kong	25 November 2019	HKD50,000,000	100%	100%	Holding company
Everest Medicines (Suzhou) Inc[(b)]	People's Republic of China ("PRC")	11 October 2017	USD5,000,000	100%	70.59%	Research and development of innovative therapies
EverID Medicines (Beijing) Limited[(b)]	PRC	30 March 2018	USD5,000,000	100%	70.59%	Research and development of innovative therapies
Everstar Medicines (Shanghai) Limited[(b)]	PRC	16 April 2018	USD5,000,000	100%	70.59%	Research and development of innovative therapies
Everest Medicines (China) Co., Ltd. ("Everest China")[(d)]	PRC	3 April 2020	USD220,000,000	100%	70.59%	Research and development of innovative therapies, and commercialization
EverNov Medicines (Zhuhai Hengqin) Limited[(c)]	PRC	13 February 2019	USD15,000,000	92.86%	92.86%	Research and development of innovative therapies
Everest Medicines Korea, LLC	Korea	7 July 2021	KRW200,000,000	100%	100%	International activities

(Expressed in thousands of RMB unless otherwise stated)

1 GENERAL INFORMATION (CONTINUED)

Subsidiaries	Place of incorporation/ operation	Date of incorporation/ acquisition	Share capital issued	Interests held by the Group At 31 December 2023	2022	Principal activities
Indirectly held by the Company (continued)						
EverRNA Medicines (Jiashan) Biopharmaceutical Co., Ltd.[b]	PRC	30 May 2022	CNY400,000,000	100%	70.59%	Research and development of innovative therapies
EverRNA Medicines Limited	Cayman Islands	9 March 2022	USD50,000	100%	100%	Holding company
EverRNA Medicines (Singapore) Pte. Ltd.	Singapore	24 March 2022	SGD10,000	100%	100%	International activities
Everest Medicines (Shanghai) Biopharmaceutical Co., Ltd.[c]	PRC	3 March 2023	USD66,000,000	100%	–	Research and development of innovative therapies

Notes:

(a) On 25 November 2019, pursuant to an Agreement and Plan of Merger, the Company acquired Everest II by issuing certain preferred shares which were subsequently automatically converted to ordinary shares upon the Company's consummation of the Listing. Everest II did not qualify as a business under IFRS 3, and the purpose of the acquisition of Everest II is to obtain certain licenses held by Everest II. The acquisition of Everest II is considered an acquisition of assets in accordance with IFRS 3 Definition of a business. Refer to Note 17(e) for assets acquired.

(b) These entities are PRC limited liability companies.

(c) These entities are limited liability companies (registered as wholly foreign owned enterprise under PRC law).

(d) This entity is a limited liability company (Hong Kong, Macau and Taiwan invested, not sole proprietorship).

(e) Other than Preferred Shares issued by EverNov as disclosed in Note 24, no debt securities were issued by the Company's subsidiaries.

2 SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Summary of material accounting policies

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and requirements of the Hong Kong Companies Ordinance Cap. 622. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- IAS Standards
- Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial instruments issued to investors which are carried at fair value through profit or loss.

The consolidated financial statements have been prepared on a going concern basis. The Group is primarily in the drug candidates research and development phase and has been incurring losses from operations since incorporation. The Group incurred net loss of RMB844,463 thousand for the year ended 31 December 2023 (2022: RMB247,283 thousand), and net cash used in operating activities of RMB769,190 thousand for the year ended 31 December 2023 (2022: RMB1,155,761 thousand). The Company obtained funding from external investors in history and the Listing, proceeds from disposal income of an intangible asset and bank borrowings. The directors believes that its existing cash and cash equivalents are sufficient to fund its operating expenses and capital expenditure requirements and meet its payment obligations for the next twelve months from 31 December 2023.

(Expressed in thousands of RMB unless otherwise stated)

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

(a) Basis of preparation (continued)

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(1) New standards and interpretations that are effective for the current year

The Group has adopted the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

Standards	Key requirements	Effective for accounting periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules	1 January 2023

The standards and amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(Expressed in thousands of RMB unless otherwise stated)

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

(a) Basis of preparation (continued)

(2) New standards and interpretations not yet adopted

Certain amendments to accounting standards have been published that are not mandatory for the year ended 31 December 2023 and have not been early adopted by the Group. These amendments are set out below:

Standards	Key requirements	Effective for accounting periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no material impact on the financial performance and positions of the Group is expected when they become effective.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

(b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(1) Business combinations

(i) Business combinations not under common control

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary includes the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests proportionate share of the acquiree's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

(b) Subsidiaries (continued)

(1) Business combinations (continued)

(i) Business combinations not under common control (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

(b) Subsidiaries (continued)

(1) Business combinations (continued)

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Property, plant and equipment

Property, plant and equipment include buildings and building improvements, machinery, furniture and fixtures, equipments, leasehold improvements and construction-in-progress and are stated at historical cost less depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statements of comprehensive loss during the reporting period in which they are incurred.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

(c) Property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

— Furniture and fixtures	3 – 5 years
— Equipments	3 – 10 years
— Machinery	5 – 10 years
— Buildings and building improvements	10 – 40 years
— Leasehold improvements	Over the shorter of the lease term or the estimated useful life

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.1(e)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statements of comprehensive loss.

Construction-in-progress represents plant under construction and is stated at cost less impairment. This includes cost of construction, equipment and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

(d) Intangible assets

(1) *Research and development expenditures*

The Group incurs significant costs and efforts on drug candidate research and development activities. Development costs are recognized as assets if they can be directly attributable to a newly developed drug products and all the following can be demonstrated:

(i) the technical feasibility of completing the development project so that it will be available for use or sale;

(ii) the Group's intention to complete the development project to use or sell it;

(iii) the Group's ability to use or sell the development project;

(iv) how the development project will generate probable future economic benefits for the Group;

(v) the Group's availability of adequate technical, financial and other resources to complete the development and to use or sell the development project; and

(vi) the ability to measure reliably the expenditures attributable to the development project.

The cost of an internally generated intangible asset is the sum of the expenditures incurred from the date the asset meets the recognition criteria described above to the date when it is available for use. The costs capitalized in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads. The Group generally considers capitalization criteria for internally generated intangible assets is met when obtaining regulatory approval of new drug license.

Capitalized development expenditures are amortized using the straight-line method over the estimated economic life of the related drug product. Amortization begins when the asset is available for use. Subsequent to initial recognition, internally generated intangible assets are reported as cost less accumulated amortization and accumulated impairment losses (if any).

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

(d) Intangible assets (continued)

(1) Research and development expenditures (continued)

Development expenditures not satisfying the above criteria are recognized in profit or loss as incurred and development expenditures previously recognized as an expense are not recognized as an asset in a subsequent period.

(2) In-licenses and In-Process Research and Development (IPR&D)

Intangible assets acquired separately are measured at cost on initial recognition.

Certain intangible assets are for in-licenses and IPR&D (including rights to develop, manufacture and commercialize drug candidates and rights to use manufacturing know-how and technology), with non-refundable upfront payment, milestone payment and royalty payment. Upfront payment is capitalized when paid. The milestone payment is capitalized as intangible assets when incurred if the payment is due on a verifiable outcome, and is expensed if it is due for the execution of activities or is treated as research and development expenditures following the policy in Note 2.1(d)(1) if the payment is due for outsourced research and development work. Royalty payment is accrued for in line with the underlying sales and recognized as a cost of sales. However, if an IPR&D is acquired in a business combination, it is capitalized as intangible asset measured at fair value at initial recognition. IPR&D acquired is subsequently stated at cost less accumulated amortization and any impairment losses.

Research or development expenditures which are related to an IPR&D project acquired separately or in a business combination and incurred after the acquisition of that project, are accounted for in accordance with the capitalization policy in Note 2.1(d)(1).

The intangible assets are assessed to be either finite or not ready for use.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

(d) Intangible assets (continued)

(2) In-licenses and In-Process Research and Development (IPR&D) (continued)

(i) In-licenses and IPR&D not ready for use

Intangible assets not ready for use are not amortized but tested for impairment annually either individually or at the cash-generating unit level. The impairment test would compare the recoverable amount of the intangible asset to its carrying value. The estimated life of an intangible asset not ready for use is reviewed annually to determine whether the life assessment continues to be supportable.

(ii) In-licenses and IPR&D that are commercialized

Intangible assets that are commercialized are subsequently amortized when ready for use over the estimated economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The Group amortises intangible assets with a limited useful life, commencing from the date when the product is put into commercial production, using the straight-line method over the following periods:

— License	over the shorter of estimated economic life and 10 years

(3) Software

Costs incurred to acquire and bring to use of software are capitalized as intangible assets and amortized over their estimated useful lives (generally 3 – 5 years).

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

(e) Impairment of non-financial assets

Intangible assets not ready for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An intangible asset related to in-license and IPR&D that is not ready for use is subject to annual impairment test based on the recoverable amount of the cash generating unit to which the intangible asset is related to. Other non-financial assets including right-of-use assets, property, plant and equipment, in-licenses and IPR&D that are commercialized and other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

The fair value is estimated using the discounted cash flow approach. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(f) Financial instruments issued to investors

Financial instruments issued to investors consist of Preferred Shares issued by the Company's subsidiary, EverNov.

EverNov entered into a license agreement with Novartis and issued Convertible Preferred Shares to Novartis accordingly (Note 24). The Preferred Shares issued by EverNov are redeemable upon occurrence of certain future events. The instruments can be converted into ordinary shares of EverNov at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering of EverNov.

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss.

Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognized in the consolidated statements of comprehensive loss.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

(g) Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

(1) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(2) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction affects neither accounting nor taxable profit nor loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

(g) Current and deferred income tax (continued)

(2) Deferred income tax (continued)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive loss or directly in equity, respectively.

(3) Offsetting

Deferred tax assets and liabilities shall be offset if, and only if:

(a) there is a legally enforceable right to set off current tax assets and liabilities, and

(b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity, or

(ii) different taxable entities which intend 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 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

(h) Share-based compensation

(1) Equity-settled share-based payment transaction

The Company operates restricted share units and stock options plan for the Group's employees, under which the entity receives services from employees as consideration for equity instruments of the Company. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense in the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments as at the grant date, considering:

- any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions;
- the impact of any non-vesting conditions (for example, the requirement for employees to serve).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of stock options that are expected to vest based on the non-marketing vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive loss, with a corresponding adjustment to equity. For stock options include a market condition, the transactions are treated as vested irrespective of whether the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement date and grant date.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

(h) Share-based compensation (continued)

(2) Share-based payment transaction among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

(i) Revenue Recognition

The Group principally derives revenue from sales of drug products. The Group sells majority of drug products to distributors, who in turn sell the drug products within their authorized territories to be sold ultimately to patients. The Group is the principal for in-licensed product sales to customers during the commercialization period and recognizes 100% of product revenue on these sales.

For product sales transactions, the Group has a single performance obligation which is to sell the products to its customer. Revenue from sales of drug products is recognised based on the price specified in the contract, net of the estimated compensation and returns. The Group recognizes product revenue at the point in time when the performance obligation under the terms of a contract with the customers is satisfied and control of the drug products has been transferred to the customers.

The Group's contractual arrangements with certain of its distributors contain variable considerations in connection with the price compensation mechanism, fund and storage occupation compensation and other incentives that are offered within contracts between the Group and its customers. The Group estimates the variable consideration in the transaction price using the expected value method to extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future. The variable consideration not constrained is recognized at the time when the underlying originating sale is recognized. The Group will reassess estimates for variable consideration periodically. If actual results in the future vary from the Group's estimates, the Group will adjust these estimates, which would affect net product revenue and earnings in the period such variances become known. To date, the variable consideration for above items have not been material.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (continued)

(i) Revenue Recognition (continued)

For a sale of drug products with a right of return, the Group recognises a return liability if the Group expects to refund some or all of the consideration received from customers. The Group bases its sales returns allowance on actual returns history, estimated customer demand, the distributors' inventory channels, as well as other factors, as appropriate. Any changes from the historical trend rates are considered in determining the current sales return allowance. To date, sales returns have not been material.

2.2 Summary of other potentially material accounting policies

(a) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

During all the years presented, the Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results including operating expenses and operating loss at a consolidated level only. The Group has been focusing on research and development of innovative drug candidates. Accordingly, the management considers that the Group is operated and managed as a single operating segment and hence no segment information is presented.

(b) Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is United States Dollars ("USD"). As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other potentially material accounting policies (continued)

(b) Foreign currency translation (continued)

(2) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are generally recognized in the statement of profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

(3) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

(iii) all resulting exchange differences are recognised in other comprehensive income.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other potentially material accounting policies (continued)

(c) Investments and other financial assets

(1) Classification

The Group classifies its financial assets in the following measurement categories:

(i) those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

(ii) those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(2) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(3) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other potentially material accounting policies (continued)

(c) Investments and other financial assets (continued)

(3) Measurement (continued)

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are resented in other gains/(losses) and impairment expenses are presented as separate line item in the statements of profit or loss.

FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other potentially material accounting policies (continued)

(c) Investments and other financial assets (continued)

(3) Measurement (continued)

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(4) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 3.1(b) for further details.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other potentially material accounting policies (continued)

(d) Prepayments and other current assets

Prepayments mainly represent upfront cash payments made to contract research organizations ("CROs"), which are organizations that provide support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis and therefore are all classified as current assets. During the ordinary course of business, the Group largely involves services from CROs as a cost-effective solution.

Prepayments to CROs are subsequently recorded as research and development expenses in accordance with the progress of services provided by CROs.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

(e) Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the credit rating of the counterparties in estimating the probability of default of each of the trade receivables occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

(f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, bank deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other potentially material accounting policies (continued)

(g) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

(h) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other potentially material accounting policies (continued)

(i) Employee benefits

(1) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(2) Pension obligations

Employees of the Group are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leaves the Group.

Employees of the Group in mainland China are entitled to participate in various government supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other potentially material accounting policies (continued)

(i) Employee benefits (continued)

(3) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(j) Interest income

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in the consolidated statements of comprehensive loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(k) Leases and right-of-use assets as lease

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payment:

(1) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(2) variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

(3) amounts expected to be payable by the lessee under residual value guarantees;

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other potentially material accounting policies (continued)

(k) Leases and right-of-use assets as lease (continued)

(4) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

(5) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

The Group leases properties for operation. The consideration paid for lease are treated as right-of-use assets, which are stated at cost less accumulative amortization and accumulated impairment losses, if any. Rental contracts are typically made for fixed periods of 3 to 7 years, but may have extension options. The Group also obtained a land use right for usage of land for plant with the lease period of 50 years. Lease terms are negotiated on an individual basis and contain various terms and conditions.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other potentially material accounting policies (continued)

(k) Leases and right-of-use assets as lease (continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate. The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other potentially material accounting policies (continued)

(k) Leases and right-of-use assets as lease (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use assets are subject to impairment test as described in Note 2.1(e).

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months or less without a purchase option. Low-value assets comprise small items of machinery.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk including foreign exchange risk and interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(1) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective group entities' functional currency.

Certain bank balances and cash are denominated in foreign currencies of respective group entities that are exposed to foreign currency risk. The Group has entities operating in the PRC and the United States of America, and the Group constantly reviews the economic situation and its foreign exchange risk profile, and considers appropriate hedging measures in the future, as may be necessary.

Most foreign exchange transactions were denominated in USD for the group companies that have functional currency in RMB. As at 31 December 2023, if the RMB strengthened/weakened by 5% against the USD with all other variables held constant, net loss for the year would have been RMB35 thousand higher/lower (As at 31 December 2022: RMB12,288 thousand lower/higher).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(2) Interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk.

If interest rates on variable interest rate borrowings had been 10 basis point higher/lower and all other variables were held constant, the Group's post-tax profit would have decreased/increased by approximately RMB189,007 for the year ended 31 December 2023 (2022: Nil).

(b) Credit risk

(1) Impairment of financial assets

The Group has four types of financial assets that are subject to the expected credit loss model: trade receivables, other receivables, bank deposits and cash and cash equivalents. The carrying amounts of trade receivables, other receivables, bank deposits and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, is summarised as below:

(i) Trade receivables

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

For the purpose of impairment assessment for trade receivables, the loss allowance is measured at an amount equal to life time ECL. In determining the ECL for trade receivables, the directors of the Company have taken into account the credit rating of the counterparties in estimating the probability of default of each of the trade receivables occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The Directors believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on life time ECL. For the years ended 31 December 2023 and 2022, the Group assessed and concluded the ECL for trade receivables was insignificant and thus no loss allowance was recognised.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(1) Impairment of financial assets (continued)

(ii) Other receivables

Other receivables mainly comprise receivables due from third parties and others. For other receivables, the Directors make periodic individual assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2023 and 2022, the Group assessed and concluded the ECL for other receivables was insignificant and thus no loss allowance was recognised.

(iii) Bank deposits and cash and cash equivalents

The Group expects that there is no significant credit risk associated with bank deposits and cash and cash equivalents since they are substantially deposited at state-owned banks in the PRC or reputable commercial banks which are high-credit-quality financial institutions. The Group adopts a robust process to diversify assets across multiple financial institutions to minimize the impact of concentration risk if any financial institution is subject to potential insolvency risk. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents and the ability to raise funds through debt and equity financing. The Group historically financed its working capital requirements through issue of preferred shares and convertible notes and the Listing. After the Listing, the Group has alternative financing through new shares issuance.

Management monitors rolling forecasts of the Group’s liquidity reserve on the basis of expected cash flows.

The table below analyzes the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

(Expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The Group recognizes the financial instruments issued to investors at fair value through profit or loss. Accordingly, the financial instruments issued to investors are managed on a fair value basis rather than by maturing dates.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2023					
Trade and other payable	191,840	–	–	–	191,840
Lease liabilities	19,120	20,349	23,839	–	63,308
Borrowings	40,572	317,176	124,878	–	482,626
Convertible Preferred Shares	–	–	28,331	–	28,331
	251,532	337,525	177,048	–	766,105
At 31 December 2022					
Trade and other payable	425,617	–	–	–	425,617
Other current liabilities	424,081	–	–	–	424,081
Lease liabilities	20,878	23,606	42,783	561	87,828
Convertible Preferred Shares	–	–	27,858	–	27,858
	870,576	23,606	70,641	561	965,384

3.2 Capital risk management

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital and reserves) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. In the opinion of the directors of the Company, the Group's capital risk is low.

(Expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

There are judgements and estimates made in determining the fair values of the financial instruments that are measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards:

Level 1: The fair values of financial instruments traded in active markets (such as trading and available-for-sale securities) are based on quoted market prices at the end of the reporting period.

Level 2: The fair values of financial instruments that are not traded in an active market are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The carrying amounts of the financial assets and liabilities, which are measured at amortized cost, approximated their fair value as at 31 December 2023 and 2022.

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2023:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Investment (Note 17)	35,565	–	13,365	48,930
Liabilities:				
Preferred Shares (Note 24)	–	–	28,614	28,614

(Expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2022:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Investment (Note 17)	76,939	–	12,303	89,242
Liabilities:				
Preferred Shares (Note 24)	–	–	30,923	30,923

(a) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include discounted cash flow analysis and the use of transaction price of similar instruments.

There were no changes in valuation techniques during the years ended 31 December 2023 and 2022.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2023 and 2022.

The changes in level 3 instruments for the years ended 31 December 2023 and 2022 are presented in Note 17 and Note 24.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Impairment testing of intangible assets not ready for use

Intangible assets not ready for use are not subject to amortization and are tested annually for impairment, with the key assumptions including the expected achievement of drug development milestones and the outcome of new drug development, estimated revenue to be generated by the in-development drug and discount rate, or more frequently if events or changes in circumstances indicate that they might be impaired. The Group obtained in-licenses and IPR&D through acquisition for the purpose of continuing the research and development work and commercialisation of the products, which are classified as intangible assets not ready for use.

(b) Accrued service fees due to CROs

Research and development expenses primarily include costs related to clinical trials paid to CROs. The estimate of accrued service fees due to CROs is complex because billing terms under contracts with CRO often do not coincide with the timing of when the work is performed, which in turn requires estimates of outstanding obligations as of period end. These estimates are based on a number of factors, including management's knowledge of the R&D programs and activities associated with timelines, invoicing to date, and the provisions in the contracts.

(c) Fair value of financial instruments issued to investors

The financial instruments issued by EverNov including Preferred Shares and are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method was used to determine the total equity value of EverNov and the equity allocation model was adopted to determine the fair value of the financial instruments. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 24.

(d) Share-based compensation expenses

As disclosed in Note 30, the Company has granted restricted share units and stock options to the Group's employees. Share-based compensation in relation to the restricted share units (except those with market vesting condition) is measured based on the fair value of the Company's ordinary shares at the grant date of the award. The Company used the Black Scholes model, binominal model or Monte Carlo Simulation model to determine the fair value of the stock options and restricted share units with market vesting condition as of the grant date, and in the case of stock option with market condition, the determination of vesting period. The determination of the fair value is affected by the fair value of the ordinary shares as well as assumptions regarding a number of complex and subjective variables. Refer to Note 30 for details.

(Expressed in thousands of RMB unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(e) Deferred income tax

The Group recognizes deferred tax assets mainly based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses. During the years ended 31 December 2023 and 2022, deferred tax assets have not been recognised in respect of these accumulated tax losses and other deductible temporary differences based on the fact that there were several drug candidates of the Company and most of them were in clinical trial stage and the future taxable profits would be uncertain.

(f) Estimates of variable consideration in the disposal of intangible asset

As disclosed in Note 16(e), the Group disposed the intangible asset related to IMMU 132 (Sacituzumab Govitecan) and the gain or loss arising from the derecognition of the intangible asset is determined as the difference between the net proceeds, and the carrying amount of the asset. The net proceeds include fixed consideration and variable considerations which are contingent on the achievement of certain milestones. The variable consideration is included in the net proceeds only to the extent that it is highly probable that a significant reversal in the amount of cumulative income recognised will not occur. The Group estimates the probability on the achievement of each milestone to determine the amount of any variable consideration to be included in the net proceeds as of the derecognition date.

(g) Useful lives of intangible assets

The Group's finite life intangible assets generated from its in-license arrangements are amortized on a straight-line basis over the shorter of estimated economic life and 10 years, which are estimated to be the period of the in-license arrangement. If the Group's estimate of the duration of sale of product is shorter than the arrangement period, then the shorter period is used. Additional amortization is recognized if the estimated useful economic lives are different from the previous estimation. Useful lives are reviewed at the end of the year based on changes in circumstances.

5 REVENUE

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue from sales of goods		
— at a point of time	125,932	12,792

(Expressed in thousands of RMB unless otherwise stated)

5 REVENUE (CONTINUED)

The amount of its revenue from external customers broken down by location of the customers is shown in the table below.

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Mainland China, Hong Kong and Macau	114,540	–
Other country	11,392	12,792
	125,932	12,792

6 EXPENSES BY NATURE

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Employee benefit expenses (Note 10)	474,884	853,103
Research, clinical trial and test expenses	244,865	402,044
Depreciation and amortization	76,776	42,772
Market development and business promotion expenses	71,640	29,843
Professional expenses	59,239	102,446
Office and travelling expenses	48,960	29,747
Cost of drugs	15,249	4,645
Royalty	10,037	–
Auditors' remuneration:		
— Audit services	4,280	4,200
— Audit related services	–	300
Others	6,104	6,601
Total cost of revenue, general and administrative expenses, research and development expenses, distribution and selling expenses and cost of other income	1,012,034	1,475,701

(Expressed in thousands of RMB unless otherwise stated)

7 OTHER INCOME — NET

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Income from provision of services (a)	**40,992**	58,086
Cost of other income (a)	**(40,992)**	(58,086)
Government grants	**10,816**	4,624
Others	**2,359**	–
	13,175	4,624

(a) The Group provided services in the field of clinical development and commercialization related to Immunomedics after the completion of disposal of IMMU 132 (Sacituzumab Govitecan) to Immunomedics. The transaction prices are determined based on the actual costs incurred. Such income is recognized over time when services are performed and is presented net of related costs in other income. The services were completed in 2023. Refer to Note 16(e), IMMU 132 (Sacituzumab Govitecan) for details.

8 OTHER (LOSSES)/GAINS — NET

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Impairment of an intangible asset (Note 16)	**(51,968)**	(16,491)
Net foreign exchange losses on operating activities	**(28,074)**	(155,177)
Donations (a)	**(15,765)**	–
Loss on disposal of property, plant and equipment	**(973)**	(5,345)
(Loss)/gain on disposal of right-of-use assets (Note 15)	**(457)**	2,611
Gain on disposal of an intangible asset (Note 16)	**–**	1,322,307
Others	**(3,566)**	(4,506)
	(100,803)	1,143,399

(a) Donations represented the contributions made by the Group to a charity in relation to the charity's patient assistance program.

(Expressed in thousands of RMB unless otherwise stated)

9 FINANCE INCOME — NET

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Bank interest income	**107,546**	38,451
Interest income on sublease	**92**	–
Interest income from loan to a director (Note 18(a))	**29**	27
Interest expenses on lease liabilities	**(3,225)**	(5,591)
Interest expenses on bank loans	**(8,463)**	–
Interest expenses on borrowings from Jiashan Shanhe (Notes 14(a) and 27(b))	**(11,371)**	–
Finance income — net	**84,608**	32,887

10 EMPLOYEE BENEFIT EXPENSES

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries, wages and bonuses	**360,582**	598,992
Social security costs and housing benefits	**40,882**	47,616
Share-based compensation (Note 30)	**73,420**	206,495
	474,884	853,103

(Expressed in thousands of RMB unless otherwise stated)

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Five highest paid individuals

For the years ended 31 December 2023 and 2022, the five individuals whose emoluments were the highest in the Group include 2 directors, whose emoluments are reflected in the analysis presented in Note 10(b) below. The emoluments to the remaining 3 individuals were as follows:

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Basic salaries	9,190	10,407
Bonuses	4,672	6,343
Contributions to pension plans	239	238
Housing funds, medical insurance and other social insurance	873	494
Share-based compensation	12,164	32,585
Termination benefits (i)	749	19,468
	27,887	69,535

(i) Termination benefits represent the compensation the Group agreed to pay to non-director employees upon their termination of employment with the Group.

The number of five highest paid individuals whose remuneration during the years ended 31 December 2023 and 2022 fell within the following bands are as follows:

	Years ended 31 December	
	2023	2022
Emolument bands		
HK$8,000,001–HK$8,500,000	1	–
HK$9,500,001–HK$10,000,000	1	–
HK$12,500,001–HK$13,000,000	1	–
HK$20,500,001–HK$21,000,000	1	–
HK$22,000,001–HK$22,500,000	–	1
HK$24,000,001–HK$24,500,000	–	1
HK$25,000,001–HK$25,500,000	–	1
HK$27,500,001–HK$28,000,000	–	1
HK$29,000,001–HK$29,500,000	–	1
HK$34,000,001–HK$34,500,000	1	–

No emoluments were paid by the Group to any of the five individuals with the highest emoluments as an inducement to join or upon joining the Groups or as compensation for loss of office for the year ended 31 December 2023 and 2022.

(Expressed in thousands of RMB unless otherwise stated)

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Details of emoluments in respect of the directors of the Company

The emoluments in respect of each of the directors paid by the Group for the year ended 31 December 2023 are as follows:

	Director fee RMB '000	Basic salaries and allowances (i) RMB'000	Bonus (ii) RMB'000	Retirement benefit costs RMB'000	Social security costs RMB'000	Share-based compensation RMB'000	Total RMB'000
Executive directors							
Mr. Ian Ying Woo (iii)	–	5,259	5,514	140	436	7,115	18,464
Mr. Xiaofan Zhang (iv)	–	1,279	–	–	1	(9,124)	(7,844)
Mr. Yongqing Luo (x)	–	7,211	3,600	68	117	19,726	30,722
Mr. Wei Fu (v)	–	–	–	–	–	–	–
	–	13,749	9,114	208	554	17,717	41,342
Non-executive directors							
Mr. Yubo Gong (vii)	–	–	–	–	–	–	–
Ms. Lan Kang (viii)	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Independent non-executive directors (ix)							
Mr. Shidong Jiang	352	–	–	–	–	49	401
Mr. Yifan Li	352	–	–	–	–	49	401
Ms. Hoi Yam Chui	352	–	–	–	–	–	352
Mr. Bo Tan	–	–	–	–	–	(147)	(147)
	1,056	–	–	–	–	(49)	1,007

(Expressed in thousands of RMB unless otherwise stated)

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Details of emoluments in respect of the directors of the Company (continued)

The emoluments in respect of each of the directors paid by the Group for the year ended 31 December 2022 are as follows:

	Director fee RMB '000	Basic salaries and allowances (i) RMB'000	Bonus (ii) RMB'000	Retirement benefit costs RMB'000	Social security costs RMB'000	Share-based compensation RMB'000	Total RMB'000
Executive directors							
Mr. Ian Ying Woo (iii)	–	4,793	5,142	123	321	11,145	21,524
Mr. Xiaofan Zhang (iv)	–	4,844	2,425	–	4	11,785	19,058
Mr. Wei Fu (v)	–	–	–	–	–	–	–
Mr. Yongqing Luo (x)	–	2,073	1,310	16	29	4,574	8,002
Mr. Kerry Levan Blanchard (vi)	–	5,813	5,250	–	147	7,107	18,317
	–	17,523	14,127	139	501	34,611	66,901
Non-executive directors							
Mr. Yubo Gong (vii)	–	–	–	–	–	–	–
Ms. Lan Kang (viii)	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Independent non-executive directors (ix)							
Mr. Shidong Jiang	336	–	–	–	–	273	609
Mr. Yifan Li	336	–	–	–	–	273	609
Mr. Bo Tan	336	–	–	–	–	273	609
	1,008	–	–	–	–	819	1,827

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Details of emoluments in respect of the directors of the Company (continued)

(i) Salary paid to a director is generally an emolument paid in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries undertakings.

(ii) Bonus are determined based on the financial performance of the Group and the performance of each individual.

(iii) Mr. Ian Ying Woo was appointed as director of the Group on 31 December 2018 and redesignated as executive director of the Group on 15 July 2020.

(iv) Mr. Xiaofan Zhang was appointed as director of the Group on 23 November 2017 and redesignated as executive director of the Group on 15 July 2020. He resigned as an executive Director with effect from 31 March 2023. The unvested portion of share-based compensation expenses were reversed accordingly.

(v) Mr. Wei Fu was appointed as director of the Group on 14 July 2017 and redesignated as executive director of the Group on 15 July 2020. Mr. Fu Wei did not receive any emolument during the years ended 31 December 2023 and 2022.

(vi) Mr. Kerry Levan Blanchard was redesignated as director of the Group on 25 February 2020 and designated as executive director of the Group on 15 July 2020. He resigned as the executive director and Chief Executive Officer of the Group on 26 August 2022.

(vii) Mr. Yubo Gong was appointed as director of the Group on 3 June 2020 and redesignated as non-executive director of the Group on 15 July 2020. Mr. Yubo Gong resigned as independent non-executive director subsequently in February 2024.

(viii) Ms. Lan Kang was appointed as non-executive director of the Group on 22 December 2020. Ms. Lan Kang resigned as independent non-executive director subsequently in January 2024.

(ix) Mr. Shidong Jiang, Mr. Yifan Li and Mr. Bo Tan were appointed as independent non-executive directors of the Group on 25 September 2020. Mr. Bo Tan resigned as independent non-executive director subsequently in January 2023. The unvested portion of share-based compensation expenses were reversed accordingly. Ms. Hoi Yam Chui was appointed as independent non-executive director of the Group on 19 January 2023.

(x) Mr. Yongqing Luo was appointed as an executive director and the Chief Executive Officer of the Group on 19 September 2022.

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 December 2023 and 2022.

(d) Consideration provided to third parties for making available directors' services

The Group did not pay consideration to any third parties for making available directors' services during the years ended 31 December 2023 and 2022.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

On 2 July 2020, the Company provided a loan to one director of the Company, at the total amount of USD325 thousand. The loan has term of three years and a simple interest rate of 5.0% per annum. The principal and accrued interest will be paid on maturity date. In 2021, pursuant to an amendment agreement with this director, the interest rate decreased from 5.0% per annum to 1.25% per annum. In July 2023, according to the contract, such loan was automatically renewed for another three years with the same interest rate of 1.25% per annum, and the principal and interests will be repaid by this director in July 2026.

Other than the loan described above, there were no other loans, quasi-loans and other dealings made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the years ended 31 December 2023 and 2022.

(f) Inducement or waiver of emoluments

No directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2023 and 2022. No directors waived or had agreed to waive any emoluments for the years ended 31 December 2023 and 2022.

(g) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2023 and 2022.

(h) Directors' retirement benefits

Other than defined contribution pension plans, none of the directors received or will receive any retirement benefits during the years ended 31 December 2023 and 2022.

11 INCOME TAX EXPENSE

(i) Income tax expense

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 and Cayman Islands incorporated entities of the Group is not subject to tax on income or capital gains.

Hong Kong

The Group's subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5%. Since these companies did not have assessable profits during the years ended 31 December 2023 and 2022, no Hong Kong profits tax has been provided.

United States of America

Entities in the State of New York are subject to Federal Tax at a rate of 21% and State of New York Profits Tax at a rate of 6.5%. Operations in the United States of America have incurred net accumulated operating losses for income tax purposes and no income tax provisions are recorded during the years ended 31 December 2023 and 2022.

Singapore

The Group's subsidiary in Singapore is subject to Singapore profits tax at the rate of 17%. On 24 August 2022, the Group's subsidiary in Singapore was granted a Development and Expansion Incentive under the International Headquarters Award, with a concessionary tax rate of 10% from 01 September 2022 to 31 August 2027. The Group had no taxable income during the years ended 31 December 2023 and 2022.

Korea

The Group's subsidiary in Korea is subject to Korea profits tax at the rate of 10%.

(Expressed in thousands of RMB unless otherwise stated)

11 INCOME TAX EXPENSE (CONTINUED)

(i) Income tax expense (continued)

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income. In 2023, Everest China obtained the certificate of technology-based small and medium-sized enterprises and hence was eligible to enjoy the extended period for the tax losses carry-forward from 5 years to 10 years.

The Group had no taxable income during the years ended 31 December 2023 and 2022.

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate in the PRC applicable to the Group as follows:

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss before income tax	**(844,463)**	(247,275)
Tax calculated at the applicable tax rate of 25%	**(211,116)**	(61,819)
Tax effect of:		
Difference in overseas tax rates	**64,075**	(188,320)
Tax losses not recognised as deferred tax assets	**163,628**	240,480
Deductible temporary differences not recognized as deferred tax assets	**3,263**	1,452
Super deduction in respect of research and development expenditures	**(39,286)**	(25,557)
Expenses not deductible for income tax purposes	**30,766**	55,356
Previously unrecognised tax losses now recouped to reduce current tax expense	**(11,330)**	(21,584)
Income tax expense	**–**	8

(Expressed in thousands of RMB unless otherwise stated)

11 INCOME TAX EXPENSE (CONTINUED)

(ii) Tax losses

The tax losses incurred from the Company's subsidiaries in Mainland China that are not recognised as deferred tax assets will expire in 10 years from the respective filing dates and are analysed as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Expire year		
2024	9,394	16,338
2025	44,109	62,478
2026	204,238	266,449
2027	46,888	124,235
2028	34,789	396,962
2029	39,666	–
2030	–	–
2031	30,652	–
2032	77,347	–
2033	362,173	–
2034	387,615	–
	1,236,871	866,462

(iii) Deferred tax balances

Deferred tax assets:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Lease liabilities	12,941	18,045
Tax losses	–	415
	12,941	18,640

Deferred tax liabilities:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Right-of-use assets	12,941	18,640

The Group only recognises deferred tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilise those tax losses. Management will continue to assess the recognition of deferred tax assets in future reporting periods. As at 31 December 2023 and 2022, the Group did not recognise deferred tax assets of RMB571,677 thousand and RMB371,634 thousand respectively.

(Expressed in thousands of RMB unless otherwise stated)

12 DIVIDEND

No dividend has been paid or declared by the Company or companies comprising the Group during the years presented.

13 LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the years ended 31 December 2023 and 2022. In determining the weighted average number of ordinary shares in issue the unvested restricted share units are excluded:

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss for the year	**(844,463)**	(247,283)
Weighted average number of ordinary shares in issue	**313,062,809**	297,634,997
Basic loss per share (in RMB)	**(2.70)**	(0.83)
Diluted loss per share (in RMB)	**(2.70)**	(0.83)

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2023 and 2022, the Company's potential ordinary shares included share-based awards granted to employees (Note 30). For the years ended 31 December 2023 and 2022, the potential ordinary shares were not included in the calculation of loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2023 and 2022 are the same as basic loss per share.

(Expressed in thousands of RMB unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT

	Equipments RMB'000	Furniture and fixtures RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Buildings and building improvements RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
At 1 January 2023							
Cost	54,672	7,905	44,767	22,079	378,281	45,753	553,457
Accumulated depreciation	(3,368)	(1,829)	(9,500)	(230)	(1,213)	–	(16,140)
Net book amount	51,304	6,076	35,267	21,849	377,068	45,753	537,317
Year ended 31 December 2023							
Opening net book amount	51,304	6,076	35,267	21,849	377,068	45,753	537,317
Additions	22,527	1,801	–	–	–	86,585	110,913
Disposals (Note 8)	(33)	–	(1,004)	–	–	–	(1,037)
CIP transfer out	–	–	4,581	58,379	59,588	(122,548)	–
Depreciation charge (Note 6)	(11,843)	(2,700)	(7,859)	(8,582)	(15,438)	–	(46,422)
Currency translation differences	–	–	4	–	–	–	4
Closing net book amount	61,955	5,177	30,989	71,646	421,218	9,790	600,775
At 31 December 2023							
Cost	77,153	9,704	46,903	80,458	437,869	9,790	661,877
Accumulated depreciation	(15,198)	(4,527)	(15,914)	(8,812)	(16,651)	–	(61,102)
Net book amount	61,955	5,177	30,989	71,646	421,218	9,790	600,775

(Expressed in thousands of RMB unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Equipments RMB'000	Furniture and fixtures RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Buildings and building improvements RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
At 1 January 2022							
Cost	3,417	2,304	15,913	–	–	102,908	124,542
Accumulated depreciation	(1,181)	(1,190)	(9,836)	–	–	–	(12,207)
Net book amount	2,236	1,114	6,077	–	–	102,908	112,335
Year ended 31 December 2022							
Opening net book amount	2,236	1,114	6,077	–	–	102,908	112,335
Additions (a)	51,990	2,470	–	22,079	–	367,814	444,353
Disposals (Note 8)	–	–	–	–	–	(5,659)	(5,659)
CIP transfer out (a)	–	3,799	37,230	–	378,281	(419,310)	–
Depreciation charge (Note 6)	(2,922)	(1,308)	(8,138)	(230)	(1,213)	–	(13,811)
Currency translation differences	–	1	98	–	–	–	99
Closing net book amount	51,304	6,076	35,267	21,849	377,068	45,753	537,317
At 31 December 2022							
Cost	54,672	7,905	44,767	22,079	378,281	45,753	553,457
Accumulated depreciation	(3,368)	(1,829)	(9,500)	(230)	(1,213)	–	(16,140)
Net book amount	51,304	6,076	35,267	21,849	377,068	45,753	537,317

Depreciation of property, plant and equipment has been charged to the consolidated statements of comprehensive loss as follows:

	Years ended 31 December	
	2023 RMB'000	2022 RMB'000
General and administrative expenses	**8,806**	2,814
Research and development expenses	**37,491**	7,954
Distribution and selling expense	**125**	3,043
	46,422	13,811

(a) After completion of relevant construction work at Jiashan Plant in December 2022, no interest from borrowing from Jiashan Shanhe (Note 27) was capitalized in construction in progress (2022: RMB28.8 million). The remaining interest is expensed since then until the repayment of borrowings from Jiashan Shanhe.

(Expressed in thousands of RMB unless otherwise stated)

15 RIGHT-OF-USE ASSETS

	Leased equipment RMB'000	Leased properties RMB'000	Land use right RMB'000	Total RMB'000
At 1 January 2023				
Cost	800	106,774	35,397	142,971
Accumulated depreciation	(271)	(34,627)	(1,534)	(36,432)
Net book amount	529	72,147	33,863	106,539
Year ended 31 December 2023				
Opening net book amount	529	72,147	33,863	106,539
Additions	–	10,411	–	10,411
Disposal	–	(16,385)	–	(16,385)
Depreciation charge (Note 6)	(160)	(16,522)	(708)	(17,390)
Currency translation differences	–	37	–	37
Closing net book amount	369	49,688	33,155	83,212
At 31 December 2023				
Cost	800	91,581	35,397	127,778
Accumulated depreciation	(431)	(41,893)	(2,242)	(44,566)
Net book amount	369	49,688	33,155	83,212

(Expressed in thousands of RMB unless otherwise stated)

15 RIGHT-OF-USE ASSETS (CONTINUED)

	Leased equipment RMB'000	Leased properties RMB'000	Land use right RMB'000	Total RMB'000
At 1 January 2022				
Cost	183	165,748	35,397	201,328
Accumulated depreciation	(101)	(50,097)	(826)	(51,024)
Net book amount	82	115,651	34,571	150,304
Year ended 31 December 2022				
Opening net book amount	82	115,651	34,571	150,304
Additions	617	2,068	–	2,685
Disposal	–	(19,541)	–	(19,541)
Depreciation charge (Note 6)	(170)	(26,244)	(708)	(27,122)
Currency translation differences	–	213	–	213
Closing net book amount	529	72,147	33,863	106,539
At 31 December 2022				
Cost	800	106,774	35,397	142,971
Accumulated depreciation	(271)	(34,627)	(1,534)	(36,432)
Net book amount	529	72,147	33,863	106,539

(Expressed in thousands of RMB unless otherwise stated)

15 RIGHT-OF-USE ASSETS (CONTINUED)

Depreciation of right-of-use assets has been charged to the consolidated statements of financial position and comprehensive loss as follows:

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
General and administrative expenses	**1,570**	6,573
Research and development expenses	**10,744**	12,124
Distribution and selling expenses	**4,886**	7,717
Construction in progress	**190**	708
	17,390	27,122

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS

	In-licenses and IPR&D that are not ready for use RMB'000	In-licenses and IPR&D that are commercialized RMB'000	Software RMB'000	Total RMB'000
At 1 January 2023				
Cost	2,373,703	–	7,687	2,381,390
Accumulated amortization and impairment	–	–	(2,913)	(2,913)
Net book amount	2,373,703	–	4,774	2,378,477
Year ended 31 December 2023				
Opening net book amount	2,373,703	–	4,774	2,378,477
Additions	162,074	–	8,406	170,480
Commercialization	(179,691)	179,691	–	–
Impairment (a)	(51,968)	–	–	(51,968)
Amortization charge (Note 6)	–	(9,128)	(4,026)	(13,154)
Currency translation differences	38,865	1,016	–	39,881
Closing net book amount	2,342,983	171,579	9,154	2,523,716
At 31 December 2023				
Cost	2,342,983	180,707	16,093	2,539,783
Accumulated amortization and impairment	–	(9,128)	(6,939)	(16,067)
Net book amount	2,342,983	171,579	9,154	2,523,716

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

	In-licenses and IPR&D that are not ready for use RMB'000	In-licenses and IPR&D that are commercialized RMB'000	Software RMB'000	Total RMB'000
At 1 January 2022				
Cost	2,465,460	–	6,204	2,471,664
Accumulated amortization and impairment	–	–	(366)	(366)
Net book amount	2,465,460	–	5,838	2,471,298
Year ended 31 December 2022				
Opening net book amount	2,465,460	–	5,838	2,471,298
Additions	653,063	–	1,483	654,546
Disposal	(945,113)	–	–	(945,113)
Impairment (h)	(16,491)	–	–	(16,491)
Amortization charge (Note 6)	–	–	(2,547)	(2,547)
Currency translation differences	216,784	–	–	216,784
Closing net book amount	2,373,703	–	4,774	2,378,477
At 31 December 2022				
Cost	2,373,703	–	7,687	2,381,390
Accumulated amortization and impairment	–	–	(2,913)	(2,913)
Net book amount	2,373,703	–	4,774	2,378,477

Intangible assets mainly included in-licenses and IPR&D which are not ready for use the Group is continuing research and development work, and in-licenses and IPR&D that are amortized since the related drug product has been commercialized.

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

Amortization of intangible assets has been charged to the consolidated statements of financial position and comprehensive loss as follows:

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cost of revenue	**9,128**	–
General and administrative expenses	**2,122**	2,122
Research and development expenses	**1,346**	–
Distribution and selling expenses	**558**	425
	13,154	2,547

(a) Collaboration and License Agreement with Arena Pharmaceuticals, Inc. ("Arena") and United Therapeutics

In December 2017, the Group entered into a collaboration and license agreement with Arena (subsequently acquired by Pfizer in 2022) regarding the development and commercialization of its proprietary products Ralinepag and Etrasimod in the territories of Mainland China, Taiwan, Hong Kong, Macau and South Korea. Under the terms of the agreement, the Group made an upfront payment of USD12 million (equivalent to RMB78.4 million) to Arena and capitalized such payment. In January 2019, the Group and Arena entered into two separate agreements which superseded the previous agreement, one which relates to Ralinepag and the other relates to Etrasimod.

Etrasimod

The Group agreed to make development and regulatory milestone payments and commercial milestone payments, as well as tiered royalties on net sales to Arena.

In the fourth quarter of 2018 and in November 2019, the Group made the milestone payment of USD1 million (equivalent to RMB6.6 million) and USD5 million (equivalent to RMB34.5 million) to Arena, respectively. Such payments were capitalised.

16 INTANGIBLE ASSETS (CONTINUED)

(a) Collaboration and License Agreement with Arena Pharmaceuticals, Inc. ("Arena") and United Therapeutics (continued)

Ralinepag

In January 2019, Arena assigned all of its rights and obligations with respect to the Ralinepag program under the agreement to United Therapeutics. The Group agreed to make development and regulatory milestone payments and commercial milestone payments, as well as tiered royalties on net sales to United Therapeutics.

In the fourth quarter of 2018, the Group made the milestone payment of USD1 million (equivalent to RMB6.6 million) to Arena (before the agreement was assigned to United Therapeutics) and capitalized such payment. After assigning the agreement to United Therapeutics, the Group paid milestone payment of USD2.5 million (equivalent to RMB17.2 million) to United Therapeutics in September 2019, which was capitalized.

In 2023, the Group issued a termination notice to United Therapeutics, regarding the above licensing agreement, effective on 28 August 2023. As a result, the Group recognized a full impairment loss of USD7.5 million (equivalent to RMB52.0 million) for the related intangible asset given no economic benefits can be recovered, and related intangible asset was written off accordingly.

(b) License Agreement with Tetraphase Pharmaceuticals, Inc.

Eravacycline

In February 2018, the Group entered into a license agreement with Tetraphase, pursuant to which Tetraphase granted the Group an exclusive license to develop and commercialize Eravacycline in Mainland China, Taiwan, Hong Kong, Macau, South Korea and Singapore.

Under the terms of the agreement, the Group made an upfront payment of USD7 million (equivalent to RMB46.4 million) to Tetraphase and capitalized such payment. The Group agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Tetraphase.

In June 2018 and May 2019, the Group made the milestone payment of USD2.5 million (equivalent to RMB16.6 million) and USD3 million (equivalent to RMB20.7 million) to Tetraphase, respectively, and capitalized such payments.

16 INTANGIBLE ASSETS (CONTINUED)

(b) License Agreement with Tetraphase Pharmaceuticals, Inc. (continued)

Eravacycline (continued)

In July 2019, the Group and Tetraphase entered into an amendment to the license agreement to expand the geographic coverage of the license to Malaysia, Thailand, Indonesia, Vietnam and the Philippines and paid an upfront payment of USD2 million (equivalent to RMB13.8 million) which was capitalised.

In April 2021, the Group made the milestone payment of USD3 million (equivalent to RMB19.4 million) to Tetraphase and capitalised such payment.

In March 2023, the new drug application for Eravacycline was approved by regulatory in Mainland China and the Group made the milestone payment of USD8 million (equivalent to RMB56.4 million) which was capitalised.

(c) Commercial supply agreement with Tetraphase Pharmaceuticals, Inc.

Eravacycline manufacturing know-how

In May 2021, the Group entered into a commercial supply agreement with Tetraphase, pursuant to which Tetraphase agreed to transfer the manufacturing know-how to the Group for the purpose of enabling the continued manufacturing of Eravacycline. The Group made prepayments of USD4 million (equivalent to RMB25.8 million) in May 2021 and USD1 million in January 2022 (equivalent to RMB6.7 million) to Tetraphase, which was recorded in other non-current assets. In December 2022, these prepayments of USD5 million (equivalent to RMB33.6 million) were transferred to intangible assets as the transfer of control of manufacturing know-how has been completed. The Group is in the process of development of manufacturing know-how so the intangible assets are not available for use until the manufacturing approval is obtained.

16 INTANGIBLE ASSETS (CONTINUED)

(d) Licensing Agreement with Novartis International Pharmaceutical Ltd. ("Novartis")

FGF401

In June 2018, the Group entered into an exclusive global licensing agreement with Novartis to develop and commercialize FGF401. Under this agreement, Novartis granted EverNov an exclusive license to develop, manufacture and commercialize Novartis' FGF4 inhibitor FGF401 and products containing FGF401 for all purposes worldwide.

Under the terms of the agreement, as discussed in Note 24, the total upfront fee was comprised of cash consideration of USD20 million (equivalent to RMB132.7 million) and 4,000,000 Series A-2 Convertible Preferred Shares issued by EverNov to Novartis Pharma AG, an affiliate entity of Novartis. The Group capitalised a total amount of USD22.4 million (equivalent to RMB148.3 million) based on cash payment and the fair value of the Series A-2 Convertible Preferred Shares. The Group also agreed to pay Novartis clinical development milestone payments, commercial milestone payments, as well as tiered royalties on worldwide net sales to Novartis.

(e) Licenses acquired from Everest II

Upon the consummation of the Group's acquisition of Everest II in 2019, the Group acquired four licenses held by Everest II. The amount in relation to the acquisition of those licenses were recognised as intangible assets based on its fair value upon consummation of the acquisition, with the total amount of RMB1,265,971 thousand.

Taniborbactam

In September 2018, Everest II entered into an agreement with Venatorx, pursuant to which Venatorx granted Everest II an exclusive license to exploit for all uses in humans Venatorx's proprietary BLI, taniborbactam (formerly VNRX-5133), in combination with a ß-lactam, initially cefepime, in Mainland China, Macau, Hong Kong, Taiwan, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines.

Under the terms of this agreement, Everest II paid an upfront cash payment of USD5.0 million (equivalent to RMB33.2 million) and capitalised such payment.

Everest II also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Venatorx. In January 2020, after the acquisition of Everest II, the Group made the milestone payment of USD2 million (equivalent to RMB13.8 million) to Venatorx and such payment was capitalised.

16 INTANGIBLE ASSETS (CONTINUED)

(e) Licenses acquired from Everest II (continued)

Taniborbactam (continued)

In June 2021, the Group entered into an amendment to the license agreement with Venatorx, pursuant to which Venatorx assigned relevant taniborbactam patents to the Group. The Group paid USD3 million (equivalent to RMB19.4 million) in June 2021 and USD7 million (equivalent to RMB45.1 million) in August 2021 to Venatorx and such payment was capitalised.

SPR206

In January 2019, Everest II entered into a license agreement with Spero Therapeutics, Inc. ("Spero") through its wholly owned subsidiaries New Pharma License Holdings Limited, or NPLH, and Spero Potentiator, Inc. or Potentiator and NPLH has since assigned its assets to Spero. Pursuant to this agreement, NPLH granted Everest II an exclusive license to develop, manufacture and commercialize SPR206 in Mainland China, Hong Kong, Macau, Taiwan, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines.

Everest II paid NPLH an upfront payment of USD2 million (equivalent to RMB13.8 million) as partial consideration for rights to SPR206 and capitalised such payment. Everest II also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Spero.

In November 2020, the Group made the milestone payment of USD2 million (equivalent to RMB13.8 million) to Spero and such payment was capitalised.

In January 2021, the Group entered into an amended agreement with Spero for which Spero has assigned relevant SPR206 patents to the Group.

In June and September 2021, the Group made the milestone payment of USD0.75 million (equivalent to RMB4.9 million) and USD0.5 million (equivalent to RMB3.2 million) to Spero, respectively and such payments were capitalised.

In June 2022, the Group made the milestone payment of USD0.75 million (equivalent to RMB5.0 million) and such payment was capitalised.

16 INTANGIBLE ASSETS (CONTINUED)

(e) Licenses acquired from Everest II (continued)

IMMU 132 (Sacituzumab Govitecan)

In April 2019, Everest II entered into a license agreement with Immunomedics under which Immunomedics granted Everest II an exclusive license to develop and commercialize sacituzumab govitecan in Mainland China, Taiwan, Hong Kong, Macau, Indonesia, Philippines, Vietnam, Thailand, South Korea, Malaysia, Singapore or Mongolia.

In consideration for entering into this agreement, Everest II made a one-time, upfront payment to Immunomedics in the amount of USD65 million (equivalent to RMB448.2 million) and capitalised such payment. Everest II also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Immunomedics which is now merged by Gilead.

In June 2020, after the acquisition of Everest II, the Group made a milestone payment of USD60 million (equivalent to RMB413.9 million) to Immunomedics and such payment was capitalised.

In June 2022, the Group made the milestone payment of USD20 million (equivalent to RMB134.6 million) and USD5 million (equivalent to RMB33.6 million), respectively, and capitalised such payments.

On 15 August 2022, pursuant to a separately negotiated termination and transition services agreement (the "Agreement"), the Group and Immunomedics agreed (i) to terminate the above license agreement as well as those ancillary agreements entered in connection therewith; (ii) for the Group to assign to Immunomedics all of its intellectual property, regulatory materials and other assets related to the sacituzumab govitecan; and (iii) for the Group to perform transition services to enable Immunomedics or its affiliates to assume the development and commercialization of the sacituzumab govitecan in the relevant territories. The consideration for the termination of license agreement and the ancillary agreements was equivalent to the aggregate amount of up to approximately USD455 million, including an upfront payment of USD280 million and milestone payments up to USD175 million, consisting of (i) regulatory milestone payments of up to USD50 million in aggregate; and (ii) commercial milestone payments of up to USD125 million in aggregate. Immunomedics also agreed to waive the Group's obligation to pay the milestone payments of USD25 million and reimburse the Group for all costs and out-of-pocket expenses actually incurred by the Group, in accordance with a mutually agreed transition plan budget, in connection with the Group's performance of the transition services.

16 INTANGIBLE ASSETS (CONTINUED)

(e) Licenses acquired from Everest II (continued)

IMMU 132 (Sacituzumab Govitecan) (continued)

The termination of license agreement, the ancillary agreements and assignment of intellectual property, regulatory materials and other assets related to sacituzumab govitecan are in substance a disposal of intangible asset to Immunomedics. The Group further assessed the performance obligations in the Agreement and concluded the disposal of intangible asset and provision of transition services are separate arrangements, as these two elements are not interdependent and considerations for each element are separately negotiated.

For disposal of intangible asset, the Company completed the disposal on 31 October 2022 (the "Termination Effectiveness Date") as all conditions related to the transfer of control over the intangible asset were met. For milestone payments up to USD175 million which are variable consideration, the Group determined the probability in achievement in these milestones was not probable due to the significant uncertainty in obtaining the regulatory approval and meeting the sales target. As a result, the total proceeds for disposal of intangible assets amounted to RMB2,267.4 million including waiver of the achieved milestone payments under the licensing agreement of USD25 million (equivalent to RMB168.2 million), upfront payment of USD280 million (equivalent to RMB1,883.3 million) and compensation of expenses of USD32.1 million (equivalent to RMB215.9 million) occurred by the Group before the Termination Effectiveness Date. The Group recognized a disposal gain of RMB1,322.3 million in the consolidated statement of comprehensive loss for the year ended 31 December 2022, which was the difference of total proceeds and the carrying value of intangible assets with the amount USD141 million (equivalent to RMB945.1 million). For upfront payment, the Group received USD84 million (equivalent to RMB565.0 million) in 2022 with the remaining USD196 million (equivalent to RMB1,358.1million) received subsequently in January and February 2023.

For the transition services provided to Immunomedics before the Termination Effectiveness Date, since the intellectual property related to sacituzumab govitecan still belonged to the Group, all the expenditures occurred are considered as Group's own development cost and the reimbursement of costs by Immunomedics is a payment for intellectual property and hence is considered as proceeds for disposal of intangible assets; The Group received such reimbursement of costs of USD32.1 million (equivalent to RMB222.5 million) subsequently in January and February 2023; For transition services provided to Immunomedics after the Termination Effectiveness Date, since the control of intellectual property has been transferred to Immunomedics, it is in substance Group's provision of research and development services to Immunomedics. Compensation received for such services is recognized in other income over the time during the service period based on the actual cost incurred, with corresponding cost recognised as cost of other income (Refer to Note 7). The transition services were completed in 2023.

16 INTANGIBLE ASSETS (CONTINUED)

(e) Licenses acquired from Everest II (continued)

Nefecon

On 10 June 2019, Everest II entered into a license agreement with Calliditas who granted Everest II exclusive rights to develop and commercialize Nefecon in Mainland China, Hong Kong, Macau, Taiwan and Singapore.

Under the terms of the agreement, Everest II made an initial upfront payment of USD15 million (equivalent to RMB103.4 million) to Calliditas at signing of the agreement and capitalised such payment. Everest II also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Calliditas.

After the acquisition of Everest II, the Group made the milestone payment of USD5 million (equivalent to RMB34.5 million) in January 2020 and USD3 million (equivalent to RMB19.3 million) in December 2021 to Calliditas and such payment was capitalised.

In March 2022, the Group and Calliditas entered into an amendment to the license agreement to expand the geographic coverage of the license to South Korea, and paid an upfront payment of USD3 million (equivalent to RMB20.2 million) which was capitalised.

In November 2022, the Group made a milestone payment of USD5 million (equivalent to RMB33.6 million) which was capitalised.

In November 2023, the first NDA conditional was approved in Mainland China and the Group made a milestone payment of USD5 million (equivalent to RMB35.2 million) which was capitalised.

In December 2023, the first NDA full approval was made by the FDA and the Group made a milestone payment of USD3 million (equivalent to RMB21.1 million) which was capitalised.

16 INTANGIBLE ASSETS (CONTINUED)

(f) Collaboration and license agreement with Providence Therapeutics Holdings Inc. ("Providence")

mRNA COVID-19 Vaccines

In September 2021, the Group entered into a license agreement with Providence, pursuant to which Providence granted the Group exclusive rights to develop, manufacture and commercialize mRNA vaccines against COVID-19, including PTX-COVID19-B in Mainland China, Hong Kong, Macau, and certain Asian countries.

Under the terms of the agreement, the Group made an initial upfront payment of USD50 million (equivalent to RMB322.6 million) to Providence in September 2021 and capitalised such payment. The Group also agreed to make payments for profit sharing, as well as royalties on net sales to Providence.

Collaboration Products

The Group and Providence also agreed to conduct collaborative research and develop two prophylactic or therapeutic products (the "Collaboration Products"), pursuant to which Providence has granted the Group a royalty-free, non-exclusive license in the Collaboration Products and each of the Group and Providence is entitled to 50% of the worldwide rights to the Collaboration Products.

Technology Platform

In September 2021, the Group entered into a collaboration and license agreement with Providence, pursuant to which Providence agreed to transfer the platform technology mainly related to the developing and manufacturing of mRNA vaccine products. Under the terms of the agreement, the Group made an initial upfront payment of USD50 million (equivalent to RMB336.3 million) to Providence and capitalised such payment. The Group is in the process of development of platform technology so the intangible assets are not available for use until the manufacturing approval is obtained.

On 15 December 2022, upon in vivo proof of concept of a first candidate of Collaboration Products, the Company issued 3,492,365 ordinary shares to Providence with issue price of HKD13.12 with aggregate value USD5.9 million (equivalent to RMB39.6 million) and capitalised as intangible assets.

16 INTANGIBLE ASSETS (CONTINUED)

(f) Collaboration and license agreement with Providence Therapeutics Holdings Inc. ("Providence") (continued)

Termination of collaboration and license agreement

On 16 February 2024, the Company and Providence entered into a termination agreement (the "Termination Agreement") whereby the parties agreed to terminate the above collaboration and license agreements in entirety, effective as of 16 February 2024 (the "Effective Date"), and any and all obligations of one party to the other party are forever waived, satisfied and extinguished and neither party shall have any further obligation, responsibility, liability to each other under the collaboration and license agreements or any performance of activities thereunder.

In addition, pursuant to the Termination Agreement, the parties agreed that (i) Providence shall grant the Company a worldwide, perpetual and irrevocable, royalty-free (except as set forth below), non-exclusive license, with the right to sublicense in part (but not in whole or substantially in whole), to all intellectual property rights (or embodiments of such rights) provided, transferred, or made available by Providence to the Company as of immediately prior to the Effective Date, to exploit the Collaboration Products (i.e. rabies vaccine program and the shingles vaccine program) and the additional products (including COVID-19 vaccines); (ii) each of the Company and Providence shall own any such intellectual property rights developed by it after the Effective Date; and (iii) the Company and Providence shall co-own certain intellectual property rights related to the Collaboration Products.

The Company agreed to pay Providence (i) a one-time, upfront payment of USD4.0 million; and (ii) potential regulatory milestone payments of up to USD17.5 million should the Company decide to develop the Collaboration Products. In addition, the Company shall pay Providence royalties from the sale of Collaboration Products in the Providence territory, and Providence shall pay the Company royalties from the sale of Collaboration Products in the Everest territory, each at a rate of a low-single-digit percentage of the aggregate net sales of the Collaboration Product(s) during the applicable royalty payment term.

The Company assessed that the termination had no significant impact on the continuous research and development of COVID-19 Vaccines and Collaboration Products.

16 INTANGIBLE ASSETS (CONTINUED)

(g) License Agreement with Sinovent Pharmaceuticals, Co., Ltd. ("Sinovent") and SinoMab BioScience Limited. ("SinoMab")

XNW-1011

In September 2021, the Group entered into a license agreement with Sinovent and SinoMab. Pursuant to which, Sinovent and SinoMab granted the Group an exclusive worldwide rights to develop, manufacture and commercialize XNW1011.

Under the terms of the agreement, the Group made an initial upfront payment of USD12 million (equivalent to RMB77.4 million) to Sinovent and SinoMab in September 2021 and capitalised such payment. The Group also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Sinovent and SinoMab.

(h) License Agreement with Singapore's Experiential Drug Development Centre ("EDDC")

EDDC-2214

In January 2022, the Group entered into a License Agreement with EDDC, pursuant to which EDDC granted the Group an exclusive worldwide rights to develop, manufacture and commercialize COVID-19 oral antiviral treatments.

Under the terms of the agreement, the Group made an upfront payment of USD2.5 million (equivalent to RMB16.5 million) to EDDC in January 2022 and capitalised such payment. The Group also agreed to pay clinical and commercial milestone payment, as well as royalties on net sales of products.

On 24 October 2022, as the Group issued a termination notice to EDDC, pursuant to which the Group desired to terminate the licensing agreement with EDDC and transfer the materials, reports and documents related to COVID-19 oral antiviral treatments to EDDC with no consideration. As a result, the Group recognized a full impairment loss of RMB16.5 million for the related intangible asset given no economic benefits can be recovered. The termination agreement was subsequently entered into between the Group and EDDC in January 2023 and the termination was effective accordingly.

16 INTANGIBLE ASSETS (CONTINUED)

(i) Collaboration and license agreement with Kezar Life Sciences, Inc. ("Kezar")

Zetomipzomib

In September 2023, the Group entered into a License Agreement with Kezar, pursuant to which Kezar granted the Group an exclusive rights to develop, manufacture and commercialize Zetomipzomib in Mainland China, Taiwan, Hong Kong, Macau, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and Philippines.

Under the terms of the agreement, the Group made an initial upfront payment of USD7 million (equivalent to RMB49.3 million) to Kezar in October 2023 and capitalised such payment.

(j) Impairment test

The Group's in-licenses and IPR&D are intangible assets not yet ready for use which are tested annually based on the recoverable amount of the cash generating unit ("CGU") to which the intangible assets are related. The appropriate CGU of each IPR&D is determined at the drug product level. The annual impairment test was performed for each CGU by engaging an independent appraiser to estimate the fair value less cost to sell as the recoverable amount of each drug. The fair value of the future cash flows is based on the discounted cash flow model and the Group estimated the forecast period till year 2035 for each drug product based on the estimated timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential, and the length of exclusivity for each product. The estimated revenue of each drug is based on management's estimate of timing of commercialization. The costs and operating expenses are estimated as a percentage over the revenue forecast period based on the current margin levels of comparable companies with adjustments made to reflect the expected future price changes. Where some common assets, such as buildings, production lines, equipments and manufacturing machines, are attributable to more than one CGU, the cost of such assets are allocated to relevant CGUs on reasonable basis. The discount rates used are post tax and reflect specific risks relating to the relevant products that would be considered by market participants.

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

(j) Impairment test (continued)

The fair value of the CGU is classified as a level 3 fair value and the key assumptions used for recoverable amount calculations as at 31 December 2023 and 2022 are as follows:

Etrasimod

	As at 31 December 2023	As at 31 December 2022
Discount rate	16.0%	18.0%
Revenue growth rate	–1% to 350%	–29% to 681%
Recoverable amount of CGU (in RMB million)	3,024.0	1,575.0

Ralinepag

	As at 31 December 2023	As at 31 December 2022
Discount rate	NA	18.0%
Revenue growth rate	NA	–24% to 693%
Recoverable amount of CGU (in RMB million)	NA	562.6

Eravacycline manufacturing know-how

	As at 31 December 2023	As at 31 December 2022
Discount rate	16.0%	18.0%
Revenue growth rate	–13% to 194%	–21% to 2,853%
Recoverable amount of CGU (in RMB million)	2,256.6	1,586.3

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

(j) Impairment test (continued)

FGF401

	As at 31 December 2023	As at 31 December 2022
Discount rate	16.0%	18.0%
Revenue growth rate	–38% to 337%	–38% to 1,539%
Recoverable amount of CGU (in RMB million)	504.2	513.2

Taniborbactam

	As at 31 December 2023	As at 31 December 2022
Discount rate	16.0%	18.0%
Revenue growth rate	–10% to 346%	5% to 109%
Recoverable amount of CGU (in RMB million)	1,109.3	949.6

SPR206

	As at 31 December 2023	As at 31 December 2022
Discount rate	16.0%	18.0%
Revenue growth rate	-9% to 1,290%	–1% to 299%
Recoverable amount of CGU (in RMB million)	1,374.1	712.5

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

(j) Impairment test (continued)

Nefecon

	As at 31 December 2023	As at 31 December 2022
Discount rate	16.0%	18.0%
Revenue growth rate	2% to 275%	7% to 169%
Recoverable amount of CGU (in RMB million)	13,341.8	1,243.1

mRNA COVID-19 Vaccines (a)

	As at 31 December 2023	As at 31 December 2022
Discount rate	16.0%	18.0%
Revenue growth rate	–0% to 100%	–14% to 99%
Recoverable amount of CGU (in RMB million)	1,368.7	6,554.0

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

(j) Impairment test (continued)

Technology Platform (a)

	As at 31 December 2023	As at 31 December 2022
Discount rate	16.0%	NA
Revenue growth rate	4% to 181%	NA
Recoverable amount of CGU (in RMB million)	4,020.1	NA

(a) The Company performed impairment assessment for mRNA COVID-19 Vaccines, Technology Platform and related mRNA vaccines production lines by identifying CGUs which were determined at the drug product level, i.e. mRNA COVID-19 Vaccines and other mRNA vaccine products. Since Technology Platform and related mRNA vaccines production lines can be beneficial for both COVID-19 Vaccines and other mRNA vaccine products, the carrying value of these assets are proportionately allocated based on CGUs which are determined on product level for the purpose of impairment assessment. The Company is in the process of research and development of COVID-19 and other mRNA vaccine products in accordance with the Company's planned schedules and the termination with Providence had no significant impact on the continuous research and development work. Based on management's assessment, no impairment was provided for both COVID-19 Vaccines and other mRNA vaccine products related assets. For 2022, mRNA COVID-19 Vaccines, Technology Platform and related mRNA vaccines production lines were determined as one CGU only for mRNA COVID-19 Vaccines product for the purpose of impairment testing.

XNW 1011

	As at 31 December 2023	As at 31 December 2022
Discount rate	16.0%	18.0%
Revenue growth rate	6% to 1,281%	1.8% to 228.2%
Recoverable amount of CGU (in RMB million)	1,090.2	811.4

Zetomipzomib

	As at 31 December 2023	As at 31 December 2022
Discount rate	16.0%	N/A
Revenue growth rate	–7% to 269%	N/A
Recoverable amount of CGU (in RMB million)	977.5	N/A

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

(j) Impairment test (continued)

Impairment test — sensitivity

The Company performed sensitivity test by increasing 1% of discount rate or decreasing 1% of revenue growth rate in absolute amount, which are the key assumptions to determine the recoverable amount of each intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

Etrasimod

	As at 31 December 2023 (in RMB million)	As at 31 December 2022 (in RMB million)
Headroom	**2,925**	1,477
Impact by increasing discount rate	**(324)**	(129)
Impact by decreasing revenue growth rate	**(229)**	(107)

Ralinepag

	As at 31 December 2023 (in RMB million)	As at 31 December 2022 (in RMB million)
Headroom	**NA**	510
Impact by increasing discount rate	**NA**	(56)
Impact by decreasing revenue growth rate	**NA**	(38)

Eravacycline manufacturing know-how

	As at 31 December 2023 (in RMB million)	As at 31 December 2022 (in RMB million)
Headroom	**2,050**	1,430
Impact by increasing discount rate	**(139)**	(107)
Impact by decreasing revenue growth rate	**(260)**	(126)

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

(j) Impairment test (continued)

Impairment test — sensitivity (continued)

FGF401

	As at 31 December 2023 (in RMB million)	As at 31 December 2022 (in RMB million)
Headroom	346	357
Impact by increasing discount rate	(76)	(74)
Impact by decreasing revenue growth rate	(45)	(44)

Taniborbactam

	As at 31 December 2023 (in RMB million)	As at 31 December 2022 (in RMB million)
Headroom	655	503
Impact by increasing discount rate	(111)	(102)
Impact by decreasing revenue growth rate	(120)	(80)

SPR206

	As at 31 December 2023 (in RMB million)	As at 31 December 2022 (in RMB million)
Headroom	1,267	608
Impact by increasing discount rate	(182)	(87)
Impact by decreasing revenue growth rate	(78)	(67)

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

(j) Impairment test (continued)

Impairment test — sensitivity (continued)

Nefecon

	As at 31 December 2023 (in RMB million)	As at 31 December 2022 (in RMB million)
Headroom	12,737	704
Impact by increasing discount rate	(1,248)	(115)
Impact by decreasing revenue growth rate	(1,197)	(96)

mRNA COVID-19 Vaccines

	As at 31 December 2023 (in RMB million)	As at 31 December 2022 (in RMB million)
Headroom	650	5,817
Impact by increasing discount rate	(101)	(386)
Impact by decreasing revenue growth rate	(114)	(488)

Platform technology

	As at 31 December 2023 (in RMB million)	As at 31 December 2022 (in RMB million)
Headroom	3,656	NA
Impact by increasing discount rate	(485)	NA
Impact by decreasing revenue growth rate	(232)	NA

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

(j) Impairment test (continued)

Impairment test — sensitivity (continued)

XNW-1011

	As at 31 December 2023 (in RMB million)	As at 31 December 2022 (in RMB million)
Headroom	**1,005**	728
Impact by increasing discount rate	**(151)**	(110)
Impact by decreasing revenue growth rate	**(58)**	(51)

Zetomipzomib

	As at 31 December 2023 (in RMB million)	As at 31 December 2022 (in RMB million)
Headroom	**928**	NA
Impact by increasing discount rate	**(121)**	NA
Impact by decreasing revenue growth rate	**(67)**	NA

Considering there was sufficient headroom based on the assessment, management believes that a reasonably possible change in any of the key assumptions on which management has based its determination of each intangible asset's recoverable amount would not cause its carrying amount to exceed its recoverable amount.

Based on the result of above assessment, except for impairment recorded for Ralinepag and EDDC-2214 as disclosed in Note 16(a) and Note 16(h), there was no impairment for the intangible asset as at 31 December 2023 and 2022.

(Expressed in thousands of RMB unless otherwise stated)

17 INVESTMENTS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Investments in I-Mab — at FVOCI (a)	**35,565**	76,939
Investments in Venatorx — at FVPL (b)	**13,365**	12,303
	48,930	89,242

(a) Investments in I-Mab represents the Group's investments in 6,078,571 ordinary shares issued by I-Mab upon I-Mab's initial public offering on 17 January 2020. The Group subsequently measures this investment at fair value and has elected to present fair value gains and losses on equity investment in other comprehensive income.

As at 31 December 2023, based on quoted market share price of I-Mab, the fair value of this investment was USD5.0 million (equivalent to RMB35.6 million), which is USD6.0 million (equivalent to RMB41.3 million) lower than the fair value of USD11.0 million (equivalent to RMB76.9 million) of 31 December 2022, and the difference of RMB41.3 million was recorded as a loss in other comprehensive loss for the year ended 31 December 2023 (2022: RMB721.6 million was recorded as a loss in other comprehensive loss).

(b) The Group acquired the investment in Venatorx Pharmaceuticals, Inc. ("Venatorx") through the acquisition of Everest II. Everest II invested in 141,553 Series B convertible preferred stock (Series B Preferred Stock) issued by Venatorx in October 2018. The Series B Preferred Stock is a debt instrument from issuer's perspective as Venatorx cannot prevent deemed liquidation event from happening. Thus, the investment in Venatorx is classified as investment at fair value through profit or loss.

The investment in Venatorx is classified as Level 3 investment. During the year ended 31 December 2023 and 2022, the Group assessed whether fair value has changed, considering changes in circumstances such as: the current performance of Venatorx is significantly above or below the expectations at the time of the original investment; market, economic or company specific conditions have significantly improved or deteriorated since the time of the original investment, and any financing activities of Venatorx. The result of such consideration provided indications whether the carrying value of the investment should be increased or decreased to represent fair value.

With the assistance of an independent valuer, as of 31 December 2023, the fair value of the investment in Series B Preferred Stock are estimated by using adjusted equity value method first to determine the total equity value of Venatorx, and then option pricing model was adopted to allocate the equity value to the Series B Preferred Stock. Based on the Group's assessment, the fair value of this investment in Venatorx was USD1.9 million (equivalent to RMB13.4 million) which is USD0.1 million (equivalent to RMB0.8million), higher than the carrying value of USD1.8 million as of 31 December 2022, and the difference of RMB0.8 million was recorded in profit or loss for the year ended 31 December 2023. The key assumptions as at 31 December 2023 are summarized as follows:

	As at 31 December 2023
Risk-free interest rate	4.2%
Expected volatility	112%

As at 31 December 2022, the fair value of this investment was determined by reference to the recent transaction price in March 2022, when Venatorx completed another round of financing. Based on the Group's assessment, the fair value of this investment in Venatorx was USD1.8 million (equivalent to RMB11.9 million) which is USD3.2 million (equivalent to RMB21.7 million), lower than the carrying value of USD5 million as of 31 December 2021, and the difference of RMB21.7 million was recorded in profit or loss for the year ended 31 December 2022.

(Expressed in thousands of RMB unless otherwise stated)

18 OTHER NON-CURRENT ASSETS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Rental deposits	**5,504**	6,163
Loan to a director (a)	**2,403**	2,334
Prepayment for equipment	**619**	80,524
	8,526	89,021

(a) On 2 July 2020, the Company provided a loan to one director of the Company, at the total amount of USD325 thousand. The loan has term of three years and a simple interest rate of 5.0% per annum. The principal and accrued interest will be paid on maturity date. In 2021, pursuant to an amendment agreement with this director, the interest rate decreased from 5.0% per annum to 1.25% per annum. In July 2023, according to the contract, such loan was automatically renewed for another three years with the same interest rate of 1.25% per annum, and the principal and interests will be repaid by this director in July 2026.

Other than above, there were no outstanding loan made for the purpose of employee share scheme or loans to employees during the years ended 31 December 2023 and 2022.

19 INVENTORIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Drug products	**18,944**	11,637

(Expressed in thousands of RMB unless otherwise stated)

20 TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables from contracts with customers	**49,858**	5,214

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 3 months	**49,858**	5,214

The Group's trading term with its customers are based on the payment schedule of the contracts with normal credit term from 60 to 90 days from the day of billing. The ageing of trade receivables as at the end of the reporting period, based on the date of invoice or the date of the service rendered, is less than three months and the expected credit loss is minimal. Trade receivables are non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

The carrying amount of the Group's trade receivables is denominated in the following currencies:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
CNY	**26,636**	–
USD	**22,360**	–
SGD	**862**	5,214
	49,858	5,214

(Expressed in thousands of RMB unless otherwise stated)

21 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets As at 31 December	
	2023	2022
	RMB'000	RMB'000
Assets as per statements of financial position		
Amortised cost:		
Other non-current assets, excluding non-financial assets	**7,907**	8,497
Prepayments and other current assets, excluding non-financial assets	**24,251**	1,658,326
Trade receivables (a)	**49,858**	5,214
Bank deposits	**1,826,628**	1,160,588
Cash and cash equivalents	**523,063**	490,788
Fair value through profit and loss:		
Investments in Venatorx	**13,365**	12,303
Fair value through other comprehensive income:		
Investments in I-Mab	**35,565**	76,939
	2,480,637	3,412,655

(a) As of 31 December 2023 and 31 December 2022, the ageing of trade receivables is within one year from the invoice date.

(Expressed in thousands of RMB unless otherwise stated)

21 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial liabilities	
	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Liabilities as per statements of financial position		
Amortised cost:		
Trade and other payables	191,840	425,617
Other current liabilities	–	424,081
Borrowings	451,978	–
Lease liabilities	58,648	79,634
Fair value through profit and loss:		
Financial instruments issued to investors	28,614	30,923
	731,080	960,255

22 PREPAYMENTS AND OTHER CURRENT ASSETS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Value-added tax recoverable	47,248	23,272
Interest receivables	21,696	9,214
Receivables due from third parties (a)	13,012	1,648,825
Prepayments to suppliers	6,042	64,290
Rental deposits	206	287
Others	916	27
	89,120	1,745,915

(a) As at 31 December 2022, receivables due from a third party represented the unsettled proceeds from disposal of intangible asset and receivables from transition service provided. The receivables were subsequently received in January and February 2023 (Refer to Note 16(e)).

(Expressed in thousands of RMB unless otherwise stated)

22 PREPAYMENTS AND OTHER CURRENT ASSETS (CONTINUED)

None of the above assets is past due or impaired. The financial assets included in the above balances mainly related to rental deposits for which there was no history of default and the expected credit losses are considered minimal.

23 CASH AND CASH EQUIVALENTS AND BANK DEPOSITS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Cash at bank	**523,063**	490,788
Bank deposits	**1,826,628**	1,160,588
	2,349,691	1,651,376
Cash and bank balances denominated in:		
— USD	**2,222,712**	1,465,887
— RMB	**97,366**	170,774
— HKD	**25,118**	6,929
— SGD	**3,040**	3,073
— KRW	**1,455**	4,713
	2,349,691	1,651,376

As at 31 December 2023 and 2022, cash and cash equivalents of the Group are mainly denominated in USD and RMB (2022: USD and RMB).

Bank deposits included fixed rate certificates of deposit not fall in the scope of cash equivalents and term deposits with initial term of over three months and less than one year. Bank deposits were neither past due nor impaired. The directors of the Company considered that the carrying amount of the bank deposits approximated to their fair value as of 31 December 2023. The effective interest rates of the bank deposits for the year ended 31 December 2023 were 5.20%–5.35%.

(Expressed in thousands of RMB unless otherwise stated)

24 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current		
Preferred Shares issued by EverNov	28,614	30,923

On 20 June 2018, the Company's subsidiary EverNov entered into a license agreement with Novartis International Pharmaceutical Ltd. ("Novartis") and obtained the right to research, develop and commercialize one compound FGF401. The total upfront fee paid for the license included cash consideration of USD20 million (equivalent to RMB133 million) and 4,000,000 Series A-2 Convertible Preferred Shares issued by EverNov (See Note 16(d) for details). On the same date, EverNov issued 21,000,000 Series A-1 Convertible Preferred Shares to the Company, at the purchase price of USD1.00 per share for an aggregate purchase price of USD21 million (equivalent to RMB139 million) in cash.

Pursuant to the Memorandum of Articles of Association of EverNov, Novartis has the option to request EverNov to redeem its equity interests at USD4 million (equivalent to RMB27 million) upon certain deemed liquidation events. Therefore, the Company designated the Series A-2 Convertible Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value.

With the assistance of an independent valuer, the fair value of the preferred shares are estimated by using discounted cash flow method first to determine the total equity value of EverNov, and then option pricing model was adopted to allocate the equity value to the preferred shares. The key assumptions are summarized as follows:

	As at 31 December	
	2023	2022
Discount rate	16.0%	18.0%
Discount of lack of marketability	30.0%	27.0%
Risk-free interest rate	4.0%	4.2%
Expected volatility	77.0%	83.0%

(Expressed in thousands of RMB unless otherwise stated)

24 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

EverNov's preferred share activities during the years ended 31 December 2023 and 2022 are summarized below:

	EverNov Series A 2 Convertible Preferred Shares RMB'000
Balance as of 1 January 2023	**30,923**
Fair value change	**(2,819)**
Currency translation differences	**510**
Balance as of 31 December 2023	**28,614**
Balance as of 1 January 2022	26,778
Fair value change	1,614
Currency translation differences	2,531
.	
Balance as of 31 December 2022	30,923

(Expressed in thousands of RMB unless otherwise stated)

25 LEASE LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Minimum lease payments due		
— Within 1 year	19,120	20,878
— Between 1 and 2 years	20,349	23,606
— Between 2 and 5 years	23,839	42,783
— Over 5 years	–	561
	63,308	87,828
Less: future finance charges	(4,660)	(8,194)
Present value of lease liabilities	58,648	79,634
Portion classified as current liabilities	18,652	20,327
Portion classified as non-current liabilities	39,996	59,307
Present value of lease liabilities due		
— Within 1 year	18,652	20,327
— Between 1 and 2 years	19,129	21,941
— Between 2 and 5 years	20,867	36,926
— Over 5 years	–	440
	58,648	79,634

The following table sets forth the discount rate of our lease liabilities as the dates indicated:

	As at 31 December	
	2023	2022
	%	%
Lease liabilities	0.2%–13.71%	0.2%–13.71%

The Group leases various properties for operation and these liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid.

(Expressed in thousands of RMB unless otherwise stated)

25 LEASE LIABILITIES (CONTINUED)

The statement of profit or loss shows the following amounts relating to leases:

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Depreciation charge of right-of-use assets	**(17,200)**	(26,414)
Interest expense (included in finance costs)	**(3,225)**	(5,591)
Expense relating to short-term leases (included in general and administrative expenses)	**(1,226)**	(1,277)

The total cash outflow for leases for the year ended 31 December 2023 were RMB21,495 thousand (2022: RMB30,592 thousand), respectively.

Information about right-of-use assets is set out in Note 15.

As at 31 December 2023 and 2022, the Group leases some offices and equipments under irrevocable lease contracts with lease term less than one year and leases of low value assets that have been exempted from recognition of right-of-use assets as permitted under IFRS16. The future aggregate minimum lease payment under irrevocable lease contracts for these exempted contracts are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
No later than 1 year	**453**	189

(Expressed in thousands of RMB unless otherwise stated)

26 BORROWINGS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current:		
Unsecured bank loans (a)	**230,000**	–
Secured bank loans (b)	**199,314**	–
	429,314	–
Current:		
Secured bank loans (b)	**22,146**	–
Bank loans — interest payables	**518**	–
	22,664	–
	451,978	–

At 31 December, the group's borrowings were repayable as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 1 year	**22,664**	–
Between 1 and 2 years	**307,511**	–
Between 2 and 5 years	**121,803**	–
Over 5 years	**–**	–
	451,978	–

(a) In April 2023, the Group entered into a loan agreement with Industrial Bank Co., Ltd, Shanghai Branch, pursuant to which the Company obtained a loan of RMB230 million with the loan period from April 2023 to April 2025. The interest rate was one-year's Loan Prime Rate ("LPR") plus 0.9% with interests payable at each quarterly end. There was no guarantee or pledge for the loan. This loan contain certain standard covenants including, among others, limitation on liens, liquidation and dissolution of the Company. As at 31 December 2023, the Company was in compliance with all of the loan covenants.

(b) In August 2023, the Group entered into a loan agreement with Industrial Bank Co., Ltd, pursuant to which the Company obtained a loan of RMB221.46 million with the loan period from August 2023 to August 2026. The interest rate was one-year's Loan Prime Rate ("LPR") plus 0.45% with interests payable at each quarterly end. The loan is pledged by 22.7273% equity interest of the Everest Medicines (China) Co., Ltd. This loan contains certain standard covenants including, among others, limitation on liens, liquidation and dissolution of the Company. As of 31 December 2023, the Company was in compliance with all of the loan covenants.

(Expressed in thousands of RMB unless otherwise stated)

27 OTHER CURRENT/NON — CURRENT LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current:		
Government grants (a)	**6,053**	–
Current:		
Borrowings from Jiashan Shanhe (b)	**–**	424,081
	6,053	424,081

(a) On 17 February 2023, the Group received a government grant of RMB6.2 million from local government to subsidize the Group's purchase of property, plant and equipment. The Group recorded the grant as deferred income in non-current liabilities, which is recognized as other income in consolidated statement of comprehensive loss on a straight-line basis over the expected useful lives of the related assets.

(b) On 17 March 2020, the Company entered into an investment agreement and a supplemental agreement with Jiashan Shanhe Equity Investment Company ("Jiashan Shanhe"), pursuant to which Jiashan Shanhe subscribed 37% of equity interest in Everest China, a subsidiary established under the Company's wholly owned subsidiary Everest Medicines II (HK) Limited ("Everest II HK"), in RMB cash equivalent to USD50 million. In addition, the Company transferred all its equity interests in Everest Medicines (Suzhou) Inc., EverID Medicines (Beijing) Limited and Everstart Medicines (Shanghai) Limited to Everest China.

According to the supplemental agreement, right starting in the fourth year of the date of Jiashan Shanhe's capital contribution, Jiashan Shanhe has the right to require the Company Everest China or parties designated by the Company to redeem all of its investment in Everest China with the redemption price of original investment amount plus a return at 8% simple rate per annum. At the same time, the Company has a call option to repurchase Jiashan Shanhe's investment in Everest China at the same time with the same repurchase amount. Furthermore, Jiashan Shanhe was not entitled to the right to appoint board of directors, voting right in a shareholders' meeting and dividend right but only retained the information right and right to appoint an observer to attend board meetings. Therefore the Company classified the investment from Jiashan as borrowings in non-current liabilities, which are subsequently measured at amortised cost using the effective interest rate method.

In June 2023, it was agreed that the Company repurchased all equity interests held by Jiashan Shanhe, through a newly established subsidiary in PRC, at the cash consideration of RMB442.9 million, representing the original investment amount made by Jiashan Shanhe plus agreed interests. Upon the completion of this transaction, the Company derecognized the borrowings from Jiashan Shanhe and Everest China became a wholly owned subsidiary of the Company.

(Expressed in thousands of RMB unless otherwise stated)

28 TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Salary and staff welfare payables	63,251	154,366
Payables for property, plant and equipment	56,936	129,057
Trade payables (a)	48,893	44,495
Payables for service suppliers (a)	46,587	63,025
Payable for intangible asset	21,956	–
Accrued service fees due to CROs	10,263	27,701
Tax payables	3,720	5,962
Others	7,205	1,011
	258,811	425,617

As at 31 December 2023 and 2022, all trade and other payables of the Group were non-interest bearing, and their fair value approximately equal to their carrying amounts due to their short maturities.

(a) As at 31 December 2023 and 2022, the ageing analysis of trade payables and payables for service suppliers based on invoice date are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
— Within 1 year	95,480	107,520

29 SHARE CAPITAL

Share capital of the Company

	Number of shares	Nominal value of shares in USD
Authorized		
Authorized shares upon incorporation and as at 31 December 2023 and 2022 (a)	500,000,000	50,000

(Expressed in thousands of RMB unless otherwise stated)

29 SHARE CAPITAL (CONTINUED)

Share capital of the Company (continued)

	Number of shares	Nominal value of shares in USD	Nominal value of shares in RMB
Issued			
As at 1 January 2023	312,088,673	31,210	211,465
Issuance of ordinary shares to Share Scheme Trusts (b)	3,202,888	320	2,257
Exercise of stock options	8,413,159	841	5,928
As at 31 December 2023	323,704,720	32,371	219,650
As at 1 January 2022	298,522,435	29,853	202,269
Issuance of ordinary shares to Share Scheme Trusts (b)	7,850,000	785	5,279
Issuance of ordinary shares to Providence (Note 16(g))	3,492,365	349	2,422
Cancellation of shares (c)	(1,615,500)	(162)	(1,087)
Exercise of stock options	3,839,373	385	2,582
As at 31 December 2022	312,088,673	31,210	211,465

(a) The authorized share capital of USD50,000 is divided into 500,000,000 ordinary shares of a par value of USD0.0001 each.

(b) The Company issued ordinary shares with respect to the restricted share units and stock options under the employees share-based compensation arrangements to be vested or exercised by certain grantees of the Company to trusts, which were established to hold the shares for and on behalf of the grantees ("Share Scheme Trusts").

The Company has the power to direct the relevant activities of the Share Scheme Trusts and it has the ability to use its power over the Share Scheme Trusts to affect its exposure to returns. Therefore, the Company has consolidated the Share Scheme Trusts. Before the release of shares to grantees upon the vesting and exercise of their awards, the ordinary shares held by Share Scheme Trust were regarded as treasury shares and presented as a deduction in equity (Note 31(b)).

(c) During the year ended 31 December 2021, the Company repurchased 1,615,500 shares in the market. These shares were subsequently cancelled on 10 June 2022.

(Expressed in thousands of RMB unless otherwise stated)

30 SHARE-BASED COMPENSATION

(i) Restricted share units

The restricted share units issued to employees shall be released in accordance with the following schedule: (A) one-fourth (1/4) of such restricted share units shall be released on the first anniversary of the commencement date; (B) the remainder of such restricted shares shall be released in thirty-six (36) equal monthly instalments, twelve (12) equal quarterly instalment, or upon the second, third and fourth anniversaries of the commencement date.

The following table summarizes the Group's restricted shares activities:

	Numbers of shares	Weighted average grant date fair value USD
Non-vested shares at 1 January 2023	10,727,179	3.99
Granted	7,179,974	1.69
Forfeited	(6,497,821)	2.22
Vested	(5,483,844)	4.59
Non-vested shares at 31 December 2023	5,925,488	2.58
Non-vested shares at 1 January 2022	7,363,550	7.11
Granted	11,555,348	1.80
Forfeited	(4,476,948)	2.24
Vested	(3,714,771)	5.48
Non-vested shares at 31 December 2022	10,727,179	3.99

On 1 April 2022, as approved by the Company's board of directors, a total of 4,500,000 restricted shares were granted to certain management executives with service and performance conditions. Performance conditions included non-market or market performance conditions and the assessment period for these performance conditions ends on 1 May 2023. The non-market performance condition included specified performance targets of the Group's operations; The market condition requires that certain shares to become vested upon achievement of each milestone when the average volume based closing trading price of the Company during any of 30 consecutive trading days higher than predetermined share prices.

(Expressed in thousands of RMB unless otherwise stated)

30 SHARE-BASED COMPENSATION (CONTINUED)

(i) Restricted share units (continued)

On 19 September 2022, as approved by the Company's board of directors, a total of 1,200,000 restricted shares were granted to certain management executive with service and market performance conditions and the assessment period for these performance conditions ends on 31 August 2024. The market condition requires that certain shares to become vested upon achievement of each milestone when the average volume based closing trading price of the Company during any of 30 consecutive trading days higher than pre-determined share prices.

On 3 April 2023, as approved by the Company's board of directors, a total of 1,593,863 restricted shares were granted to certain management executives with service and performance conditions. Performance conditions included non-market or market performance conditions and the assessment period for these performance conditions ends on 3 April 2026. The Performance Target Awards shall become immediately vested upon the achievement of certain operational targets and stock price targets as set out in the relevant grant letter.

For restricted share units with non-market performance condition, the Company adjusted the number of restricted share units expected to vest at each reporting period. As of 31 December 2023, the Company believed all these restricted share units are expected to vest; For restricted share units with market performance conditions, the Company used Monte Carlo Simulation model to simulate the share price trend in the future to determine the time when such market performance conditions are met, then share-based compensation expenses is recognized over the vesting terms irrespective of whether that market performance conditions are achieved subsequently. Share-based compensation expenses for those restricted share units granted on 1 April 2022, 19 September 2022 and 3 April 2023 were measured using the fair value of USD0.43, USD0.07 and during USD0.08 to USD0.47, respectively, at the grant date respectively and were recognised in the consolidated statements of comprehensive loss by using graded vesting method over the vesting term.

The grant date fair value for restricted share units granted during the years ended 31 December 2023 and 2022 were computed using the Monte Carlo Simulation model with the assumptions summarized as follows:

	Years ended 31 December	
	2023	2022
Risk-free interest rate	**3.4%–4.9%**	2.6%–3.7%
Expected dividend yield	**0%**	0%
Expected volatility	**60%**	65%

30 SHARE-BASED COMPENSATION (CONTINUED)

(i) Restricted share units (continued)

Except for the restricted share units with market performance vesting conditions, the share-based compensation expenses for the restricted share units granted on 1 April 2022, 19 September 2022 and 3 April 2023 were measured using the fair value of the Company's ordinary shares of USD2.92, USD1.13 and USD2.04 at the grant date, respectively, and were recognised in the consolidated statements of comprehensive loss by using graded vesting method over the vesting term.

The share-based compensation expenses for the restricted share units recognized for the year ended 31 December 2023 were RMB48,488 thousand (2022: RMB165,291 thousand), respectively.

As of 31 December 2023, there was RMB26,215 thousand (As of 31 December 2022: RMB96,888 thousand) of unrecognized share-based compensation expenses related to restricted share units, which is expected to be recognized over a weighted average period of 1.49 years (As of 31 December 2022: 1.52 years).

(ii) Stock option

On 23 November 2017, the board of directors adopted a Stock Option Plan for Management Shareholders for issuance of stock options to Management Shareholders ("Stock Option Plan for Management Shareholders"). Such Plan has a contractual term of ten (10) years from the adoption date, and grants under the Plan vest over a period of three years of continuous service, with one-third (1/3) vesting upon the first anniversary of the stated vesting commencement date and the remaining vesting ratably over the following 24 months.

On 25 December 2018, and amended on 17 February 2020, the board of directors adopted a Stock Option Plan for Employees for issuance of stock options to employee, officer, director, contractor, advisor or consultant of the Group with the maximum aggregate number of 8,080,489 shares reserved ("Stock Option Plan for Employees"). According to the Stock Option Plan for Employees, a contractual term of ten (10) years from adoption date, and grants under the Plan vest over a period of four years of continuous service, with one-fourth (1/4) vesting upon the first anniversary of the stated vesting commencement date and the remaining vesting ratably over the following 12 quarters.

On 21 September 2020, the Company's shareholders approved the Post IPO Share Option Scheme, which was effective upon completion of the Listing. The total number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of the Company is 28,369,038, being no more than 10% of the shares in issue on the date the shares commence trading on the Stock Exchange (assuming the Over-allotment Option is not exercised and no shares are issued under the share schemes.

(Expressed in thousands of RMB unless otherwise stated)

30 SHARE-BASED COMPENSATION (CONTINUED)

(ii) Stock option (continued)

The following table summarizes the Group's stock option activities:

	Number of Options Outstanding	Weighted Average Exercise Price USD	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value RMB'000
Outstanding at 1 January 2023	21,476,608	2.09	5.18	21,331
Granted	8,920,924	1.99		
Forfeited	(6,360,779)	3.74		
Exercised	(8,413,159)	0.50		
Outstanding at 31 December 2023	15,623,594	2.21	5.55	50,333
Outstanding at 1 January 2022	23,316,096	2.44	8.54	259,469
Granted	10,160,922	2.18		
Forfeited	(8,161,037)	4.09		
Exercised	(3,839,373)	0.20		
Outstanding at 31 December 2022	21,476,608	2.09	5.18	21,331

(Expressed in thousands of RMB unless otherwise stated)

30 SHARE-BASED COMPENSATION (CONTINUED)

(ii) Stock option (continued)

The weighted average grant date fair value for options granted during the year ended 31 December 2023 was USD2.21 (equivalent to RMB15.65), computed using Black Scholes model to determine the fair value as of the grant date, with the assumptions summarized as follows:

	Year ended 31 December 2023
Risk-free interest rate	3.6%–3.7%
Expected dividend yield	0%
Expected volatility	60%

The weighted average grant date fair value for stock options granted during the year ended 31 December 2022 was USD2.09 (equivalent to RMB14.56), computed using the Black Scholes model to determine the fair value as at the grant dates, with the assumptions summarized as follows:

	Year ended 31 December 2022
Risk-free interest rate	2.6%–3.7%
Expected dividend yield	0%
Expected volatility	60%

The share-based compensation expenses for the stock options recognized for the year ended 31 December 2023 were RMB24,864 thousand (2022: RMB40,820 thousand), respectively.

As of 31 December 2023, there were unrecognized share-based compensation expenses of RMB25,689 thousand (As of 31 December 2022: RMB47,183 thousand) related to stock options, respectively.

(iii) Other share-based compensation arrangements

On 6 March 2020, Everest Management Holding Co., Ltd ("Manco"), the shareholder of the Company, granted its restricted shares to the Group's directors for their services provided to the Group. The share-based compensation expenses for such restricted shares for the year ended 31 December 2023 were RMB68 thousand and were recognized by the Group in its consolidated financial statements accordingly (2022: RMB384 thousand).

(Expressed in thousands of RMB unless otherwise stated)

31 RESERVES

	Capital reserve (a) RMB'000	Treasury shares (b) RMB'000	Total RMB'000
At 1 January 2023	13,817,287	(3)	13,817,284
Share-based compensation	73,420	–	73,420
Issuance of ordinary shares to Share Scheme Trusts (Note 29(b))	–	(2)	(2)
Restricted share units vested	(4)	4	–
Exercise of stock options	29,781	–	29,781
At 31 December 2023	13,920,484	(1)	13,920,483
At 1 January 2022	13,623,367	(58,707)	13,564,660
Share-based compensation	206,495	–	206,495
Issuance of ordinary shares to Share Scheme Trusts (Note 29(b))	–	(5)	(5)
Issuance of ordinary shares to Providence (Note 16 (g))	40,855	–	40,855
Restricted share units vested	(2)	2	–
Exercise of stock options	5,278	–	5,278
Cancellation of shares	(58,706)	58,707	1
At 31 December 2022	13,817,287	(3)	13,817,284

(a) Capital reserve

Capital reserve includes share premium arising from the issuance of shares at a price in excess of par value.

(b) Treasury shares

	Number of shares		RMB'000	
	2023	2022	**2023**	2022
At beginning of the year	6,629,657	4,109,928	3	58,707
Cancellation of shares	–	(1,615,500)	–	(58,707)
Issuance of ordinary shares to Share Scheme Trusts (Note 29(b))	3,202,888	7,850,000	2	5
Restricted share units vested	(5,483,844)	(3,714,771)	(4)	(2)
At end of the year	4,348,701	6,629,657	1	3

(Expressed in thousands of RMB unless otherwise stated)

32 ACCUMULATED OTHER COMPREHENSIVE INCOME

	FVOCI reserve RMB'000	Exchange reserve RMB'000	Total RMB'000
At 1 January 2023	**(187,042)**	**196,048**	**9,006**
Change in fair value of financial assets at FVOCI	**(42,461)**	**–**	**(42,461)**
Foreign currency translation	**–**	**97,902**	**97,902**
At 31 December 2023	**(229,503)**	**293,950**	**64,447**
At 1 January 2022	581,064	(329,195)	251,869
Change in fair value of financial assets at FVOCI	(768,106)	–	(768,106)
Foreign currency translation	–	525,243	525,243
At 31 December 2022	(187,042)	196,048	9,006

33 NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(i) Major non-cash transactions — investing activities

	Years ended 31 December	
	2023 RMB'000	2022 RMB'000
Purchase of intangible assets	**21,866**	207,783
Waiver of achieved milestones	**–**	(168,153)
Fair value change in financial assets at fair value through profit or loss	**848**	(21,748)
	22,714	17,882

(Expressed in thousands of RMB unless otherwise stated)

33 NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(ii) Major non-cash transactions — financing activities

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Disposal of right-of-use assets	(5,974)	(16,855)
Fair value change in financial instruments issued to investors	(2,819)	1,614
	(8,793)	(15,241)

(iii) Net debt reconciliation

	Borrowings	Other current/ non-current liability	Preferred shares	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	–	424,081	30,923	79,634	534,638
Financing cash flows in	451,460	–	–	–	451,460
Financing cash flows out	(7,945)	(442,930)	–	(20,269)	(471,144)
Interest expenses	8,463	11,371	–	3,225	23,059
Non-cash transactions	–	–	(2,819)	(5,974)	(8,793)
Foreign currency translation	–	7,478	510	2,032	10,020
At 31 December 2023	451,978	–	28,614	58,648	539,240
At 1 January 2022	–	360,932	26,778	124,102	511,812
Financing cash flows out	–	–	–	(30,592)	(30,592)
Interest expenses	–	28,775	–	5,591	34,366
Non-cash transactions	–	–	1,614	(16,855)	(15,241)
Foreign currency translation	–	34,374	2,531	(2,612)	34,293
At 31 December 2022	–	424,081	30,923	79,634	534,638

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The equity holders, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(i) Name and relationship with related parties are set out below:

CBC Group, mainly comprises C-Bridge Healthcare Fund II, L.P., C-Bridge Investment Everest Limited, C-Bridge II Investment Eight Limited, C-Bridge Healthcare Fund IV, L.P., C-Bridge IV Investment Two Limited, C Bridge IV Investment Nine Limited Ltd., C-Bridge Capital Investment Management, Ltd. ("C-Bridge Capital"), CBC Group Investment Management, Ltd, C-Bridge Value Creation Limited and Everest Management Holding Co., Ltd. As at 31 December 2023, C Bridge Healthcare Fund II, L.P. and C-Bridge Healthcare Fund IV, L.P., own approximately 41% (2022: 43%) of shares in the Group on a collective basis.

Name of related party	Relationship
CBC Joint Value Creation Limited.	Entity controlled by CBC Group

Save as disclosed elsewhere in the Notes in this report, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2023 and 2022.

(Expressed in thousands of RMB unless otherwise stated)

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Transactions

These transactions were conducted in the normal course of business at prices and terms mutually agreed among the parties.

(a) Management consultancy services provided by a related party

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
CBC Joint Value Creation Limited.	**4,933**	–

(b) Renewal of loan to a director

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loan to a director	**2,403**	–

(iii) Balances

(a) Loan receivable due from a director

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Loan receivable due from a director	**2,403**	2,334

The above balances with related parties were mainly denominated in USD, unsecured, service provision in nature and non-interest bearing. Their fair values approximated their carrying amounts as at 31 December 2023.

None of the above receivables is past due or impaired. The financial assets related to amount due from related parties for which there was no history of default and the expected credit losses are considered minimal.

(Expressed in thousands of RMB unless otherwise stated)

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) Key management compensation:

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries, wages and bonuses	**42,710**	66,017
Contributions to pension plans	**547**	628
Housing funds, medical insurance and other social insurance	**1,601**	1,923
Share-based payments	**22,251**	92,273
Termination benefits	**2,734**	11,124
	69,843	171,965

The Salaries, wages and bonuses disclosed above include RMB10,128 thousand (2022: RMB28,214 thousand) of bonuses payable which were unpaid as at year end and are included in other payables. In addition, the Contributions to pension plans and Housing funds, medical insurance and other social insurance disclosed include RMB12 thousand (2022: RMB47 thousand) of obligations payable to the key management personnel. The share-based payments provided to key management personnel consist of options and deferred shares which are both equity-settled. The Termination benefits, representing the compensation the Group agreed to pay to these key management upon their termination of employment with the Group, include RMB0 thousand (2022: RMB9,152 thousand) of obligations payable to the key management personnel.

35 COMMITMENTS

Other than lease commitments for short-term leases disclosed in Note 25, the Group had the following commitments:

Capital expenditure commitments

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Property, plant and equipment	**78,714**	132,774

(Expressed in thousands of RMB unless otherwise stated)

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Assets		
Non-current assets		
Intangible assets	1,056,008	1,043,938
Investments in subsidiaries	5,941,455	4,996,935
Investments	35,565	76,939
Right-of-use assets	–	1,119
Other non-current assets	2,403	2,334
	7,035,431	6,121,265
Current assets		
Amounts due from subsidiaries	6,065	162,905
Prepayments and other current assets	22,149	133,911
Bank deposits	1,600,690	1,160,588
Cash and cash equivalents	412,354	193,309
	2,041,258	1,650,713
Total assets	9,076,689	7,771,978

(Expressed in thousands of RMB unless otherwise stated)

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Balance sheet (continued)

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Liabilities		
Non-current liabilities		
Borrowings	230,000	–
	230,000	–
Current liabilities		
Lease liabilities	–	1,613
Amounts due to subsidiaries	1,079,097	59,967
Trade and other payables	4,196	12,845
Borrowings	278	–
	1,083,571	74,425
Total liabilities	1,313,571	74,425
Equity		
Equity attributable to the equity holders of the Company		
Share capital	219	211
Reserves	13,920,483	13,817,284
Accumulated deficit	(6,268,254)	(6,193,301)
Accumulated other comprehensive income	110,670	73,359
Total equity	7,763,118	7,697,553
Total equity and liabilities	9,076,689	7,771,978

Balance sheet of the Company was approved by the board of directors on 27 March 2024 and was signed on its behalf.

Yongqing Luo	**Ian Ying Woo**
Executive Directors, Chief Executive Officer	*Executive Directors, President & Chief Financial Officer*

(Expressed in thousands of RMB unless otherwise stated)

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement

	Capital reserve RMB'000	Treasury shares RMB'000	Total RMB'000
At 1 January 2023	13,817,287	(3)	13,817,284
Share-based compensation	73,420	–	73,420
Issuance of ordinary shares to Share Scheme Trusts (Note 29(b))	–	(2)	(2)
Restricted share units vested	(4)	4	–
Exercise of stock options	29,781	–	29,781
At 31 December 2023	13,920,484	(1)	13,920,483
At 1 January 2022	13,623,367	(58,707)	13,564,660
Share-based compensation	206,495	–	206,495
Issuance of ordinary shares to Share Scheme Trusts (Note 29(b))	–	(5)	(5)
Issuance of ordinary shares to Providence (Note 16(g))	40,855	–	40,855
Restricted share units vested	(2)	2	–
Exercise of stock options	5,278	–	5,278
Cancellation of shares	(58,706)	58,707	1
At 31 December 2022	13,817,287	(3)	13,817,284

(Expressed in thousands of RMB unless otherwise stated)

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(c) Accumulated other comprehensive income

	FVOCI reserve RMB'000	Exchange reserve RMB'000	Total RMB'000
At 1 January 2023	(187,042)	260,401	73,359
Change in fair value of financial assets at FVOCI	(42,461)	–	(42,461)
Foreign currency translation	–	79,772	79,772
At 31 December 2023	(229,503)	340,173	110,670
At 1 January 2022	581,064	(392,192)	188,872
Change in fair value of financial assets at FVOCI	(768,106)	–	(768,106)
Foreign currency translation	–	652,593	652,593
At 31 December 2022	(187,042)	260,401	73,359

Five Year Financial Summary

CONSOLIDATED RESULTS

	Years ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating loss	**(932,738)**	(256,800)	(1,026,332)	(688,457)	(176,112)
Loss before income tax	**(844,463)**	(247,275)	(1,008,719)	(5,658,165)	(214,512)
Loss for the year attributable to the equity holders of the Company	**(844,463)**	(247,283)	(1,008,719)	(5,658,165)	(214,512)
Total comprehensive loss for the year attributable to the equity holders of the Company	**(789,022)**	(490,146)	(1,121,208)	(5,246,910)	(229,826)

CONSOLIDATED ASSETS AND LIABILITIES

	Years ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**3,265,159**	3,200,596	3,957,895	2,980,772	2,005,787
Current assets	**2,507,613**	3,414,142	2,687,928	4,496,409	131,153
Total assets	**5,772,772**	6,614,738	6,645,823	7,477,181	2,136,940
Non-current liabilities	**503,977**	90,230	483,561	449,196	2,494,149
Current liabilities	**300,127**	870,025	270,266	186,914	503,873
Total liabilities	**804,104**	960,255	753,827	636,110	2,998,022
Total equity/(deficit)	**4,968,668**	5,654,483	5,891,996	6,841,071	(861,082)

Definitions

"AGM"	the annual general meeting of the Company to be held before 30 June 2024
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Articles of Association"	the articles of association of the Company amended on 29 June 2022, as amended from time to time
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the board of directors of our Company
"CG Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"China" or the "PRC"	the People's Republic of China, and for the purpose of this report only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "the Company" or "Everest Medicines"	Everest Medicines Limited, an exempted company with limited liability incorporated in Cayman Islands and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1952)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transactions"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of our Company
"Global Offering"	the Hong Kong Public Offering and the International Offering as defined in the Prospectus

"Group", "our Group", "the Group", "we", "us" or "our"	the Company and its subsidiaries from time to time
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars", "HK dollars", "HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"IPO"	initial public offering
"Latest Practicable Date"	25 March 2024, being the latest practicable date for ascertaining certain information in this annual report before its publication
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	9 October 2020, the date on which the Shares were listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
"NDA"	new drug application

"NMPA"	China National Medical Products Administration (國家藥品監督管理局), successor to the China Food and Drug Administration (國家食品藥品監督管理總局)
"Nomination Committee"	the nomination committee of the Company
"Post-IPO Share Award Scheme"	the post-IPO share award scheme adopted by the Company on 21 September 2020
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Company on 21 September 2020
"Post-IPO Share Schemes"	the Post-IPO Share Award Scheme and the Post-IPO Share Option Scheme
"PRC Legal Advisor"	Zhong Lun Law Firm, our legal advisor on PRC law
"Pre-IPO ESOP"	the employee equity plan approved and adopted by our Company on 25 December 2018 as amended and restated on 17 February 2020
"Pre-IPO MSOP"	the employee stock option plan approved and adopted by our Company on 23 November 2017
"Pre-IPO Share Schemes"	the Pre-IPO ESOP and Pre-IPO MSOP
"Prospectus"	the prospectus of the Company dated 25 September 2020
"Remuneration Committee"	the Remuneration Committee of the Company
"Reporting Period"	the year ended 31 December 2023
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company, currently with a par value of US$0.0001 each
"Share Schemes"	the Pre-IPO Share Schemes and the Post-IPO Share Schemes

Definitions

"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"%"	per cent

EVEREST MEDICINES
云顶新耀