EVEREST MEDICINES
云 顶 新 耀

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

2022 Annual Report

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wei Fu (傅唯) *(Chairman of the Board)*

Dr. Kerry Levan Blanchard
(resigned with effect from 26 August 2022)

Mr. Yongqing Luo (羅永慶)
(appointed with effect from 19 September 2022)

Mr. Ian Ying Woo (何穎)

Mr. Xiaofan Zhang (張曉帆)

Non-Executive Directors

Mr. Yubo Gong (龔聿波)

Ms. Lan Kang (康嵐)

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)

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)

REMUNERATION COMMITTEE

Mr. Bo Tan (譚擘) *(Chairman)*
(resigned with effect from 19 January 2023)

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)

NOMINATION COMMITTEE

Mr. Wei Fu (傅唯) *(Chairman)*

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)

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)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered
Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman
KY1-1104 , Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

16/F., CITIC Pacific Plaza
1168 West Nanjing Road, Jing'an District
Shanghai 200041, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong
(with effect from 24 August 2022)

LEGAL ADVISORS

As to Hong Kong law and United States law

Skadden, Arps, Slate, Meagher & Flom
42/F, Edinburgh Tower, The Landmark
15 Queen's Road Central, Hong Kong

As to PRC law

Zhong Lun Law Firm
6/10/11/16/17F, Two IFC, 8 Century Avenue
Pudong New Area, Shanghai 200120, PRC

As to Cayman Islands law

Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
32nd Floor, 4-4A Des Voeux Road, Central
Hong Kong

STOCK CODE

1952

COMPANY WEBSITE

www.everestmedicines.com

Chairman's Statement

Dear Everest Medicines Shareholders,

After a volatile 2021 and most of 2022 for the capital markets, especially in the biotech sector, the Hang Seng Hong Kong-Listed Biotech Index stabilized in the fourth quarter after falling nearly two-thirds from its 2021 peak. In addition, China's move to reopen in November 2022 was received positively by investors, with both the Hang Seng and Hang Seng Hong Kong-Listed Biotech Indices bouncing back as optimism returned to the capital markets. Fueled by the robust momentum, Everest Medicines' ("Everest" or the "Company") stock has rebounded over 300% as of 31 January 2023 since hitting a low of HK$6.18 on 31 October 2022, and continues to benefit from a new strategic direction disclosed externally in early January.

2022 was a year of transition for Everest, as we made significant strategic changes to the Company to better align with the external and macro environments. During the year, we strengthened our balance sheet by returning our rights to Trodelvy to Gilead Sciences, Inc. ("Gilead"). Following this transaction, we streamlined our operations to focus on key therapeutic areas and technologies with strong market potential, as well as made organizational improvements to enhance efficiency. Furthermore, we continue to pursue promising business development opportunities for assets with global rights, and simultaneously grow our in-house discovery team to advance projects across our therapeutic focus areas and leveraging our clinically-validated mRNA technology platform.

In September, we welcomed Mr. Yongqing Luo as our new Chief Executive Officer to lead Everest in its next stage of corporate and clinical growth. Mr. Luo brings a unique skill set, including extensive industry knowledge, outstanding leadership, excellent commercialization capabilities, as well as a track record of successfully advancing early- and late-stage innovative therapies to commercialization. Mr. Luo's leadership will strengthen Everest's management team and capabilities as we move to becoming a fully-integrated, commercial-stage biopharmaceutical company in 2023.

Amidst the turbulence of the biotech markets and the strategic restructuring of our pipeline, we nonetheless made impressive progress in our clinical development, manufacturing capabilities and in-house discovery efforts in 2022.

Significant Clinical Development Progress

Throughout the year, our development team excelled in both clinical and regulatory execution, advancing our potentially best-in-class and first-in-class investigational treatments in Asia for renal and infectious diseases, as well as advancing our mRNA technology.

We successfully filed a New Drug Application ("NDA") in China for Nefecon for the treatment of primary IgA Nephropathy ("IgAN") based on positive topline data from our Phase 3 trial of 62 patients from the Chinese population, which was consistent with the global Phase 3 NefIgArd study part A data reported by our partner, Calliditas Therapeutics AB ("Calliditas"). Nefecon was granted Priority Review by the Center for Drug Evaluation ("CDE") of the China National Medical Products Administration ("NMPA"), which accelerates the regulatory review process of this first-in-disease therapy. Building on our progress in China, the Ministry of Food and Drug Safety ("MFDS") in South Korea granted Orphan Drug Designation to Nefecon, and the Taiwan Food and Drug Administration granted Accelerated Approval Designation to Nefecon in November. These two designations facilitate our efforts to expedite the delivery of this innovative therapy to patients across Asia.

Another strategic priority for Everest is harnessing our mRNA platform's novel and disruptive technology. In October, we announced positive Phase 2 data which showed our mRNA COVID-19 vaccine candidate, PTX-COVID19-B, generated levels of neutralizing antibodies that were non-inferior to Comirnaty® with safety and tolerability profiles that were also similar to Comirnaty®. This was the first head-to-head clinical trial directly comparing a candidate vaccine to an approved mRNA vaccine. These positive data provide clinical validation of the promise of our mRNA platform and lay a strong foundation for the research and development of our second generation bivalent COVID-19 vaccine, EVER-COVID19-M1. We began rolling submissions for the Investigational New Drug ("IND") applications at the end of 2022.

Within our infectious disease portfolio, Xerava, our most advanced therapy in the pipeline, was approved for complicated intra-abdominal infections ("cIAI") in Hong Kong and Singapore, and commercialized in Singapore in 2022. In addition, the NDA for Xerava for the treatment of cIAI was accepted in Taiwan. To support bringing this therapy to patients, pending potential approval, we entered into an exclusive partnership agreement with TTY Biopharma ("TTY") to commercialize Xerava in Taiwan. Taniborbactam, our second-in-line infectious disease therapeutic candidate, has completed its pivotal Phase 3 study, CERTAIN-1, which reported positive topline data demonstrating statistical non-inferiority to meropenem in hospitalized adult patients with complicated urinary tract infections ("cUTI"). Everest joined and enrolled patients to this global Phase 3 trial.

Building Capabilities in Manufacturing & Discovery for Sustainable Growth

Progressing toward our goal to become a fully integrated Asian-based, leading global biopharmaceutical company, our mRNA vaccine manufacturing facility commenced operations and successfully conducted trial production runs in December 2022. The manufacturing site includes advanced production facilities built to meet global and China GMP standards and is designed for an annual production capacity of 700 million doses of mRNA vaccines. By localizing this important and advanced mRNA technology platform, Everest will be well-positioned to rapidly scale operations to meet growing market demand.

Furthermore, we are committed to expanding our pipeline through our robust and growing internal discovery engine and strategic in-licensing opportunities. In 2022, we achieved a preclinical proof-of-concept milestone for our mRNA rabies vaccine program, marking the first non-COVID-19 vaccine we have co-developed with our partner, Providence Therapeutics Holdings Inc. ("Providence"). Supporting the discovery efforts is our new research laboratory in Zhangjiang, Shanghai. The laboratory has 1,700 square meters of state-of-the-art facilities, including a BSL-2 lab, and has been fully operational since early 2022.

Chairman's Statement

2023 — A Year of Transformation

2023 will be a transformational year for Everest as the Company advances to become a commercial-stage company, with clinical pipeline supported by dual engines of in-house discovery and business development. We are thrilled to receive NMPA approval for Xerava for the treatment of cIAI in March 2023, it will be the first product of Everest commercializes in China. To prepare for commercialization of Xerava and Nefecon in 2023, we are building an internal commercial team and have started the recruiting sales representatives for Xerava. In the mRNA space, we will continue to develop new preventive and therapeutic vaccines against important infectious diseases and cancers by leveraging our clinically-validated mRNA technology platform, as well as executing our manufacturing plans to ensure high-quality operations and industrial scale production.

Looking ahead, we remain steadfastly optimistic for the future. In addition to having a strong balance sheet, the Company is expected to start generating sales revenue this year from Xerava and Nefecon. At the same time, we will stay true to our founding vision for Everest, delivering transformative pharmaceutical products that address critical unmet medical needs for patients while building value for our shareholders.

On behalf of the Company, I would like to express our heartfelt appreciation to the Board of Directors, employees, partners, and investors for their unwavering support as we pursue our vision to become an Asian-based leading integrated biopharmaceutical company.

Mr. Wei Fu
Chairman

Hong Kong
30 March 2023

IFRS NUMBERS:

- Revenue increased by RMB12.7 million to RMB12.8 million for the year ended 31 December 2022, from RMB54 thousand for the year ended 31 December 2021, primarily due to the sales of Xerava and Trodelvy® in Singapore.

- Research and development (the "R&D") expenses increased by RMB196.3 million to RMB809.7 million for the year ended 31 December 2022, from RMB613.4 million for the year ended 31 December 2021, primarily due to i) additional clinical trials for our drug candidates; (ii) expansion of internal discovery team to build up in-house R&D capabilities; (iii) increased costs during technical transfer of our drug candidates. The R&D expenses related to Trodelvy® after 1 August 2022 would be reimbursed by Gilead.

- General and administrative expenses increased by RMB33.8 million to RMB276.5 million for the year ended 31 December 2022, from RMB242.7 million for the year ended 31 December 2021, primarily due to increased professional service expenses.

- Distribution and selling expenses increased by RMB128.5 million to RMB326.7 million for the year ended 31 December 2022, from RMB198.2 million for the year ended 31 December 2021, primarily due to increased employee benefit expenses and launch and pre-launch activities carried out for commercialization. The distribution and selling expenses related to Trodelvy® after 1 August 2022 would be reimbursed by Gilead.

- Net loss for the year ended 31 December 2022 was RMB247.3 million, compared with RMB1,008.7 million for the year ended 31 December 2021, primarily due to the other gain of RMB1,322.3 million from Trodelvy® transaction.

- Cash and cash equivalents and bank deposits amounted to RMB1,651.4 million as of 31 December 2022.

NON-IFRS MEASURE:

- Adjusted loss for the year[1] was RMB17.4 million for the year ended 31 December 2022, representing a decrease of RMB759.9 million from RMB777.3 million for the year ended 31 December 2021, primarily due to other gain of RMB1,322.3 million from Trodelvy® transaction.

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:

	Year Ended 31 December	
	2022	2021
	(RMB in thousands)	
Loss for the year attributable to the equity holders of the Company	**(247,283)**	(1,008,719)
Added:		
Loss on fair value changes in financial assets at fair value through profit or loss	**21,748**	–
Loss on fair value changes in financial instruments issued to investors	**1,614**	6,452
Share-based compensation expenses	**206,495**	224,980
Adjusted loss for the year	**(17,426)**	(777,287)

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) and share-based compensation loss. For the calculation and reconciliation of this non-IFRS measure, please refer to the paragraph numbered 15 under the heading "Financial Review" below.

Business Highlights

During the year ended 31 December 2022, and as at the Latest Practicable Date, significant advancement has been made on all fronts of our business and pipeline. Our development team excelled during the year in clinical and regulatory execution, accelerating potentially best-in-class/first-in-class treatments in renal and infectious diseases in Asia, along with advancing our mRNA technology for use in vaccines. The NDA submission of Nefecon was accepted by the CDE of NMPA with Break-through Therapy Designation and Priority Review, and our bivalent Omicron-containing COVID-19 booster vaccine candidate is under rolling IND submission. Xerava was approved by NMPA and will be the first product Everest will commercialize in China. Our global production base in Jiashan, Zhejiang commenced operations in December 2022 and has an annual capacity of 700 million doses of mRNA vaccines. In addition, our in-house discovery team announced that our first non-COVID-19 project, rabies mRNA vaccine, achieved preclinical proof-of-concept.

RENAL PORTFOLIO

Nefecon (Tarpeyo™), *our anchor drug candidate in the renal therapeutic area, is a novel oral formulation of budesonide in development for the treatment of primary IgAN.*

- Clinical and regulatory achievements during the Reporting Period:

  — On 6 April 2022, the Company announced the findings of reduction in proteinuria and stabilization of estimated glomerular filtration rate ("eGFR") in a Chinese subpopulation after nine months of treatment with Nefecon are in line with topline results from Part A of the pivotal global phase 3 clinical trial NefIgArd, which were reported in November 2020 by Calliditas.

  — On 15 July 2022, our partner Calliditas was granted conditional marketing authorization for Kinpeygo® (Brand name of Nefecon in Europe) by the European Commission for the treatment of primary IgAN in adults at risk of rapid disease progression with a urine protein-to-creatinine ratio (UPCR) ≥ 1.5 g/gram.

  — On 15 November 2022, the Company received an acceptance from the China NMPA for its NDA of Nefecon for the treatment of primary IgAN in adults at risk of rapid disease progression.

  — On 28 November 2022, the Taiwan Food and Drug Administration has granted Accelerated Approval Designation to Nefecon and the MFDS in South Korea granted Orphan Drug Designation to Nefecon.

  — On 30 December 2022, the CDE of the China NMPA has recommended a Priority Review for the NDA of Nefecon to treat primary IgAN in adults at risk of rapid disease progression.

- Post-Reporting Period achievements and expected milestones:

  — On 10 February 2023, the South Korea's MFDS has granted Global Innovative product on Fast Track ("GIFT") designation to Nefecon for the treatment of primary IgAN. Nefecon is the second product and the first non-oncology product included in MFDS's GIFT program. Inclusion of the GIFT program is expected to accelerate regulatory review time by 25% and allow for rolling review.

— On 12 March 2023, our partner Calliditas reported positive topline results from Phase 3 NefIgArd Trial evaluating Nefecon in IgAN. The trial met its primary endpoint with Nefecon demonstrating a highly statistically significant benefit over placebo (p value <0.0001) in eGFR over the two-year period after 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). Mean change in eGFR over the 2-year period was -2.47 mL/min/1.73 m^2 for Nefecon 16 mg versus -7.52 mL/min/1.73 m^2 for placebo.

— We expect to receive NDA approval for Nefecon for the treatment of primary IgAN in mainland China and Singapore in 2023.

— We expect to file NDA of Nefecon for the treatment of IgAN in South Korea, Hong Kong and Taiwan region in 2023.

EVER001 (previously known as XNW1011), *is the next-generation covalent reversible Bruton's tyrosine kinase (BTK) inhibitor in development globally for the treatment of renal diseases.*

- Clinical and regulatory achievements during the Reporting Period:

— On 26 September 2022, the CDE has approved the IND application for a phase 1b study of EVER001, in development for the treatment of glomerular diseases.

mRNA PLATFORM

PTX-COVID19-B, *a potentially best-in-class lipid nanoparticle-formulated mRNA COVID-19 vaccine with strong immunogenicity and benign tolerability profiles.*

- Clinical and regulatory achievements during the Reporting Period:

— On 19 October 2022, the Company's partner, Providence, reported positive topline data from a phase 2 study evaluating the safety, tolerability and immunogenicity of its mRNA COVID-19 vaccine candidate, PTX-COVID19-B. PTX-COVID19-B demonstrated non-inferiority compared to Comirnaty®, Pfizer's and BioNTech's U.S. Food and Drug Administration ("FDA") — approved mRNA vaccine, with respect to the geometric mean titer ratio of neutralizing antibodies observed two weeks after the second of two intramuscular injections. Additionally, PTX-COVID19-B was generally well-tolerated, with a safety and tolerability profile similar to Comirnaty®.

EVER-COVID19-M1, *is an Omicron-targeting bivalent COVID-19 booster vaccine candidate.*

- Post-Reporting Period achievements and expected milestones:

  — The Company is working on an Omicron-containing bivalent booster candidate — EVER-COVID19-M1, and initiated rolling submission of IND applications for phase 1 and 2 study which may enable potential emergency use authorization application.

mRNA rabies vaccine

- Clinical and regulatory achievements during the Reporting Period:

  — On 15 December 2022, the Company announced it had achieved the pre-clinical proof-of-concept milestones for the mRNA rabies vaccine program. The rabies program is the first non-COVID 19 vaccine developed with our clinically-validated mRNA platform, highlighting the in-house discovery capabilities of the Company.

INFECTIOUS DISEASE PORTFOLIO

Eravacycline (Xerava), *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.*

- Clinical and regulatory achievements during the Reporting Period:

  — On 11 August 2022, the Taiwan Food and Drug Administration had accepted its submission of an NDA for Xerava (eravacycline) for the treatment of cIAI. In addition, the Company has entered into an exclusive partnership agreement with TTY for the commercialization of Xerava in Taiwan. TTY is one of the largest local pharmaceutical companies in Taiwan and has led the successful commercialization of other novel anti-infective products in the region, such as Brosym (cefoperazone+sulbactam), Colistin (colimycin) and Cubicin (daptomycin).

  — On 8 October 2022, the Department of Health of the Hong Kong Special Administrative Region, China, has approved an NDA for Xerava for the treatment of cIAI in adult patients in Hong Kong.

- Post-Reporting Period achievements and expected milestones:

  — On 16 March 2023, the Company announced that NMPA of China has approved its NDA for Xerava for the treatment of cIAI in adult patients.

  — We expect NDA approval of eravacycline for the treatment of cIAI in Taiwan region in 2023.

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").*

- Clinical and regulatory achievements during the Reporting Period:

  — On 10 March 2022, our licensing partner, Venatorx Pharmaceuticals ("Venatorx"), reported positive results from its pivotal phase 3 study, CERTAIN-1 (Cefepime Rescue with taniborbactam in cUTI), evaluating cefepime-taniborbactam, an investigational new drug, versus meropenem as a potential treatment for hospitalized adult patients with cUTI, including acute pyelonephritis. The CERTAIN-1 trial enrolled 661 adult patients globally, including in China, who were randomized 2:1 to receive cefepime-taniborbactam 2.5g q8h or meropenem 1g q8h for seven days (up to 14 days for patients with bacteremia). Cefepime-taniborbactam met the primary efficacy endpoint of statistical non-inferiority ("NI") to meropenem in the microbiological intent-to-treat (microITT) population at Test of Cure ("TOC") with composite microbiologic and clinical success occurring in 70.0% of cefepime-taniborbactam treated patients and 58.0% of meropenem treated patients (treatment difference 11.9; 95% CI, 2.4, 21.6). A prespecified superiority test following confirmation of NI demonstrated the statistical superiority of cefepime-taniborbactam for the composite endpoint at TOC. The superiority of cefepime-taniborbactam was sustained in the composite microbiologic and clinical response at the Late-Follow-Up (Day 28-35) visit. Venatorx plans to submit an NDA with the FDA for cefepime-taniborbactam for the treatment of cUTI in hospitalized adult patients later this year.

- Post-Reporting Period achievements and expected milestones:

  — We expect to file NDA for taniborbactam for the treatment of cUTI in China in 2023.

EVER206 (also known as SPR206) *is a potentially best-in-class, novel polymyxin derivative designed to reduce toxicity, especially nephrotoxicity, compared to the levels observed clinically with polymyxin B and colistin.*

- Post-Reporting Period achievements and expected milestones:

  — On 18 January 2023, the Company announced topline results from a China phase 1 study on healthy subjects demonstrating that EVER206 is 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 (SPR206-101) and the safety profile was also similar to the results from the overseas Phase I trial, supporting Everest's plans to initiate next-phase clinical development in China soon.

  — We expect to initiate the phase 3 trial of EVER206 in 2023.

OTHER CLINICAL-STAGE ASSETS

- Clinical and regulatory achievements during the Reporting Period:

  — On 24 May 2022, our licensing partner, Pfizer Inc. (NYSE: PFE, "Pfizer"), presented detailed results from two pivotal studies that make up the ELEVATE UC phase 3 registrational program evaluating etrasimod, a once-daily, oral, selective sphingosine 1-phosphate (S1P) receptor modulator for the treatment of moderately-to-severely active ulcerative colitis ("UC"). Both Phase 3, multi-center, randomized, placebo-controlled trials achieved all primary and key secondary endpoints, with etrasimod demonstrating a safety profile consistent with previous studies. In the 52-week ELEVATE UC 52 study, clinical remission was 27.0% for patients receiving etrasimod compared to 7.4% for patients receiving placebo at week 12 (19.8% differential, P=<.001) and was 32.1% compared with 6.7% at week 52 (25.4% differential, P=<.001). In the 12-week ELEVATE UC 12 study, clinical remission was achieved among 24.8% of patients receiving etrasimod compared with 15.2% of patients receiving placebo (9.7% differential, P=.0264).

  — On 22 December 2022, our licensing partner, Pfizer, received acceptance from the U.S. FDA for the review of an NDA for etrasimod for individuals living with moderately-to-severely active UC. The FDA's decision is expected in the second half of 2023. This anticipated U.S. FDA approval will be the first approval of etrasimod globally. In addition, the European Medicines Agency accepted the Marketing Authorization Application for etrasimod in the same patient population, with the decision anticipated in the first half of 2024.

- Post-Reporting Period achievements and expected milestones:

  — We are conducting a phase 3 study in Asia for etrasimod for the treatment of moderate-severe UC, which is expected to complete enrollment in 2023.

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

- On 19 September 2022, Mr. Yongqing Luo was appointed as our new chief executive officer of the Company. Mr. Luo has also served as an executive Director on the Board. Mr. Luo has more than 25 years of experience in the healthcare industry with an extensive leadership track record across clinical development, regulatory affairs and commercialization. He will lead the Company in its next phase of growth as a fully-integrated biopharma company in China.

BUSINESS DEVELOPMENT UPDATES

- On 14 March 2022, the Company entered into a license agreement with Calliditas to develop and commercialize Nefecon for the treatment of primary IgAN in South Korea, expanding its license in addition to rights held in Greater China and Singapore. The deal reflects the Company's efforts to further enhance its international commercial footprint.

- On 16 August 2022, the Company announced that it has entered into an agreement with Immunomedics, Inc. ("Immunomedics"), a wholly-owned subsidiary of Gilead, whereby Immunomedics will obtain exclusive rights to develop and commercialize Trodelvy® (sacituzumab govitecan) in Greater China, South Korea, Singapore, Indonesia, Philippines, Vietnam, Thailand, Malaysia and Mongolia (the "Agreement"). Under the terms of the Agreement, the Company will receive up to US$455 million in total considerations with US$280 million in upfront payments payable subject to, among other things, certain regulatory approvals and up to US$175 million in potential future milestone payments. In addition, the Company will be released from payment obligations for up to US$710 million in remaining milestone payments under a licensing agreement with Immunomedics in April 2019 to develop, register, and commercialize Trodelvy® in Greater China, South Korea and certain other countries and territories. Under the Agreement, the licensing agreement will be terminated.

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 potentially novel or differentiated therapies and vaccines to address critical unmet medical needs initially in the Asia Pacific markets and eventually around the world. Since the founding of the Company in July 2017, we have strategically built a portfolio of 9 promising clinical-stage drug and vaccine candidates and complemented the existing pipeline with multiple pre-clinical stage candidates through in-house discovery efforts in renal disease and leveraging our clinically-validated mRNA platform. Currently, our portfolio consists of a broad spectrum of assets, including approved product — Xerava, and one or more drug candidates to be approved in 2023, and the rest in different phases ranging from global phase 3 trials to early stage discovery, enabling us to consistently deliver value to shareholders and patients over time.

We are building a fully integrated Asian-based leading global biopharmaceutical company encompassing the whole value chain of capabilities, including discovery, pre-clinical pharmacology, process and quality development, clinical development, and manufacturing in compliance with global good manufacturing practice (GMP), and soon a commercial team. Our manufacturing site in Jiashan completed phase 1 construction in September 2022 and commenced operations for mRNA vaccine production in December 2022. As we are approaching commercialization of Xerava and Nefecon, which are expected in 2023, we are actively establishing our commercial team to ensure successful launch of our products.

PRODUCT PIPELINE

Everest has built a strong product pipeline that includes potentially first-in-class or best-in-class assets in therapeutics, and mRNA vaccines, covering short-term, mid-term and long-term opportunities.

The following table summarizes our 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 (In-licensing time)	Indication	Everest Clinical Status						Global Clinical Status
					Pre-clinical	Phase 1	Phase 2	Phase 3	BLA/NDA Application	Approval	
2023	Tarpeyo (Nefecon)	Calliditas Therapeutics	Greater China, Singapore, South Korea	IgA nephropathy							NDA approved in US, EU
2023	Xerava® (eravacycline)	La Jolla Pharmaceutical / Tetraphase Pharmaceuticals	Greater China, South Korea, SE Asia	cIAI	NDA approved in China and Singapore						NDA approved in US, EU, UK
2023	EVER-COVID19-M1	Providence Therapeutics	Greater China, SE Asia, Pakistan	2nd generation COVID-19 booster							Pre-clinical
2024	Taniborbactam	Venatorx Pharmaceuticals	Greater China, South Korea, SE Asia	cUTI							Phase 3
2024	Etrasimod	Pfizer	Greater China, South Korea	Ulcerative Colitis							NDA filed in US and EU
2025 and beyond	Ralinepag	United Therapeutics Corporation	Greater China, South Korea	PAH							Phase 3
2025 and beyond	XNW1011 (EVER001)	EVOPOINT 信诺维 Biosciences / SINOMAB	Worldwide	Glomerular disease							Phase 1b/2
2025 and beyond	FGF401	Novartis	Worldwide	HCC							Phase 1/2
2025 and beyond	SPR206	Spero Therapeutics	Greater China, South Korea, SE Asia	Gram negative infections							Phase 1
2025 and beyond	Rabies mRNA Vaccine	Providence Therapeutics	50% Worldwide rights	Rabies							Pre-clinical
2025 and beyond	Monoclonal Antibody	—	Worldwide	Glomerular disease							Pre-clinical
2025 and beyond	mRNA Prophylactic Vaccine	Providence Therapeutics	50%/100% Worldwide rights	Multiple programs for infectious diseases							Pre-clinical
2025 and beyond	mRNA Cancer Vaccine	—	Worldwide	Multiple programs against solid tumors							Pre-clinical

Abbreviations: HCC= hepatocellular carcinoma; IgA= immunoglobulin A; PAH=pulmonary arterial hypertension; cIAI=complicated intra-abdominal infections; cUTI=complicated urinary tract infections; COVID-19=coronavirus disease 2019; NDA=new drug application; BLA=biologics license application; SE Asia= Southeast Asia; US=United States; Greater China= PRC, Hong Kong SAR, Macau SAR and Taiwan.

BUSINESS REVIEW

Business Development

On 14 March 2022, the Company entered into a license agreement with Calliditas which expands the license to South Korea in addition to rights held in Greater China and Singapore.

On 16 August 2022, the Company announced it entered into an agreement with Immunomedics, whereby Gilead/Immunomedics acquired the rights of Trodelvy® held by the Company. Under the terms of the Agreement, the Company will receive up to US$455 million in total considerations with US$280 million in upfront payments. We believe the Trodelvy® transaction will (i) maximize the value and the impact of the Trodelvy® for patients and shareholders; (ii) streamline resources and focus on more targeted therapeutic areas and position for future growth through acquisitions and internal discovery, while (iii) enabling the Company to pursue capital markets independence while right-sizing the Company.

Going forward, forming successful partnerships will continue to be an important component of the Company's growth strategy, leveraging the highly successful and efficient business development capabilities that we have built since the inception of the Company. We are in multiple active discussions on the possible acquisition of first-in-class or best-in-class assets in our focused therapeutic areas.

Discovery

Our discovery team is focused on precision disease-modifying mechanisms in key pathogenic pathways in kidney diseases and promising mRNA vaccines such as prophylactic vaccines for infectious disease and therapeutic cancer vaccines against solid tumors. Our mRNA rabies vaccine program achieved pre-clinical proof-of-concept in December 2022 as the first of several non-COVID-19 mRNA vaccine/therapeutics candidates that have demonstrated our discovery capabilities.

Our new research laboratory in Zhangjiang, Shanghai, is a state-of-the-art, 1,700 square meters facility, including a BSL-2 lab. We will continue our efforts in discovery to complement the existing late-stage pipeline and business development activities, which will support the Company's sustainable long-term growth.

Commercialization

The regulatory approval of Xerava in Singapore was the first product approval wholly applied by and granted to Everest, and Xerava is our first marketed product. Xerava achieved in-market volume sales of around 10,000 vials in 2022 in Singapore.

Transitioning to the next phase of growth as a commercial-stage company, we built a lean and industry-leading commercial team with two key therapeutical areas in internal medicines and infectious diseases. We are building a dedicated commercial team for Xerava, and expect to launch Xerava at 3rd quarter in 2023. The team will be further expanded when approaching the expected approval of Nefecon in Mainland China.

Our commercial team have been working extensively on launch preparation, optimize brand and communication strategy, organize education tactics, build brand awareness through engagements with different stakeholders. Meanwhile, access readiness, distribution network building and sales force readiness are well in progress. Key opinion leader engagements and medical education activities about cIAI and IgAN are executed as planned, building advisory endorsement and unmet medical needs among target audience after launch.

We will continue to build our commercial infrastructure with deep expertise, especially in sales, marketing, and medical affairs across therapeutic areas to support our upcoming commercial launch of Xerava and Nefecon. In addition, under the supporting policies of the Boao Lecheng International Medical Tourism Pilot Zone, our commercial team has established an early access program of Nefecon to bring benefits to patients sooner. Meanwhile, we will be actively exploring innovative solutions parallel to finalizing our market access and pricing strategy for our products.

Future Development

Looking forward to 2023 and beyond, we expect to achieve several major catalysts that will drive the progress towards our corporate goal of becoming a leading biopharmaceutical company.

In 2023, we will continue to advance current and initiate new clinical trials, as well as drive the regulatory approval process to bring therapies and vaccines to the market as fast as possible. We are anticipating the regulatory approvals of Xerava in Taiwan and Nefecon by multiple country and regions' regulatory authorities, which will accelerate Everest's transformation to a revenue-generating company. We look forward to completion of the phase 3 trial enrollment of etrasimod, the potential NDA filing of taniborbactam, as well as possible IND and emergency use authorization submission of EVER-COVID19-M1 in China. Meanwhile, the commercialization of Xerava and Nefecon are under preparation to ensure successful product launch.

Renal diseases and mRNA platform are the focus directions of research and discovery in Everest. Our in-house discovery team will continue their efforts on novel renal targets as well as mRNA prophylactic vaccines and therapeutic cancer vaccines. We expect to advance some of our discovery projects to IND enabling stage in 2023. We believe our discovery efforts will support our long-term goal of establishing an internal pipeline of drug candidates with global rights.

We will continue actively exploring business development opportunities by leveraging our existing strengths in renal disease and mRNA technology. In addition, we will source and evaluate opportunistic and value enhancing deals in general.

FINANCIAL REVIEW

Year Ended 31 December 2022 Compared to Year Ended 31 December 2021

	Years Ended 31 December	
	2022	2021
	(RMB in thousands)	
Revenue	**12,792**	54
Cost of revenue	**(4,645)**	(23)
Gross Profit	**8,147**	31
General and administrative expenses	**(276,547)**	(242,676)
Research and development expenses	**(809,736)**	(613,433)
Distribution and selling expenses	**(326,687)**	(198,150)
Other income	**4,624**	4,956
Other gains — net	**1,143,399**	22,940
Operating loss	**(256,800)**	(1,026,332)
Finance income — net	**32,887**	24,065
Fair value change in financial assets at fair value through profit or loss ("FVPL")	**(21,748)**	–
Fair value change in financial instruments issued to investors	**(1,614)**	(6,452)
Loss before income tax	**(247,275)**	(1,008,719)
Income tax expense	**(8)**	–
Loss for the year attributable to the equity holders of the Company	**(247,283)**	(1,008,719)
Total comprehensive loss for the year attributable to the equity holders of the Company	**(490,146)**	(1,121,208)
Non-IFRS measure:		
Adjusted loss for the year	**(17,426)**	(777,287)

1. Overview

For the year ended 31 December 2022, the Group recorded a loss of RMB247.3 million. The general and administrative expenses were RMB276.5 million for the year ended 31 December 2022 as compared with RMB242.7 million for the year ended 31 December 2021. The research and development expenses of the group were RMB809.7 million for the year ended 31 December 2022, as compared with RMB613.4 million for the year ended 31 December 2021. The distribution and selling expenses were RMB326.7 million for the year ended 31 December 2022 as compared with RMB198.2 million for the year ended 31 December 2021.

2. Revenue

For the year ended 31 December 2022, the Group generated revenue of RMB12.8 million from sales of eravacycline and Trodelvy® in Singapore.

3. R&D Expenses

Our R&D expenses increased from RMB613.4 million for the year ended 31 December 2021 to RMB809.7 million for the year ended 31 December 2022. The increase was primarily attributable to (i) increased number of clinical trials of our drug candidates; (ii) expansion of internal discovery team to build in-house R&D capabilities; and (iii) increased costs occurred in the process of technical transfer for our drug candidates. The R&D expenses related to Trodelvy® after 1 August 2022 would be reimbursed by Gilead.

The following table sets forth the components of our research and development expenses for the periods indicated:

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
Employee benefit expenses	**386,214**	283,251
Clinical trial and research expenses	**371,747**	292,822
Professional expenses	**16,021**	12,601
Depreciation and amortization	**20,077**	14,149
Office and travelling expenses	**6,995**	8,891
Others	**8,682**	1,719
Total	**809,736**	613,433

4. Distribution and Selling Expenses

Our distribution and selling expenses increased from RMB198.2 million for the year ended 31 December 2021 to RMB326.7 million for the year ended 31 December 2022. The increase was primarily attributable to increased employee benefit expenses and pre-launch activities carried out for commercialization. The distribution and selling expenses related to Trodelvy® after 1 August 2022 would be reimbursed by Gilead.

5. General and Administrative Expenses

Our general and administrative expenses increased from RMB242.7 million for the year ended 31 December 2021 to RMB276.5 million for the year ended 31 December 2022. The increase was primarily attributable to professional service expenses.

6. Other Income

Other income decreased from RMB5.0 million for the year ended 31 December 2021 to RMB4.6 million for the year ended 31 December 2022. This was primarily attributable to a decrease in government grants received.

7. Other Gains — Net

The Group's other gains for the year ended 31 December 2022 increased significantly to RMB1,143.4 million, compared to other gains of RMB22.9 million for the year ended 31 December 2021, primarily attributable to disposal gain from Trodelvy® transaction.

8. Operating Loss

The operating loss of the Group decreased from RMB1,026.3 million for the year ended 31 December 2021 to RMB256.8 million for the year ended 31 December 2022. The decrease was primarily attributable to disposal gain from Trodelvy® transaction.

9. Finance Income — Net

The Group's finance income increased from RMB24.1 million for the year ended 31 December 2021 to RMB32.9 million for the year ended 31 December 2022, primarily attributable to interest income on bank deposit.

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 nil for the year ended 31 December 2021. The loss from fair value change in financial assets at fair value through profit or loss for the year ended 31 December 2022 were due to the decrease in the fair value changes 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 RMB6.5 million for the year ended 31 December 2021 and RMB1.6 million for the year ended 31 December 2022. The loss from fair value change of financial instruments issued to investors for the year ended 31 December 2022 were due to fair value change of preferred shares issued by our subsidiary, EverNov Medicines Limited..

12. Income Tax Expense

For the year ended 31 December 2022, the Company incurred income tax expense of RMB8 thousand (for the year ended 31 December 2021: Nil).

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 narrowed by RMB761.4 million to RMB247.3 million for the year ended 31 December 2022 from RMB1,008.7 million for the year ended 31 December 2021, primarily attributable to disposal gain from Trodelvy® transaction.

14. Other Comprehensive Loss

Other comprehensive loss for the year ended 31 December 2022 was RMB242.9 million, compared to other comprehensive income of RMB112.5 million for the year ended 31 December 2021. Such change was primarily attributable to gain from foreign currency translation, net off by change in fair value of financial assets at fair value through other comprehensive (loss)/ income.

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 2022 was RMB490.1 million, compared to a loss for the year ended 31 December 2021 of RMB1,121.2 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 assets at fair value through profit or loss, the loss on fair value changes in financial instruments issued to investors and share-based compensation expenses. 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	
	2022	2021
	(RMB in thousands)	
Loss for the year attributable to the equity holders of the Company	(247,283)	(1,008,719)
Added:		
Loss on fair value changes in financial assets at fair value through profit or loss	21,748	–
Loss on fair value changes in financial instruments issued to investors	1,614	6,452
Share-based compensation expenses	206,495	224,980
Adjusted loss for the year	(17,426)	(777,287)

17. Liquidity And Source Of Funding

As of 31 December 2022, the Group's cash and cash equivalents, plus bank deposits decreased to RMB1,651.4 million from RMB2,640.1 million as of 31 December 2021. The decrease primarily resulted from investment in ongoing R&D projects, manufacturing site build-up and other business related activities. US$196 million cash was received in the first quarter of 2023, related to Trodelvy® transaction.

As of 31 December 2022, the current assets of the Group were RMB3,414.1 million, including bank balances and cash of RMB1,651.4 million and prepayments and other current assets of RMB1,745.9 million. As of 31 December 2022, the current liabilities of the Group were RMB870.0 million, including trade and other payable of RMB425.6 million, lease liabilities of RMB20.3 million and borrowings from Jiashan Shanhe Equity Investment Company of RMB424.1 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 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 gain from Trodelvy® transaction which was classified as investing activities.

Net cash used in our operating activities for the year ended 31 December 2021 was RMB729.9 million. Our net loss was RMB1,008.7 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) changes in the working capital and (ii) partially offset by share-based compensation to employees in the amount of RMB225.0 million.

Investing Activities

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 net off by cash income from Trodelvy® transaction of RMB565 million.

Net cash used in investing activities for the year ended 31 December 2021 was RMB975.8 million, attributable to purchase of intangible assets of RMB865.9 million mainly in connection with (i) payments of USD100 million (equivalent to RMB645.2 million) to Providence for the comprehensive agreement the Company entered on 13 September 2021; (ii) payment of USD12 million (equivalent to RMB77.4 million) to Sinovent and Sinomab for the licensing agreement of a novel BTK inhibitor in renal diseases signed on 16 September 2021; and (iii) milestone payment for taniborbactam and Nefecon.

Financing Activities

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

Net cash used in financing activities for the year ended 31 December 2021 was RMB76.5 million, primarily attributable to share buy-back of RMB58.7 million.

18. Treasury Policy

Majority of our cash arises from equity funding. Such 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	
	2022	2021
Current ratio[1]	**3.92**	9.95

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 2022, 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 2022) during the year ended 31 December 2022.

21. Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the year ended 31 December 2022.

22. Future Plans for Material Investments or Capital Asset

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

The construction of quality control building, production building, warehouse building and other facilities of Jiashan manufacturing site is ongoing. We will continue the construction as well as equipment installation.

23. Pledge of Assets

As at 31 December 2022, the land use right for our Jiashan manufacturing facility had been pledged to Jiashan Shanhe for its borrowings provided to the Group.

24. Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2022.

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 2022, 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 2022, 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 2022.

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.

Report of Directors

The Board of the Company is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended 31 December 2022.

DIRECTORS

The Directors who held office during the year ended 31 December 2022 and up to the Latest Practicable Date are:

Executive Directors:

Mr. Wei Fu (傅唯) *(Chairman of the Board)*
Dr. Kerry Levan Blanchard (resigned with effect from 26 August 2022)
Mr. Yongqing Luo (羅永慶) (appointed with effect from 19 September 2022)
Mr. Ian Ying Woo (何穎)
Mr. Xiaofan Zhang (張曉帆)

Non-Executive Directors:

Mr. Yubo Gong (龔聿波)
Ms. Lan Kang (康嵐)

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 61 to 67 of this annual report.

In accordance with Articles 16.2 and 16.19 of the Article of Association, Mr. Wei Fu, Mr. Yongqing Luo, Mr. Ian Ying Woo, Ms. Hoi Yam Chui and Mr. Yifan Li 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 are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Name of Director	Details of Change
Mr. Bo Tan	Mr. Tan resigned as the independent non-executive Director with effect from 19 January 2023.
Mr. Ian Ying Woo	appointed as the independent director of Prenetics Global Ltd. (NASDAQ: PRE) since May 2022.
Mr. Yifan Li	appointed as chief financial & investment advisor of Human Horizons Group Inc. since April 2022, after serving as its chief financial officer between April 2021 and March 2022.

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 discovery, licensing, clinical development, commercialization and manufacturing of potentially novel or differentiated therapies and vaccines to address critical unmet medical needs initially in the Asia Pacific markets and eventually around the world.

RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of comprehensive loss on page 98 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" on page 60 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 of the 2022 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 of the 2022 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 2022, 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 2022, the Group had 365 (2021: 405) employees, 346 based in China, 9 based in the United States, 1 based in France, 3 based in Singapore and 5 based in Korea and 1 based in Indonesia, including a total of 54 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 2022:

Function	Number of employees	% of total
Business Development	6	1.64%
Clinical Development	132	36.16%
Commercialization	31	8.49%
Chemistry, Manufacturing, and Controls	90	24.66%
Discovery	34	9.32%
Operations and Administrative	72	19.73%
Total	**365**	**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 of the 2022 annual report.

The Company has also adopted the Share Schemes to provide incentives for the Group's employees. Please refer to the sections headed "Pre-IPO Share Incentive Plans" and "Post-IPO Share Incentive Plans" on pages 37 to 54 in this report for further details.

The total remuneration cost incurred by the Group for the year ended 31 December 2022 was RMB853.1 million (comprising one-off severance payment of approximately RMB63.8 million due to the Trodelvy® transaction), as compared to RMB574.8 million for the year ended 31 December 2021.

For the year ended 31 December 2022, 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 eravacycline and Trodelvy® sales in Singapore during the Reporting Period of RMB12.8 million. 100% of sales are generated from Apex Pharma Marketing Pte. Ltd in Singapore.

For the year ended 31 December 2022, purchases from the Group's five largest suppliers accounted for approximately 29.5% (2021: 21.1%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended 31 December 2022 accounted for approximately 7.9% (2021: 7.3%) 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 the 100% customer.

During the year ended 31 December 2022, 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 204 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 2022 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 2022 and details of the Shares issued during the year ended 31 December 2022 are set out in Note 28 to the consolidated financial statements.

DONATION

For the year ended 31 December 2022, the Group made nil charitable donation (2021: nil).

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended 31 December 2022.

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 37 to 54 in this annual report, no equity-linked agreements were entered into by the Group, or existed for the year ended 31 December 2022.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2022. No dividend was paid or declared by the Company or other members of the Group for the year ended 31 December 2021.

No shareholder has waived or agreed to waive any dividends for the year ended 31 December 2022.

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 2022. 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 2022, the Company had distributable reserves for share premium of RMB13,817,287 (2021: RMB13,623,367).

Details of movements in the reserves of the Group and the Company for the year ended 31 December 2022 are set out in the consolidated statement of changes in equity on page 102 and in Note 30 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 2022 are set out in Note 26 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 or until the third annual general meeting of the Company since the Listing Date (whichever is sooner), 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 with effect from the date of the Prospectus until the third annual general meeting of the Company since the Listing Date (whichever is sooner) or 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 2022.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

CBC Group is the Controlling Shareholder of our 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 2022.

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 2022, 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 ordinary shares	Approximate percentage of holding[8]	Long position/ Short position
Mr. Wei Fu[1]	Founder of a discretionary trust who can influence how the trustee exercises his discretion	133,992,652	42.93%	Long position
Mr. Luo Yongqing[2]	Beneficial owner	6,760,474	2.17%	Long position
Mr. Ian Ying Woo[3]	Beneficial owner	1,614,728	0.52%	Long position
Mr. Xiaofan Zhang[4]	Beneficial owner	3,858,630	1.24%	Long position
Mr. Jiang Shidong[5]	Beneficial owner	40,000	0.01%	Long position
Mr. Li Yifan[6]	Beneficial owner	40,000	0.01%	Long position
Mr. Tan Bo[7]	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. The controlling shareholder of C-Bridge IV Investment Two Limited is C-Bridge Healthcare Fund IV, L.P. ("CBH IV") 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 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 4,700,000 shares pursuant to the exercise of options with exercise price at HK$10.084 under the Post-IPO Share Option Scheme, subject to the conditions of those options. Mr. Yongqing Luo is also entitled to receive 860,474 shares pursuant to the awards granted to him and up to 1,200,000 shares pursuant to the performance target awards granted to him under the Post-IPO Share Award Scheme. All of the aforementioned should be subject to independent shareholders' approval at a general meeting of the Company. Please refer to the announcement of the Company dated 19 September 2022 for details.

(3) Mr. Ian Ying Woo's entitlement to receive up to 110,000 Shares and 338,403 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) and HKD72.49 (up to 338,403 Shares). Mr. Woo is entitled to receive 166,325 share awards pursuant to the Post-IPO Share Award Scheme, among which 41,581 Shares awards were vested in July 2022, while the 124,744 Shares will be vested, in accordance with the conditions of those share awards. Mr. Woo is also entitled to receive up to 1,000,000 Shares under Post-IPO Share Award Scheme, subject to the conditions of those performance target awards. As at the Latest Practicable Date, 66,667 Shares out of the 1,000,000 Shares were vested.

(4) Mr. Xiaofan Zhang's entitlement to receive up to 2,353,902 Shares and 338,403 Shares pursuant to the exercise of options under the Pre-IPO Share Schemes and Post-IPO Share Option Scheme respectively, subject to the conditions of those options. The exercise prices of these options are USD0.18 (up to 2,353,902 Shares) and HKD72.49 (up to 338,403 Shares). Mr. Zhang is entitled to receive 166,325 share awards pursuant to the Post-IPO Share Award Scheme, among which 41,581 Shares were vested in July 2022, while the 124,744 Shares will be vested in accordance with the conditions of those share awards. Mr. Zhang is also entitled to receive up to 1,000,000 Shares under Post-IPO Share Award Scheme, subject to the conditions of those performance target awards.

(5) 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 the 20,000 options granted on 14 July 2021 is HKD72.49 and the 20,000 options granted on 1 April 2022 is HKD23.17.

(6) 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 the 20,000 options granted on 14 July 2021 is HKD72.49 and the 20,000 options granted on 1 April 2022 is HKD23.17.

(7) Mr. Bo Tan'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 the 20,000 options granted on 14 July 2021 is HKD72.49 and the 20,000 options granted on 1 April 2022 is HKD23.17. Mr. Bo Tan has resigned with effect from 19 January 2023 and as the date of this annual report, all options are lapsed.

(8) The calculation is based on the total number of 312,088,673 Shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, 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 2022, 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 or as otherwise notified to the Company and the Stock Exchange:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding[3]	Long position/ Short position
VISTRA TRUST (SINGAPORE) PTE. LIMITED[1]	Trustee and other	133,992,652	42.93%	Long position
Nova Aqua Limited[1]	Interest in a controlled corporation	133,992,652	42.93%	Long position
C-Bridge Capital GP, Ltd. [1] [2]	Interest in a controlled corporation	52,777,778	16.91%	Long position
C-Bridge Healthcare Fund GP II, L.P. [1]	Interest in a controlled corporation	52,777,778	16.91%	Long position
C-Bridge Healthcare Fund II, L.P. [1]	Interest in a controlled corporation	52,777,778	16.91%	Long position
TF Capital II Ltd. [1]	Interest in a controlled corporation	52,777,778	16.91%	Long position
TF Capital, Ltd. [2]	Interest in a controlled corporation	52,777,778	16.91%	Long position
Dan Yang [2]	Interest in a controlled corporation	52,777,778	16.91%	Long position

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding[3]	Long position/ Short position
Kang Hua Investment Company Limited[2]	Interest in a controlled corporation	52,777,778	16.91%	Long position
C-Bridge Capital GP IV, Ltd. [1]	Interest in a controlled corporation	52,522,482	16.83%	Long position
C-Bridge Healthcare Fund GP IV, L.P. [1]	Interest in a controlled corporation	52,522,482	16.83%	Long position
C-Bridge Healthcare Fund IV, L.P. [1]	Interest in a controlled corporation	52,522,482	16.83%	Long position
TF Capital IV Ltd. [1]	Interest in a controlled corporation	52,522,482	16.83%	Long position
C-Bridge Investment Everest Limited[1]	Beneficial owner	50,000,000	16.02%	Long position
C-Bridge IV Investment Two Limited[1]	Beneficial owner	37,244,704	11.93%	Long position
C-Bridge Joint Value Creation Limited[1]	Interest in a controlled corporation	24,005,392	7.69%	Long position
Everest Management Holding Co., Ltd.[1]	Beneficial owner	24,005,392	7.69%	Long position
Janchor Partners Limited	Investment manager	17,421,444	5.58%	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. The controlling shareholder of C-Bridge IV Investment Two Limited is C-Bridge Healthcare Fund IV, L.P. ("CBH IV") 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 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) TF Capital, Ltd. has controlling interest in C-Bridge Capital GP, Ltd.. Kang Hua Investment Company Limited has controlling interest in TF Capital, Ltd. Mr. Dan Yang is the sole shareholder of Kang Hua Investment Company Limited.

(3) The calculation is based on the total number of 312,088,673 Shares in issue as at 31 December 2022.

Save as disclosed above, as at the date 31 December 2022, 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. From 1 January 2023, the Company will rely on the transitional arrangements provided for the existing share schemes and will comply with the new Chapter 17 of the Listing Rules accordingly (with effective from 1 January 2023).

64,386,382 new Shares, representing approximately 21.2% 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 29 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 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, 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 4,898,779 underlying Shares (representing approximately 1.57% 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 5 years.

Outstanding Pre-IPO MSOP Options

As at 31 December 2022, the Company had outstanding Pre-IPO MSOP Options to subscribe for an aggregate of 4,898,779 Shares granted to 3 grantees (including Directors, senior management, other connected persons of the Company and other employees 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 2022	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 31 December 2022
Senior Management/ Director									
Mr. Jason Brown	23 Nov 2017	4 years	4 years from the Listing Date	0.18	971,951	–	–	–	971,951
Mr. Xiaofan Zhang	6 Mar 2020	4 years	3 years from the Listing Date	0.18	2,243,902	–	–	–	2,243,902
Other grantees by category									
Employee Participant	23 Nov 2017	4 years	3 years from the Listing Date	0.18	1,682,926	–	–	–	1,682,926
Total					**4,898,779**	**–**	**–**	**–**	**4,898,779**

Notes:

1. No Pre-IPO MSOP options were exercised during the Reporting Period.

2. The Company has not granted any Pre-IPO MSOP Options under the Pre-IPO MSOP since the Listing.

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 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 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 2022, 2,454,804 Shares were available for grant under the Pre-IPO ESOP. During the Reporting Period, 2,594,958 Pre-IPO ESOP RSUs were granted to eligible participants pursuant to the Pre-IPO ESOP. It follows that, as at 31 December 2022 and the Latest Practicable Date, 5,742,797 and 6,101,060 Shares were available for grant under the Post-IPO Share Award Scheme, respectively.

Maximum Number of Shares Available for Issue

As at 1 January 2022, 20,169,803 new Shares were available for issue under the Pre-IPO ESOP. During the Reporting Period, 6,129,022 new Shares were issued pursuant to the Pre-IPO ESOP. It follows that, as at 31 December 2022 and the Latest Practicable Date, 14,040,781 new Shares and 12,648,834 new Shares (representing approximately 4.04% 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, 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 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 was 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 6 years.

Outstanding Pre-IPO ESOP Awards

As at 31 December 2022, the Company had outstanding Pre-IPO ESOP Options to subscribe for an aggregate of 5,480,607 Shares granted to 105 grantees (including Directors, senior management, other connected persons of the Company and other employees of the Company) and unvested Pre-IPO ESOP RSUs representing an aggregate of 2,817,377 Shares granted to 174 grantees (including Directors, senior management, other connected persons of the Company and other employees of the Company).

Details of the outstanding Pre-IPO ESOP Options during the Reporting Period are as follows:

Name	Date of Grant	Vesting Period	Exercise Period	Exercise Price (US$)	Outstanding as at 1 January 2022	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 31 December 2022
Directors									
Dr. Kerry Levan Blanchard[3]	16 Jul 2020	4 years[4]	7 years from the date of grant	2.26-3.24	3,250,000	–	–	3,250,000	–
Mr. Xiaofan Zhang	16 Jul 2020	4 years[5]	7 years from the date of grant	0.18	110,000	–	–	–	110,000
Mr. Ian Ying Woo	16 Jul 2020	4 years[5]	7 years from the date of grant	2.26	110,000	–	–	–	110,000
Other grantees by category									
Employee Participants	Between 31 Dec 2018 and 31 Jul 2020	4 years	7 years from the date of grant	0.18-3.24	10,723,248	3,658,755	–	1,896,998	5,167,495
Service Providers	Between 18 Feb 2020 and 31 Jul 2020	Fully vested at IPO or offer day	7 years from the date of grant	0.18-1.21	273,730	180,618	–	–	93,112
Total					**14,466,978**	**3,839,373**	**–**	**5,146,998**	**5,480,607**

Notes:

1. In respect of the Pre-IPO ESOP Options exercised during the Reporting Period, the weighted average closing price of the Shares immediately before the dates on which the Pre-IPO ESOP Options were exercised is HK$15.32 and HK$11.98 for employee participants and service providers, respectively.

2. The Company has not granted any Pre-IPO ESOP Options under the Pre-IPO ESOP since the Listing.

3. Dr. Kerry Levan Blanchard resigned as an executive Director with effect from 26 August 2022.

4. A portion of options granted subject to immediate vesting upon Listing.

5. All options granted subject to immediate vesting upon Listing.

Details of the unvested Pre-IPO ESOP RSUs during the Reporting Period are as follows:

Name	Date of grant	Vesting period	Purchase price	Unvested as at 1 January 2022	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 2022
Grantees by category									
Employee Participants	Between 18 Feb 2020 and 1 Apr 2022	4 years	nil	3,692,421	2,107,391	2,246,482	735,953	–	2,817,377
Service Providers	1 Apr 2022	1 year	nil	–	43,167	43,167	–	–	–
Total				**3,692,421**	**2,150,558**	**2,289,649**	**735,953**	**-**	**2,817,377**

Notes:

1. In respect of the Pre-IPO ESOP RSUs vested during the Reporting Period, the weighted average closing price of the Shares immediately before the dates on which the Pre-IPO ESOP RSUs were vested is HK$16.69 and HK$7.50 for employee participants and service providers, respectively.

2. Unvested Pre-IPO ESOP RSUs as at 1 January 2022 include 444,400 RSUs that were conditionally granted in 2021 and subject to independent Shareholders' approval as at 1 January 2022.

Further details of the unvested Pre-IPO ESOP RSUs granted during the Reporting Period are as follows:

Name	Number of Pre-IPO ESOP RSUs granted during the Reporting Period	Date of grant [1]	Vesting period	Purchase price	Performance targets	Closing price of Shares immediately before the grant (HKD)	Fair value of the Pre-IPO ESOP RSUs at the date of grant (HKD)
Grantees by category							
Employee Participants	2,107,391	1 Apr 2022	4 years	nil	nil	25.95	48,153,884
Service Providers	43,167	1 Apr 2022	1 year	nil	nil	25.95	986,366
Total	**2,150,558**						**49,140,250**

POST-IPO SHARE INCENTIVE PLANS

3. 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"). Accordingly, Post-IPO Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time must not exceed 30% of the Shares in issue from time to time (the "Option Scheme Limit"). No options may be granted under any schemes of the Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

The Option Scheme Mandate Limit may be refreshed at any time subject to prior approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the Option Scheme Mandate Limit as refreshed cannot exceed 10% of the Shares in issue as at the date of such approval. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, canceled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

The Company may also seek separate approval of the Shareholders in general meeting for granting options beyond the Option Scheme Mandate Limit, provided such grant is to Post-IPO Share Option Scheme Eligible Persons specifically identified by the Company before the aforesaid Shareholders' meeting where such approval is sought.

As at 1 January 2022, 24,418,699 Shares were available for grant under the Post-IPO Share Option Scheme. During the Reporting Period, 5,865,635 options with underlying 5,865,635 Shares were granted to Post-IPO Share Option Scheme Eligible Persons pursuant to the Post-IPO Share Option Scheme. It follows that, as at 31 December 2022 and the Latest Practicable Date, 21,971,816 and 22,126,110 Shares were available for grant under the Post-IPO Share Option Scheme, respectively.

Maximum Number of Shares Available for Issue

During the Reporting Period, no new Shares were issued pursuant to the Post-IPO Share Option Scheme. Accordingly, 28,369,038 Shares were available for issue under the Post-IPO Share Option Scheme as at 1 January 2022 and 31 December 2022, respectively. As at Latest Practicable Date, 27,976,544 Shares (representing approximately 8.94% 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.

Maximum Entitlement of Each Participant

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 HKD1.00 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 8 years.

Outstanding Post-IPO Options

As at 31 December 2022, the Company had outstanding Post-IPO Options to subscribe for an aggregate of 6,397,222 Shares granted to 231 grantees (including Directors, senior management, other connected persons of the Company and other employees of the Company).

Details of the outstanding Post-IPO Options during the Reporting Period are as follows:

Name	Date of grant	Vesting Period[1]	Exercise period	Exercise price (HKD)	Outstanding as at 1 January 2022	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 2022
Directors										
Dr. Kerry Levan Blanchard[2]	14 Jul 2021	4 years	7 years from the date of grant	72.49	1,483,196	–	–	–	1,483,196	–
Mr. Xiaofan Zhang	14 Jul 2021	4 years	7 years from the date of grant	72.49	338,403	–	–	–	–	338,403
Mr. Ian Ying Woo	14 Jul 2021	4 years	7 years from the date of grant	72.49	338,403	–	–	–	–	338,403
Mr. Shidong Jiang	Between 14 Jul 2021 and 1 Apr 2022	1 year	7 years from the date of grant	Between 23.17 and 72.49	20,000	20,000	–	–	–	40,000
Mr. Bo Tan[3]	Between 14 Jul 2021 and 1 Apr 2022	1 year	7 years from the date of grant	Between 23.17 and 72.49	20,000	20,000	–	–	–	40,000
Mr. Yifan Li	Between 14 Jul 2021 and 1 Apr 2022	1 year	7 years from the date of grant	Between 23.17 and 72.49	20,000	20,000	–	–	–	40,000
Other grantees in category										
Employee Participants	Between 6 May 2021 and 1 Apr 2022	4 years	7 years from the date of grant	Between 67.97 and 72.49	1,730,337	5,805,635	–	–	1,935,556	5,600,416
Total					**3,950,339**	**5,865,635**	**–**	**–**	**3,418,752**	**6,397,222**

Notes:

1. No Post-IPO Options were exercised during the Reporting Period.

2. Dr. Kerry Levan Blanchard resigned as an executive Director with effect from 26 August 2022.

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

Further details of the Post-IPO Options granted during the Reporting Period are as follows:

Name	Number of Post-IPO Options granted during the Reporting Period	Date of grant	Vesting period	Exercise Period	Exercise price (HKD)	Performance targets	Closing price of Shares immediately before the grant (HKD)	Fair value of Shares at the date of grant (HKD)
Directors								
Mr. Shidong Jiang	20,000	1 Apr 2022	1 year	7 years from the date of grant	23.17	nil	25.95	217,523
Mr. Bo Tan[3]	20,000	1 Apr 2022	1 year	7 years from the date of grant	23.17	nil	25.95	217,523
Mr. Yifan Li	20,000	1 Apr 2022	1 year	7 years from the date of grant	23.17	nil	25.95	217,523
Other grantees in category								
Employee participants	5,805,635	1 Apr 2022	4 years	7 years from the date of grant	23.17	nil	25.95	68,165,225
Total	**5,865,635**							**68,817,793**

Notes:

1. The fair values of the Post-IPO 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.

2. For further details of the Post-IPO Options granted during the Reporting Period, please refer to the announcement of the Company dated 1 April 2022.

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

Further details of the Post-IPO Options conditionally granted during the Reporting Period and are subject to independent Shareholders' approval are as follows:

Name	Number of Post-IPO Options granted during the Reporting Period	Date of grant	Vesting period	Exercise period	Exercise price (HKD)	Performance targets	Closing price of Shares immediately before the grant (HKD)	Fair value of the Post-IPO Options at the date of grant (HKD)
Director								
Mr. Yongqing Luo	4,700,000	19 Sep 2022	4 years	7 years from the date of grant	10.084	nil	9.38	20,868,000

Notes:

1. The Post-IPO Options set out in the table above have not been included in the calculation of the Shares outstanding as at 31 December 2022, maximum number of Shares available for grant and maximum number of Shares available for issue under the Post-IPO Share Option Scheme.

2. For further details of the Post-IPO Options granted during the Reporting Period but are subject to independent Shareholders' approval, please refer to the announcement of the Company dated 19 September 2022.

4. 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 an Award (as defined below). However, no individual who is resident in a place where the grant, acceptance or vesting of an 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 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 2022, 11,671,316 Shares were available for grant under the Post-IPO Share Award Scheme. During the Reporting Period, 8,715,411 awards were granted to eligible participants pursuant to the Post-IPO Share Award Scheme. It follows that, as at 31 December 2022 and the Latest Practicable Date, 11,198,018 and 11,280,426 Shares were available for grant under the Post-IPO Share Award Scheme, respectively.

Maximum Number of Shares Available for Issue

As at 1 January 2022, 14,020,725 new Shares were available for issue under the Share Award Scheme Limit. During the Reporting Period, 1,442,941 new Shares were issued pursuant to the Post-IPO Share Award Scheme. It follows that, as at 31 December 2022 and the Latest Practicable Date, 17,077,784 new Shares and 15,611,839 new Shares (representing approximately 4.99% of the issued share capital of the Company as at 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 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 HKD1.00 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 8 years.

Outstanding Post-IPO Awards

As at 31 December 2022, the Company had unvested Pre-IPO ESOP RSUs representing an aggregate of 5,879,766 Shares granted to 273 grantees (including Directors, senior management, other connected persons of the Company and other employees of the Company).

Details of the unvested Post-IPO Awards during the Reporting Period are as follows:

Name	Date of grant	Vesting period[1]	Purchase price	Unvested as at 1 January 2022	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 2022
Directors									
Dr. Kerry Levan Blanchard[3]	14 Jul 2021– 1 Apr 2022	3-4 years	nil	640,303	2,500,000	160,076	2,500,000	–	480,227
Mr. Xiaofan Zhang	14 Jul 2021– 1 Apr 2022	3-4 years	nil	166,325	1,000,000	41,581	–	–	1,124,744
Mr. Ian Ying Woo	14 Jul 2021– 1 Apr 2022	3-4 years	nil	166,325	1,000,000	41,581	–	–	1,124,744
Other grantees by category									
Employee Participants	Between 6 May 2021 and 26 Aug 2022	4 years	nil	2,747,551	2,844,316	1,199,703	1,242,113	–	3,150,051
Total				**3,720,504**	**7,344,316**	**1,442,941**	**3,742,113**	**–**	**5,879,766**

Notes:

1. In respect of the Post-IPO Awards vested during the Reporting Period, the weighted average closing price of the Shares immediately before the dates on which the Post-IPO Awards were vested is HK$24.35 for each of Dr. Kerry Levan Blanchard, Mr. Xiaofang Zhang and Mr. Ian Ying Woo and HK$18.17 for employee participants, respectively.

2. Unvested Post-IPO Awards as at 1 January 2022 include 398,142 RSUs that were conditionally granted in 2021 but subject to independent Shareholders' approval as at 1 January 2022.

3. Dr. Kerry Levan Blanchard resigned as an executive Director with effect from 26 August 2022.

Further details of the unvested Post-IPO Awards granted during the Reporting Period are as follows:

Name	Number of Post-IPO Awards granted during the Reporting Period	Date of grant	Vesting period	Purchase price	Performance targets	Closing price of Shares immediately before the grant (HKD)	Fair value of Post-IPO Share Awards at the date of grant (HKD)
Directors							
Dr. Kerry Levan Blanchard[3]	2,500,000	1 Apr 2022	3 years	nil	(i) Vesting of 50% of the Post-IPO Awards if the Share price reaches HK$55 during the period from 1 April 2022 to 1 May 2023 (the "Performance Period") and (ii) Vesting of 50% of the Post-IPO Awards if the Share price reaches HK$75 during the Performance Period	25.95	8,473,895
Mr. Xiaofan Zhang	1,000,000	1 Apr 2022	3 years	nil	(i) Vesting of 10% of the Post-IPO Awards if the Share price reaches HK$55 during the Performance Period; (ii) Vesting of 10% of the Post-IPO Awards if the Share price reaches HK$75 during the Performance Period; (iii) Vesting of 40% of the Post-IPO Awards if certain business milestones are achieved during the Performance Period; and (iv) Vesting of 40% of the Post-IPO Awards if certain additional business milestones are achieved during the Performance Period	25.95	18,957,912
Mr. Ian Ying Woo	1,000,000	1 Apr 2022	3 years	nil	(i) Vesting of 25% of the Post-IPO Awards if the Share price reaches HK$55 during the Performance Period; (ii) Vesting of 25% of the Post-IPO Awards if the Share price reaches HK$75 during the Performance Period; (iii) Vesting of 30% of the Post-IPO Awards if certain business milestones are achieved during the Performance Period; and (iv) Vesting of 20% of the Post-IPO Awards if certain additional business milestones are achieved	25.95	13,119,779
Other grantees by category							
Employee Participants	2,844,316	Between 1 Apr 2022 and 26 Aug 2022	4 years	nil	nil	25.79	64,635,732
Total	**7,344,316**						**105,187,318**

Notes:

1. The fair values of the Post-IPO 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.

2. For further details of the Post-IPO Awards granted during the Reporting Period, please refer to the announcement of the Company dated 1 April 2022.

3. Dr. Kerry Levan Blanchard resigned as an executive Director with effect from 26 August 2022.

Further details of the Post-IPO Awards granted during the Reporting Period but subject to shareholder's approval are as follows:

Name	Number of Post-IPO Awards granted during the Reporting Period	Date of grant	Vesting period	Purchase price	Performance targets	Closing price of Shares immediately before the grant (HKD)	Fair value of Post-IPO Share Awards at the date of grant (HKD)
Directors							
Mr. Yongqing Luo	860,474	19 Sep 2022	1 year	nil	nil	9.38	7,649,614
	1,200,000	19 Sep 2022	3 years	nil	(i) Vesting of 50% of the Post-IPO Awards if the Share price reaches HK$55 and (ii) Vesting of 50% of the Post-IPO Awards if the Share price reaches HK$75	9.38	674,253

Notes:

1. The Post-IPO Awards set out in the table above have not been included in the calculation of the unvested Post-IPO Awards as at 31 December 2022, maximum number of Shares available for grant and maximum number of Shares available for issue under the Post-IPO Share Award Scheme.

2. For further details of the Post-IPO Awards conditionally granted during the Reporting Period but subjected to independent shareholders' approval, please refer to the announcement of the Company dated 19 September 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed in this annual report, at no time during the year ended 31 December 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the 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 2022, 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 RMB68.7 million (as set out in Note 10 to the consolidated financial statements).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2022, none of our Directors was interested in any business 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 1 April 2022, the Company resolved to grant 103,775 Awards to Ms. Min Yu, Mr. Zixin Qiao, Ms. Heasun Park, Mr. Ng Kah San and Mr. Yuan Gao under the Post-IPO Share Award Scheme, each subject to acceptance by the grantee and independent Shareholders' approval. Each grantee is a director of a subsidiary of the Company, and therefore a connected person of the Company. On 1 April 2022, the Company also resolved to grant a maximum number of 4,500,000 performance target awards to Dr. Kerry Levan Blanchard, Mr. Ian Ying Woo and Mr. Xiaofan Zhang. Each of Dr. Kerry Levan Blanchard (prior to his resignation on 26 August 2022), Mr. Ian Ying Woo and Mr. Xiaofan Zhang is/was an executive Director, and therefore a connected person of the Company. The above grants were approved by independent Shareholders at the annual general meeting of the Company on 29 June 2022, granted, among other terms, for nil consideration, and represents the right to receive one Share on the date the awards vest.

On 19 September 2022, the Board resolved to grant 860,474 awards and a maximum of 1,200,000 performance target awards to Mr. Yongqing Luo under the Post-IPO Share Award Scheme, each subject to acceptance by Mr. Luo and independent Shareholders' approval at a general meeting. The awards shall be granted, among other terms, for nil consideration, and represents the right to receive one Share on the date the award vests. Mr. Luo has been appointed as executive Director with effect from 19 September 2022, and is therefore a connected person of the Company.

The above grants and proposed 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 1 April 2022, 29 June 2022, and 19 September 2022 and the circular of the Company dated 24 May 2022.

CONTINUING CONNECTED TRANSACTIONS

The Group has not entered into any non-exempt continuing connected transactions during the Reporting Period. Details of related party transactions of the Group for the Reporting Period are set out in Note 33 to the consolidated financial statements, none of which fall under the definition of "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

The Company repurchased an aggregate of 1,615,500 Shares on the Stock Exchange for a total consideration of approximately HK$70,963,275 on 4, 21, 22, 26, 27, 28, and 29 October 2021 and on 1, 2, 3 and 5 November 2021. The repurchased Shares were cancelled on 10 June 2022. Details of the Shares repurchased and the Directors' reasons for making such repurchases are set out in the section headed "Purchase, Sale or Redemption of the Company's Listed Securities" of the annual report of the Company published on 8 April 2022 and the announcements of the Company dated 30 August 2021 and 8 November 2021.

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

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

At the annual general meeting of the Company held on 29 June 2022, the then Shareholders passed a special resolution in relation to the amendments of certain provisions of its sixth amended and restated Articles of Association by way of adoption of a new Articles of Association to, among other matters, (i) allow a general meeting to be held as an electronic meeting (also referred to as virtual general meeting) or a hybrid meeting; and (ii) bring the existing Articles of Association in line with the amendments made to Appendix 3 to the Listing Rules which became effective on 1 January 2022 and the applicable laws of the Cayman Islands. The seventh amended and restated Articles of Association became effective on 29 June 2022. For further details of the said amendments to the Articles of Association, please refer to the Company's circular dated 24 May 2022.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended 31 December 2022. 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 2022.

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 note below, there was no change in the intended use of net proceeds as previously disclosed in the Prospectus in the upcoming 20 months. This expected timeline was 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.

Set out below is the status of use of proceeds from the Global Offering as at 31 December 2022.

Purpose	% of use of proceeds	Net proceeds (HK$ million)	Utilised for the year ended 31 December 2021 (HK$ million)	Unutilised amount as at 31 December 2021 (HK$ million)	Utilised for the year ended 31 December 2022 (HK$ million)	Unutilised amount as at 31 December 2022 (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	159	388	118	270
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	118	438	97	341
Funding ongoing and planned clinical trials, preparation for registration filings and potential commercialization of sacituzumab govitecan-hziy [(1)]	20%	759	402	344	344	–

Purpose	% of use of proceeds	Net proceeds (HK$ million)	Utilised for the year ended 31 December 2021 (HK$ million)	Unutilised amount as at 31 December 2021 (HK$ million)	Utilised for the year ended 31 December 2022 (HK$ million)	Unutilised amount as at 31 December 2022 (HK$ million)
Funding ongoing and planned clinical trials, preparation for registration filings and potential commercialization of Nefecon	10%	380	97	240	137	103
Funding ongoing and planned clinical trials, preparation for registration filings and potential commercialization of other drug candidates in our pipeline	15%	569	211	327	77	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	569	–	–	–
Working capital and general and administrative purposes	10%	380	184	147	147	–
Total	**100%**	**3,795**	**1,740**	**1,884**	**920**	**964**

Note:

(1) 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 the circular of the Company dated 14 October 2022. Save as disclosed in this annual report, there are no other changes to the use of net proceeds from the Global Offering.

The Company expects to gradually apply the remaining unutilised net proceeds in accordance with the intended purposes and fully utilise the proceeds by the second half of 2024.

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 has maintained the prescribed percentage of public float under the Listing Rules.

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

- Mr. Bo Tan resigned as an independent non-executive Director, the chairperson of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee, and Ms. Hoi Yam Chui was appointed as an independent non-executive Director, the chairperson of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee, each with effect from 19 January 2023. For further details of the above, please refer to the announcement of the Company dated 19 January 2023.

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
30 March 2023

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

DIRECTORS

Executive Directors

Mr. Wei Fu (傅唯), aged 40, is an executive Director of our Company, 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) (appointed with effect from 19 September 2022), aged 53, 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 50, is an executive Director of our Company 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.

Mr. Xiaofan Zhang (張曉帆), aged 39, was appointed as our Director in November 2017, was re-designated as an executive Director in July 2020, and was appointed as our chief operating officer in November 2017. Mr. Zhang is also a director of certain subsidiaries of the Company.

Mr. Zhang has been with CBC Group since January 2014, most recently serving as a director and responsible for the fund's investments in pharmaceutical and biotech industry prior to joining the Company. Prior to joining CBC Group, Mr. Zhang worked in various capacities in private equity and investment banking, including as a private equity investment officer at Capital International, Inc., a private equity arm of Capital Group, from March 2011 to February 2013, at Morgan Stanley Asia Limited, a subsidiary of Morgan Stanley (NYSE: MS), from May 2007 to March 2011 where his last position held was associate, and at BOCI Research Limited and BOCI Securities Limited from 2006 to 2007.

Mr. Zhang received his bachelor's degree in mathematics with honors from The University of Hong Kong in December 2006.

Non-executive Directors

Mr. Yubo Gong (龔聿波), aged 37, was appointed as our Director in June 2020 and was re-designated as a non-executive Director in July 2020.

Mr. Gong has been an industrialist investor at Janchor Partners Limited, a company licensed by the SFC to conduct asset management, focusing on investments in China and the healthcare sector, since 2014. Prior to joining Janchor Partners Limited, he was an associate at TPG Capital, Limited in Hong Kong from August 2009 to February 2014. Prior to that, Mr. Gong worked as an analyst in the investment banking division of a subsidiary of Morgan Stanley (NYSE: MS) in New York.

Mr. Gong received his bachelor's degree in economics and biomedical engineering in May 2007 from Duke University in the United States.

Ms. Lan Kang (康嵐), aged 54, was appointed as a non-executive Director in December 2020.

Ms. Kang is currently a managing director of CBC Group where she is a member of the management committee and heads the portfolio management function of CBC Group. She serves as a non-executive board director at I-MAB Biopharma (NASDAQ: IMAB), as well as an Independent board director at Avantor (NYSE: AVTR).

Prior to joining CBC Group in 2020, she was executive board director and senior vice president of Fosun International Limited (HKEX: 0656). She also held the role of non-executive board director at a number of healthcare related companies, including Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (HKEX: 2196) and Fosun United Health Insurance.

Ms. Kang started her career as an oncology research scientist in the US, and later worked as a senior client partner with Korn Ferry and a management consultant at McKinsey & Company in China.

Ms. Kang obtained her Bachelor's degree in Biological Science and Technology from Zhejiang University in China, her MBA degree in Healthcare Management from The Wharton School of the University of Pennsylvania, and her Master's degree in Biochemistry from Tulane University, Louisiana, USA.

Independent Non-executive Directors

Mr. Shidong Jiang (蔣世東), aged 55, was appointed as an independent non-executive Director and a member of the audit and remuneration committees of our Company in September 2020.

Mr. Jiang has over a decade of experience in the pharmaceutical industry and serves 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. He has been appointed as the Head of Hospital & Specialty Care Business Unit & Founding Partner of Astellas Pharmaceutical (China) Co, Ltd. since January 2021. 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 55, was appointed as an independent non-executive Director, chairperson of the audit committee and member of the nomination committee of our Company in September 2020.

Mr. Li has been chief financial & investment advisor of Human Horizons Group Inc. since April 2022, after serving 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) (appointed with effect from 19 January 2023), aged 55, was appointed as an independent non-executive Director, chairperson of the remuneration committee and member of the audit and nomination committees of the Company with effect from 19 January 2023.

Ms. Chui has been 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), since December 2022. 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 51, 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. Sunny Xu Zhu (朱煦), aged 52, has served as our chief medical officer, infectious disease since October 2017.

Before joining our Company, Ms. Zhu served as a global clinical leader in the anti-infective therapeutic area of general medicine at Bayer Healthcare Company Limited from April 2013 to October 2017. Ms. Zhu held multiple positions at AstraZeneca Pharmaceutical Technology (Beijing) Co., Ltd., a subsidiary of AstraZeneca plc (LSE: AZN), in China and the United Kingdom from January 2003 to April 2013 and her last position held was executive director of drug development project and portfolio management. Ms. Zhu held multiple positions at MSD China from October 1995 to January 2003 and her last held position was clinical research manager.

Ms. Zhu received her bachelor's degree in preventive medicine from Beijing Medical University (now the Peking University Health Science Center), in July 1994 and her master's degree of medicine in public health and epidemiology and statistics from the Peking University Health Science Center in July 2009.

Ms. Zhengying Zhu, M.D., Ph.D. (朱正纓), aged 50, has served as our chief medical officer, internal medicine since November 2017. Dr. Zhu is also a director of certain subsidiaries of the Company.

Before joining our Company, Dr. Zhu served as chief medical officer and head of the business development at Luoxin Biological Technology (Shanghai) Co., Ltd. (羅欣生物科技(上海)有限公司) (now known as Luoxin Pharmaceuticals (Shanghai) Co., Ltd (羅欣藥業(上海)有限公司)), a wholly owned subsidiary of Shandong Luoxin Pharmaceutical Group Stock Co., Ltd. (SZSE: 2793.SZ), from October 2014 to October 2017. From November 2006 to October 2014, Dr. Zhu held multiple positions at Sino-American Shanghai Squibb Pharmaceuticals Limited, a subsidiary of Bristol-Myers Squibb (NYSE: BMY), and her last position held was senior medical director. Dr. Zhu worked as a physician at AstraZeneca Pharmaceutical Co., Ltd. in China from April 2005 to November 2006.

Dr. Zhu received her M.D. in clinical medicine in July 1996 and her Ph.D. in clinical medicine and internal medicine in July 2001, both from Shanghai Medical University (now known as Fudan University, School of Medicine). Dr. Zhu completed her post-doctoral fellowship training at the Division of Nephrology, University of Texas Southwestern Medical Center in Dallas, Texas, United States in December 2004.

Ms. Wei Jennifer Yang, Ph.D. (楊煒), aged 54, 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 SECRETARY

Ms. Leah Liu (劉栩昕), aged 38, 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 50, 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 seven listed companies on the Stock Exchange, namely, BAIOO Family Interactive Limited (HKEX: 2100), Meituan (HKEX: 3690), Transmit Entertainment Limited (HKEX: 1326), Jiayuan International Group Limited (HKEX: 2768), Li Auto Inc. (HKEX: 2015), Zhihu Inc. (HKEX: 2390) and KE Holdings Inc. (HKEX: 2423).

Corporate Governance Report

The Board of Directors is pleased to present the corporate governance report for the Company for the year ended 31 December 2022.

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 14 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.

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 10 to the Listing Rules as its own code to regulate all dealings by Directors and relevant employees in securities of the Company and other matters covered by the Model Code.

Specific enquiry has been made 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 2022.

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 four 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 up to the Latest Practicable Date is as follows:

Executive Directors

Mr. Wei Fu (傅唯) *(Chairman of the Board)*
Dr. Kerry Levan Blanchard (resigned with effect from 26 August 2022)
Mr. Yongqing Luo (羅永慶) *(Chief executive officer)* (appointed with effect from 19 September 2022)
Mr. Ian Ying Woo (何穎) *(President, Chief financial officer)*
Mr. Xiaofan Zhang (張曉帆) *(Chief operating officer)*

Non-Executive Directors

Mr. Yubo Gong (龔聿波)
Ms. Lan Kang (康嵐)

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 61 to 67 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 Reporting Period , 6 Board meetings and 2 general meetings were held. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the CG Code.

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	6/6	1/1	1/1	–	1/2
Dr. Kerry Levan Blanchard(1)	5/5	–	–	–	0/1
Mr. Yongqing Luo(2)	1/1	–	–	–	1/1
Mr. Ian Ying Woo	6/6	–	–	–	2/2
Mr. Xiaofan Zhang	6/6	–	–	–	1/2
Non-executive Directors:					
Mr. Yubo Gong	6/6	–	–	–	2/2
Ms. Lan Kang	6/6	–	–	–	1/2
Independent Non-executive Directors:					
Mr. Shidong Jiang	6/6	1/1	–	2/2	1/2
Mr. Yifan Li	6/6	–	1/1	2/2	2/2
Mr. Bo Tan(3)	6/6	1/1	1/1	2/2	1/2

Notes:

1. Dr. Kerry Levan Blanchard resigned as an executive Director with effect from 26 August 2022.

2. Mr. Yongqing Luo was appointed as an executive Director with effect from 19 September 2022.

3. Mr. Bo Tan resigned as an independent non-executive Director 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 as set out in Rule 3.13 of the Listing Rules in assessing the independence of the independent non-executive Directors, the Company considers that all independent non-executive Directors are independent.

BOARD INDEPENDENCE EVALUATION

The Board has established mechanisms to ensure independent views and input from any Directors 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 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 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. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, 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 and Mr. Bo Tan (prior to his resignation 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.

The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

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 2021 and the interim results and interim report for the six months ended 30 June 2022. During the meetings, 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, Mr. Wei Fu and Mr. Shidong Jiang. Mr. Wei Fu is an executive Director, Mr. Bo Tan was (prior to his resignation on 19 January 2023) and Mr. Shidong Jiang is an independent non-executive Director. Mr. Bo Tan was the chairman of the Remuneration Committee during the Reporting Period.

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; and
- dealing with other matters that are authorized by the Board.

The Board has approved the adoption of an updated terms of reference of the Remuneration Committee on 23 November 2022, which is available on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Remuneration Committee met once to review to the Board on the remuneration packages of individual executive directors and senior management and by way of written resolutions to consider and recommend the remuneration package of the new Director.

Details of the Directors' remuneration for the year ended 31 December 2022 are set out in Note 10 to the consolidated financial statements.

The remuneration of the five highest paid individuals (including the Directors) of the Group by band for the year ended 31 December 2022 is set out below:

Remuneration bands (HKD)	Number of persons
HK$22,000,001–HK$23,000,000	1
HK$24,000,001–HK$25,000,000	1
HK$25,000,001–HK$26,000,000	1
HK$27,000,001–HK$28,000,000	1
HK$29,000,001–HK$30,000,000	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 and Mr. Yifan Li. Mr. Wei Fu is an executive Director, Mr. Yifan Li is and Mr. Bo Tan was (prior to his resignation on 19 January 2023) an independent non-executive Director. 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.

The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Nomination Committee held one meeting to review the structure, size and composition of the Board, the independence of the independent non-executive Directors, the Board Diversity Policy and 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 2022 and by way of written resolutions to identify and recommend 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 considers 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, make 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.

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the Measurable Objectives as set in the Board Diversity Policy.

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 in January 2023. 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	22.22% (2)	77.78% (7)
Senior Management	42.86% (3)	57.14% (4)
Other employees	53.13% (178)	46.87% (157)
Overall workforce	52.92% (181)	47.08% (161)

The Company has been taking, and will continue to take, steps to promote gender diversity at the Board and management levels. In particular, all of our chief medical officers, who are each responsible for specific therapeutic areas, 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 Board appointed a female director, Ms. Lan Kang on 22 December 2020 to the Board after the Listing (keeping in mind the importance of management continuity and the timeline for retirement and reappointment of Directors under the Articles). Within three years after the Listing, the Board has appointed another female director, Ms. Hoi Yam Chui to the Board on 19 January 2023. 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.

At present, all of the Company's chief medical officers, namely Ms. Sunny Xu Zhu and Dr. Zhengying Zhu, are female and each are responsible for clinical development of the Company's products in their respective therapeutic areas. 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" published on the same date of the 2022 annual 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 of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The 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 2022, the Nomination Committee recommended to the Board the appointment of one new executive Director, namely Mr. Yongqing Luo. 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, the compliance of 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 2022.

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 90 to 97 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 the 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 2022, the Directors have attended seminars and training sessions arranged by professional/financial institutions, read relevant materials relating to regulatory updates, accounting, financial or professional skills and/or directors' duties and responsibilities. The relevant details are set out below:

	Training Areas		
Name of Director	Corporate Governance	Legal and Regulatory	Business and Industry Development
Executive Directors:			
Mr. Wei Fu	–	✓	–
Dr. Kerry Levan Blanchard(1)	–	✓	✓
Mr. Yongqing Luo(2)	–	✓	✓
Mr. Ian Ying Woo	–	✓	✓
Mr. Xiaofan Zhang	–	✓	–
Non-executive Directors:			
Mr. Yubo Gong	✓	✓	–
Ms. Lan Kang	–	✓	–
Independent Non-executive Directors:			
Mr. Shidong Jiang	–	✓	–
Mr. Yifan Li	–	✓	✓
Mr. Bo Tan(3)	–	✓	–

Notes:

1. Dr. Kerry Levan Blanchard resigned as an executive Director with effect from 26 August 2022.

2. Mr. Yongqing Luo was appointed as an executive Director with effect from 19 September 2022.

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

AUDITORS' RESPONSIBILITY AND REMUNERATION

The Company appointed PricewaterhouseCoopers ("**PwC**") as the external auditor for the year ended 31 December 2022. A statement by PwC about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 90 to 97.

Fees for auditing and non-auditing services provided by PwC for the year ended 31 December 2022 are as follows:

Service Category	Fees Paid/Payable RMB'000
Audit Services	4,200
Audit related Services	300
Total	4,500

The audit services provided by our external auditor for the year ended 31 December 2022 included services in connection with our issuance of circular for Trodelvy® transaction. Save as disclosed above, there are no other non-audit services provided by our external auditor for the year ended 31 December 2022.

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 conducted 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 has been conducted annually to confirm that control policies are properly complied with by each department.

The executive committee, in coordination with the Company's chief operating officer, Mr. Xiaofan Zhang and department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported 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 2022.

During the Reporting Period, the Board had conducted a 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 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 chief operating officer, Mr. Xiaofan Zhang, 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 consider 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, such as contract management policy, segregation of duty conflicts management, financial closing process, risk management and protection of intellectual property. They provide 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, especially in the area of purchase to pay and manufacturing project management.

- 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.

- 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 Adviser to advise us on and keep us abreast with PRC laws and regulations after the Listing. The Company continue 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 anti-bribery 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.

During the year ended 31 December 2022, the Company held 1 anti-corruption training to all employees. 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 an associate 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

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.

Putting Forward Proposals at General Meetings

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

On 29 June 2022, the Company amended certain provisions of its sixth amended and restated articles of association of the Company by way of adoption of a new Articles of Association to (i) allow a general meeting to be held as an electronic meeting (also referred to as virtual general meeting) or a hybrid meeting; and (ii) bring the Articles of Association in line with the amendments made to Appendix 3 to the Listing Rules which became effective on 1 January 2022 and the applicable laws of the Cayman Islands. The latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

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 98 to 203, comprise:

- the consolidated statement of comprehensive loss for the year ended 31 December 2022;
- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of changes in equity for the year ended 31 December 2022;
- the consolidated statement of cash flows for the year ended 31 December 2022; and
- the notes to the consolidated financial statements, which include significant accounting policies 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 2.6(a), Note 4(b) and Note 16 to the consolidated financial statements.* As at 31 December 2022, the Group had intangible assets of RMB2,373.7 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 amount of each individual asset. 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; • 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; • 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;

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
	• 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 2.6(b), Note 4(c) and Note 27 to the consolidated financial statements.* As at 31 December 2022, the Group had accrued service fees due to third party CROs of RMB27.7 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 2022. 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 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 IFRSs 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 (CONTINUED)

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

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

We communicate with 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, 30 March 2023

Consolidated Statement of Comprehensive Loss

(Expressed in thousands of RMB unless otherwise stated)

	Note	Years ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	5	12,792	54
Cost of revenue	6	(4,645)	(23)
Gross profit		8,147	31
General and administrative expenses	6	(276,547)	(242,676)
Research and development expenses	6	(809,736)	(613,433)
Distribution and selling expenses	6	(326,687)	(198,150)
Other income — net	6,7	4,624	4,956
Other gains — net	8	1,143,399	22,940
Operating loss		(256,800)	(1,026,332)
Finance income — net	9	32,887	24,065
Fair value change in financial assets at fair value through profit or loss ("FVPL")	32	(21,748)	–
Fair value change in financial instruments issued to investors	24	(1,614)	(6,452)
Loss before income tax		(247,275)	(1,008,719)
Income tax expense	11	(8)	–
Loss for the year attributable to the equity holders of the Company		(247,283)	(1,008,719)
Other comprehensive loss:			
Items that will not be reclassified to profit or loss:			
Change in foreign currency translation adjustments		525,243	(121,902)
Change in fair value of financial assets at fair value through other comprehensive (loss)/income ("FVOCI")	31	(768,106)	9,413
Other comprehensive loss		(242,863)	(112,489)
Total comprehensive loss for the year attributable to the equity holders of the Company		(490,146)	(1,121,208)
Basic loss per share for loss attributable to the Equity holders of the Company	13	(0.83)	(3.44)
Diluted loss per share for loss attributable to the equity holders of the Company	13	(0.83)	(3.44)

(The accompanying notes on pages 105 to 203 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 2022 RMB'000	2021 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	**537,317**	112,335
Right-of-use assets	15	**106,539**	150,304
Intangible assets	16	**2,378,477**	2,471,298
Investments	17	**89,242**	830,403
Other non-current assets	18	**89,021**	393,555
		3,200,596	3,957,895
Current assets			
Inventories	19	**11,637**	447
Prepayments and other current assets	22	**1,745,915**	47,379
Trade receivables	20	**5,214**	49
Bank deposits	23	**1,160,588**	–
Cash and cash equivalents	23	**490,788**	2,640,053
		3,414,142	2,687,928
Total assets		**6,614,738**	6,645,823
Liabilities			
Non-current liabilities			
Financial instruments issued to investors	24	**30,923**	26,778
Lease liabilities	25	**59,307**	95,851
Other non-current liabilities	26	**–**	360,932
		90,230	483,561
Current liabilities			
Lease liabilities	25	**20,327**	28,251
Trade and other payables	27	**425,617**	241,433
Amounts due to related parties	33	**–**	582
Other current liabilities	26	**424,081**	–
		870,025	270,266
Total liabilities		**960,255**	753,827

Consolidated Statement of Financial Position

(Expressed in thousands of RMB unless otherwise stated)

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
Equity			
Equity attributable to the equity holders of the Company			
Share capital	28	**211**	202
Reserves	30	**13,817,284**	13,564,660
Accumulated deficit		**(8,172,018)**	(7,924,735)
Accumulated other comprehensive income	31	**9,006**	251,869
Total equity		**5,654,483**	5,891,996
Total equity and liabilities		**6,614,738**	6,645,823

(The accompanying notes on pages 105 to 203 are an integral part of these consolidated financial statements.)

The financial statements on pages 98 to 203 were approved by the board of directors on 30 March 2023 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 28)	Capital reserve RMB'000 (Note 30)	Treasury shares RMB'000 (Note 30)	FVOCI reserve RMB'000 (Note 31)	Exchange reserve RMB'000 (Note 31)	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 105 to 203 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 28)	Capital reserve RMB'000 (Note 30)	Treasury shares RMB'000 (Note 30)	FVOCI reserve RMB'000 (Note 31)	Exchange reserve RMB'000 (Note 31)	Accumulated deficit RMB'000	Total equity RMB'000
Balance at 1 January 2021	198	13,392,531	–	571,651	(207,293)	(6,916,016)	6,841,071
Comprehensive loss							
Loss for the year	–	–	–	–	–	(1,008,719)	(1,008,719)
Foreign currency translation	–	–	–	–	(121,902)	–	(121,902)
	–	–	–	–	(121,902)	(1,008,719)	(1,130,621)
Transactions with owners in their capacity as owners							
Issuance of ordinary shares to Share Scheme Trusts	3	–	–	–	–	–	3
Exercise of stock options	1	5,856	–	–	–	–	5,857
Shares buy-back	–	–	(58,707)	–	–	–	(58,707)
Change in fair value of financial assets at FVOCI	–	–	–	9,413	–	–	9,413
Share-based compensation	–	224,980	–	–	–	–	224,980
	4	230,836	(58,707)	9,413	–	–	181,546
Balance at 31 December 2021	202	13,623,367	(58,707)	581,064	(329,195)	(7,924,735)	5,891,996

(The accompanying notes on pages 105 to 203 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 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Loss before income tax		(247,275)	(1,008,719)
Adjustments for:			
Depreciation of property, plant and equipment	14	13,811	6,209
Depreciation of right-of-use assets	15	26,414	24,549
Amortization of intangible assets	16	2,547	366
Fair value change in financial instruments issued to investors	24	1,614	6,452
Fair value change in financial assets at FVPL	17	21,748	–
Share-based compensation	29	206,495	224,980
Finance income — net	9	(32,887)	(24,065)
Unrealized foreign exchange loss/(gain)	8	155,177	(22,940)
Impairment loss of an intangible asset	8	16,491	–
Other gain on disposal of property, plant and equipment, intangible asset and right-of-use assets	8	(1,319,573)	–
Changes in working capital:			
— Trade receivables		(5,165)	(49)
— Prepayments and other current assets		(98,120)	(32,089)
— Inventories		(11,190)	(447)
— Trade and other payables		70,427	73,974
— Amounts due to related parties		(582)	142
— Other non-current assets		15,070	(7,180)
Interest received	9	29,237	28,881
Net cash used in operating activities		(1,155,761)	(729,936)

Consolidated Statement of Cash Flows

(Expressed in thousands of RMB unless otherwise stated)

		Years ended 31 December	
	Note	**2022**	2021
		RMB'000	RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(355,916)**	(78,990)
Purchase of intangible assets		**(76,827)**	(517,485)
Purchase of bank deposits	23	**(1,160,588)**	–
Disposal of an intangible asset	16(e)	**564,992**	–
Disposal of property, plant and equipment		**314**	–
Prepayment for purchase of intangible assets		**–**	(348,381)
Prepayment for purchase of property, plant and equipment		**–**	(30,960)
Net cash used in investing activities		**(1,028,025)**	(975,816)
Cash flows from financing activities			
Principal elements of lease liabilities		**(30,592)**	(23,658)
Payment for shares buy-back		**–**	(58,707)
Proceeds from exercise of stock options	29	**5,281**	5,857
Net cash used in financing activities		**(25,311)**	(76,508)
Effect of exchange rate changes on cash and cash equivalents		**59,832**	(58,809)
Net decrease in cash and cash equivalents		**(2,149,265)**	(1,841,069)
Cash and cash equivalents at the beginning of the year		**2,640,053**	4,481,122
Cash and cash equivalents at the end of the year	23	**490,788**	2,640,053

(The accompanying notes on pages 105 to 203 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 2022, the Company has direct or indirect interests in the following subsidiaries:

Subsidiaries	Place of incorporation	Date of incorporation/ acquisition	Issued and paid up capital	Interests held by the Group At 31 December 2022	2021	Principal activities
Directly held by the Company						
Everest Medicines (US) Limited	The United States of America	15 September 2017	USD 500	100%	100%	Business development and administrative office
Everest Medicines (Singapore) Pte. Limited	Singapore	22 November 2018	SGD 257,000,000	100%	100%	International activities
EverNov Medicines Limited ("EverNov")	Cayman Islands	14 June 2018	USD 50,000	92%	92%	Holding company
Everest Medicines II Limited ("Everest II")[(a)]	Cayman Islands	25 November 2019	USD 50,000	100%	100%	Holding company

(Expressed in thousands of RMB unless otherwise stated)

1 GENERAL INFORMATION (CONTINUED)

Subsidiaries	Place of incorporation	Date of incorporation/ acquisition	Issued and paid up capital	Interests held by the Group At 31 December 2022	2021	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	USD5,000,000	92%	92%	Holding company
Everest Medicines II (HK) Limited ("Everest II HK")[(a)]	Hong Kong	25 November 2019	HKD1	100%	100%	Holding company
Everest Medicines (Suzhou) Inc[(b)]	People's Republic of China ("PRC")	11 October 2017	USD5,000,000	70.59%	62.96%	Research and development of innovative therapies
EverID Medicines (Beijing) Limited[(b)]	PRC	30 March 2018	USD5,000,000	70.59%	62.96%	Research and development of innovative therapies
Everstar Medicines (Shanghai) Limited[(b)]	PRC	16 April 2018	USD5,000,000	70.59%	62.96%	Research and development of innovative therapies
Everest Medicines (China) Co., Ltd[(d)]	PRC	3 April 2020	USD120,000,000	70.59%	62.96%	PRC holding company
EverNov Medicines (Zhuhai Hengqin) Limited[(c)]	PRC	13 February 2019	USD5,000,000	92%	92%	Research and development of innovative therapies
Everest Medicines Korea, LLC	Korea	12 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	Date of incorporation/ acquisition	Issued and paid up capital	Interests held by the Group At 31 December 2022	2021	Principal activities
Indirectly held by the Company (continued)						
EverRNA Medicines (Jiashan) Biopharmaceutical Co., Ltd[(b)]	PRC	30 May 2022	CNY100,000,000	70.59%	–	Research and development of innovative therapies
EverRNA Medicines Limited	Cayman Islands	9 March 2022	USD50,000	100%	–	Holding company
EverRNA Medicines (Singapore) Pte. Limited	Singapore	24 March 2022	SGD10,000	100%	–	International activities

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 16(e) for assets acquired.

(b) These entities are PRC limited liability companies.

(c) This entity is a limited liability company (registered as wholly foreign owned enterprise under PRC law).

(d) This entity is a limited liability company (registered as sino-foreign equity joint venture under PRC law).

2 SUMMARY OF SIGNIFICANT 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 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standards Board ("IASB") and requirements of the Hong Kong Companies Ordinance Cap. 622. 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 RMB247,283 thousand for the year ended 31 December 2022 (2021: RMB1,008,719 thousand), and net cash used in operating activities was RMB1,155,761 thousand for the year ended 31 December 2022 (2021: RMB729,936 thousand). The Company obtained funding from financing activities from external investors in history and the Listing. 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 2022.

The preparation of consolidated financial statements in conformity with IFRSs 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.

(Expressed in thousands of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The Group has applied the following amendments and annual improvements for the first time for their annual reporting period commencing 1 January 2022:

Standards	Key requirements	Effective for accounting periods beginning on or after
Amendments to IAS 16	Property, plant and equipment-proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022

The amendments and annual improvements 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2022 and have not been early adopted by the Group. These new standards and 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 2023
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 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 significant impact on the financial performance and positions of the Group is expected when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when 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.

2.2.1 Business combinations

(a) 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 is 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. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Business combinations (continued)

(a) 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.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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 identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net assets of the business acquired in the case of a bargain purchase, the difference is recognized directly in the profit or loss.

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

The Group early adopted Amended IFRS 3, Business Combination to clarify the definition of a business. Among the amendment when no output are present, a workforce on access to a workflow must be obtained, at minimum, in order for a set to qualify as business.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Business combinations (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is 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 recognized 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, with the amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 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.

2.4 Foreign currency translation

(a) 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).

(b) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statements of comprehensive loss within other losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(c) 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 balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average 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 rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognized in other comprehensive income.

2.5 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 the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of comprehensive loss during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 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 years
— Equipments	3–10 years
— Machinery	7–10 years
— Buildings and building improvements	20–40 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 2.7).

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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

(a) 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 2.6(b) 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 2.6(b).

The intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives 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. Intangible assets with indefinite useful lives or 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 with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the estimated life assessment from indefinite to finite is accounted for on a prospective basis.

In-licenses and IPR&D with finite useful life is amortized using the straight-line basis over the estimated economic life of the underlying product, commencing from the date when the product is put into commercial production.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (continued)

(b) 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).

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

Intangible assets of indefinite useful lives or 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 and property and equipment 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.

2.8 Investments and other financial assets

2.8.1 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 are either recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this depends 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investments and other financial assets (continued)

2.8.2 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.

2.8.3 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.

(a) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investments and other financial assets (continued)

2.8.3 Measurement (continued)

(a) Debt instruments (continued)

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets 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.

(b) 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 recognized in a separate line item 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investments and other financial assets (continued)

2.8.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses 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 details.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.10 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. 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.

Prepayments are generally due for settlement within one year or less and therefore are all classified as current assets.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Inventories

Inventories, mainly consisting of finished goods, are stated at the lower of cost and net realizable value. Cost comprises amounts related to procurement cost, packagings and freight. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.12 Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business and are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are classified as current asset as they are expected to be settled within 12 months.

2.13 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.

2.14 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments issued to investors

Financial instruments issued to investors consist of Preferred Shares issued by the Company's subsidiary EverNov. Accounting policies and other explanatory information of these financial instruments are elaborated as follows:

EverNov entered into a license agreement with Novartis and issued Convertible Preferred Shares to Novartis accordingly. Refer to Note 24 for details. The Preferred Shares issued by EverNov are redeemable upon occurrence of certain future events. This 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.

2.16 Provision

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.17 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net off tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) 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. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, 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. Also, the 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. 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Inside basis differences (continued)

Deferred income tax is recognized, 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. Also, the 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. 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.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits

(a) 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.

(b) 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.

(c) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Share based compensation

(a) 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).

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 performance 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Share based compensation (continued)

(b) 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.

2.22 Revenue Recognition

The Group principally derives revenue from sales of drug products.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold, stated net of discounts, returns and value-added taxes.

The Group sells drug products to end customers through distributors and recognizes revenue at the point in time when drug products are delivered to end customers, which is the time when control is transferred.

2.23 Other income

The Group provides services in the field of clinical development and commercialization to third parties. The transaction prices are determined based on the actual cost incurred. Such income is recognized over time when services are performed and is presented net off related cost in other income. Refer to Note 7 for details.

2.24 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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Government grant

Grants from government are recognized at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

2.26 Leases and right-of-use assets as leasee

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 6 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.

Leases are recognized as right-of-use assets and the corresponding liabilities at the date of which the respective leased assets are available for use by the Group. Each lease payment is allocated between the liability 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.

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:

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

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

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

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

(v) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases and right-of-use assets as lessee (continued)

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.

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

Right-of-use assets are generally depreciated over the lease term on a straight-line basis. Right-of-use assets are subject to impairment test as described in Note 2.7.

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. Low-value assets comprise small items of machinery.

2.27 Loss per share

(i) Basic loss per share

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Loss per share (continued)

(ii) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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 fair value interest risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) 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 2022, if the RMB strengthened/weakened by 5% against the USD with all other variables held constant, net loss for the year would have been RMB12,288 thousand lower/higher (As at 31 December 2021: RMB13,469 thousand lower/higher).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

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 applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of trade receivables. Management has assessed that during the years presented, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The Group does not expect any losses from non-performance by the counterparties of above receivables and no loss allowance provision for these receivables was recognized.

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 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
	870,576	23,606	42,783	561	937,526
At 31 December 2021					
Trade and other payable	241,433	–	–	–	241,433
Amount due to related parties	582	–	–	–	582
Lease liabilities	29,021	30,356	72,184	7,282	138,843
	271,036	30,356	72,184	7,282	380,858

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 amortised cost, approximated their fair value as at 31 December 2022 and 2021.

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

(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 2021:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Investment (Note 17)	798,525	–	31,878	830,403
Liabilities:				
Preferred Shares (Note 24)	–	–	26,778	26,778

(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 2022 and 2021.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2022 and 2021.

The changes in level 3 instruments for the years ended 31 December 2022 and 2021 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) Development expenditures

Development expenditures incurred on the Group's research and development activities, including conducting clinical trials and other activities related to regulatory filings for the Group's drug candidates, are capitalised as intangible assets only when meet the capitalisation criteria set out in Note 2.6 (b). Expenditures that do not meet these capitalisation principle are recognised as research and development expenses. During the years ended 31 December 2022 and 2021, the Group's research and development expenditures incurred did not meet these capitalisation principle for any products and were expensed as incurred.

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

Intangible assets not ready for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Group obtained in-licenses 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.

(c) 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(d) 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.

(e) Share-based compensation expenses

As disclosed in Note 29, 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 29 for details.

(f) Deferred income tax

The Group recognizes deferred tax assets 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 2022 and 2021, 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.

(Expressed in thousands of RMB unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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

As disclosed in Note 16 (e), the Group disposed the intangible asset related to IMMU132 (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.

5 REVENUE

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue from sales of goods		
— *at a point of time*	**12,792**	54

6 EXPENSES BY NATURE

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
Employee benefit expenses (Note 10)	**853,103**	574,841
Clinical trial and research expenses	**395,296**	292,822
Professional expenses	**132,289**	113,836
Depreciation and amortization	**42,772**	31,124
Office and travelling expenses	**29,747**	33,922
Cost of revenue	**4,645**	23
Auditors' remuneration:		
— Audit services	**4,200**	3,780
— Audit related services	**300**	175
Others	**13,349**	3,759
Total cost of revenue, general and administrative expenses, research and development expenses, distribution and selling expenses and cost of other income	**1,475,701**	1,054,282

(Expressed in thousands of RMB unless otherwise stated)

7 OTHER INCOME — NET

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
Income from provision of services (a)	**58,086**	–
Cost of other income (a)	**(58,086)**	–
Government grants	**4,624**	4,956
	4,624	4,956

(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. Refer to Note 16(e), IMMU 132 (Sacituzumab Govitecan) for details.

8 OTHER GAINS — NET

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
Gain on disposal of an intangible asset (Note 16(e))	**1,322,307**	–
Gain on disposal of right-of-use assets (Note 15)	**2,611**	–
Loss on disposal of property, plant and equipment	**(5,345)**	–
Impairment of an intangible asset	**(16,491)**	–
Net foreign exchange (losses)/gains on operating activities	**(155,177)**	22,940
Others	**(4,506)**	–
	1,143,399	22,940

(Expressed in thousands of RMB unless otherwise stated)

9 FINANCE INCOME — NET

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
Bank interest income	**38,451**	28,881
Interest income from loan to a director (Note 18(a))	**27**	(11)
Interest expenses on lease liabilities	**(5,591)**	(4,805)
Finance income — net	**32,887**	24,065

10 EMPLOYEE BENEFIT EXPENSES

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries, wages and bonuses	**598,992**	325,173
Social security costs and housing benefits	**47,616**	24,688
Share-based compensation (Note 29)	**206,495**	224,980
	853,103	574,841

(Expressed in thousands of RMB unless otherwise stated)

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Five highest paid individuals

For the years ended 31 December 2022 and 2021, 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	
	2022	2021
	RMB'000	RMB'000
Basic salaries	10,407	6,942
Bonuses	6,343	3,345
Contributions to pension plans	238	109
Housing funds, medical insurance and other social insurance	494	180
Share-based compensation	32,585	26,817
Termination benefits (i)	19,468	–
	69,535	37,393

(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 2022 and 2021 fell within the following bands are as follows:

	Years ended 31 December	
	2022	2021
Emolument bands		
HK$21,000,001–HK$22,000,000	–	2
HK$22,000,001–HK$23,000,000	1	–
HK$24,000,001–HK$25,000,000	1	2
HK$25,000,001–HK$26,000,000	1	–
HK$27,000,001–HK$28,000,000	1	–
HK$29,000,001–HK$30,000,000	1	–
HK$79,000,001–HK$80,000,000	–	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 2022 and 2021.

(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 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

(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 2021 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)	–	4,463	5,963	–	307	7,525	18,258
Mr. Xiaofan Zhang (iv)	–	4,448	5,938	–	4	9,455	19,845
Mr. Wei Fu (v)	–	–	–	–	–	–	–
Mr. Kerry Levan Blanchard (vi)	–	8,713	9,201	–	123	48,126	66,163
	–	17,624	21,102	–	434	65,106	104,266
Non-executive directors							
Mr. Yubo Gong (vii)	–	–	–	–	–	–	–
Ms. Lan Kang (viii)	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Independent non-executive directors (ix)							
Mr. Shidong Jiang	322	–	–	–	–	385	707
Mr. Yifan Li	322	–	–	–	–	385	707
Mr. Bo Tan	322	–	–	–	–	385	707
	966	–	–	–	–	1,155	2,121

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 re-designated 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 re-designated as executive director of the Group on 15 July 2020.

(v) Mr. Wei Fu was appointed as director of the Group on 14 July 2017 and re-designated as executive director of the Group on 15 July 2020. Mr. Fu Wei did not receive any emolument during the years ended 31 December 2022 and 2021.

(vi) Mr. Kerry Levan Blanchard was re-designated 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 re-designated as non-executive director of the Group on 15 July 2020.

(viii) Ms. Lan Kang was appointed as non-executive director of the Group on 22 December 2020.

(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.

(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 2022 and 2021.

(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 2022 and 2021.

(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.

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 2022 and 2021.

(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 2022 and 2021. No directors waived or had agreed to waive any emoluments for the years ended 31 December 2022 and 2021.

(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 2022 and 2021.

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 2022 and 2021, 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 2022 and 2021.

Singapore

The Group's subsidiary in Singapore is subject to Singapore profits tax at the rate of 17%. The Group had no taxable income during the years ended 31 December 2022 and 2021.

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.

The Group had no taxable income during the years ended 31 December 2022 and 2021.

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	
	2022	2021
	RMB'000	RMB'000
Loss before income tax	**(247,275)**	(1,008,719)
Tax calculated at the applicable tax rate of 25%	**(61,819)**	(252,180)
Tax effect of:		
Difference in overseas tax rates	**(188,320)**	27,925
Tax losses not recognised as deferred tax assets	**240,480**	184,718
Deductible temporary differences not recognized as deferred tax assets	**1,452**	2,193
Super deduction in respect of research and development expenditures	**(25,557)**	(19,061)
Expenses not deductible for income tax purposes	**55,356**	56,405
Previously unrecognised tax losses now recouped to reduce current tax expense	**(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 5 years from the respective filing dates and are analysed as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Expire year		
2023	**–**	1,628
2024	**16,338**	51,840
2025	**62,478**	117,069
2026	**266,449**	266,449
2027	**124,235**	124,235
2028	**447,420**	–
	916,920	561,221

12 DIVIDEND

No dividend has been paid or declared by the Company or companies comprising the Group during the years presented.

(Expressed in thousands of RMB unless otherwise stated)

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 2022 and 2021. In determining the weighted average number of ordinary shares in issue the unvested restricted share units are excluded:

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss for the year	**(247,283)**	(1,008,719)
Weighted average number of ordinary shares in issue	**297,634,997**	293,272,152
Basic loss per share (in RMB)	**(0.83)**	(3.44)
Diluted loss per share (in RMB)	**(0.83)**	(3.44)

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 2022 and 2021, the Company's potential ordinary shares included share-based awards granted to employees (Note 29). For the years ended 31 December 2022 and 2021, 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 2022 and 2021 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 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 (Note (a))	51,990	2,470	–	22,079	–	367,814	444,353
Disposals	–	–	–	–	–	(5,659)	(5,659)
CIP transfer out	–	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

(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 2021							
Cost	734	912	9,983	–	–	5,924	17,553
Accumulated depreciation	(265)	(775)	(5,102)	–	–	–	(6,142)
Net book amount	469	137	4,881	–	–	5,924	11,411
Year ended 31 December 2021							
Opening net book amount	469	137	4,881	–	–	5,924	11,411
Additions (Note (a))	851	1,103	1,997	–	–	103,301	107,252
CIP transfer out	1,832	306	4,179	–	–	(6,317)	–
Depreciation charge (Note 6)	(916)	(432)	(4,861)	–	–	–	(6,209)
Currency translation differences	–	–	(119)	–	–	–	(119)
Closing net book amount	2,236	1,114	6,077	–	–	102,908	112,335
At 31 December 2021							
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

(Expressed in thousands of RMB unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of property, plant and equipment has been charged to the consolidated statements of comprehensive income as follows:

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
General and administrative expenses	**2,814**	1,514
Research and development expenses	**7,954**	2,856
Distribution and selling expense	**3,043**	1,839
	13,811	6,209

Note (a): During the year ended 31 December 2022, interest of RMB28.8 million on borrowing from Jiashan Shanhe (Note 26) was capitalized in construction in progress (2021: RMB27.5 million), in connection with the construction of plant in Jiashan, China.

(Expressed in thousands of RMB unless otherwise stated)

15 RIGHT-OF-USE ASSETS

	Leased equipment RMB'000	Leased properties RMB'000	Land use right (a) 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)

	Leased equipment RMB'000	Leased properties RMB'000	Land use right (a) RMB'000	Total RMB'000
At 1 January 2021				
Cost	183	101,137	35,397	136,717
Accumulated depreciation	(64)	(25,972)	(118)	(26,154)
Net book amount	119	75,165	35,279	110,563
Year ended 31 December 2021				
Opening net book amount	119	75,165	35,279	110,563
Additions	–	65,063	–	65,063
Depreciation charge (Note 6)	(37)	(24,512)	(708)	(25,257)
Currency translation differences	–	(65)	–	(65)
Closing net book amount	82	115,651	34,571	150,304
At 31 December 2021				
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

(a) As of 31 December 2022, the land use right for Jiashan manufacturing facility has been pledged to Jiashan Shanhe for its borrowings provided to the Group (Note 26).

(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 income as follows:

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
General and administrative expenses	**6,573**	5,412
Research and development expenses	**12,124**	11,293
Distribution and selling expenses	**7,717**	7,844
Construction in progress	**708**	708
	27,122	25,257

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS

	In-licenses and IPR&D RMB'000	Software RMB'000	Total RMB'000
At 1 January 2022			
Cost	2,465,460	6,204	2,471,664
Accumulated amortisation 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 (i)	(16,491)	–	(16,491)
Amortisation 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 amortisation and impairment	–	(2,913)	(2,913)
Net book amount	2,373,703	4,774	2,378,477

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

	In-licenses and IPR&D RMB'000	Software RMB'000	Total RMB'000
At 1 January 2021			
Cost	2,006,056	–	2,006,056
Accumulated amortisation and impairment	–	–	–
Net book amount	2,006,056	–	2,006,056
Year ended 31 December 2021			
Opening net book amount	2,006,056	–	2,006,056
Additions	511,281	6,204	517,485
Amortisation charge (Note 6)	–	(366)	(366)
Currency translation differences	(51,877)	–	(51,877)
Closing net book amount	2,465,460	5,838	2,471,298
At 31 December 2021			
Cost	2,465,460	6,204	2,471,664
Accumulated amortisation and impairment	–	(366)	(366)
Net book amount	2,465,460	5,838	2,471,298

Intangible assets included in-licenses and IPR&D which are not ready for use the Group is continuing research and development work, therefore, these intangible assets have not been amortised yet.

16 INTANGIBLE ASSETS (CONTINUED)

(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 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.

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.

16 INTANGIBLE ASSETS (CONTINUED)

(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.

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 such payment was capitalised.

In May 2021, the Group and Tetraphase entered into an amendment to the license agreement, pursuant to which Tetraphase granted the Group the license to manufacture Eravacycline in the relevant territory.

In January 2023, the new drug application for Eravacycline has been approved by regulatory in China and the Group will subsequently settle the milestone payment of USD8 million.

16 INTANGIBLE ASSETS (CONTINUED)

(c) Commercial supply agreement with Tetraphase Pharmaceuticals, Inc.

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 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.

(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 recognized as intangible assets based on its fair value upon consummation of the acquisition, with the total amount of RMB1,265,971 thousand.

16 INTANGIBLE ASSETS (CONTINUED)

(e) Licenses acquired from Everest II (continued)

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 capitalized 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.

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 RMB19.4million) 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.

16 INTANGIBLE ASSETS (CONTINUED)

(e) Licenses acquired from Everest II (continued)

SPR206 (continued)

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.

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 payment.

16 INTANGIBLE ASSETS (CONTINUED)

(e) Licenses acquired from Everest II (continued)

IMMU 132 (Sacituzumab Govitecan) (continued)

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 sacituzumab govitecan; and (iii) for the Group to perform transition services to enable Immunomedics or its affiliates to assume the development and commercialization of 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.

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 statements of comprehensive loss, 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 received subsequently in January and February 2023.

16 INTANGIBLE ASSETS (CONTINUED)

(e) Licenses acquired from Everest II (continued)

IMMU 132 (Sacituzumab Govitecan) (continued)

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; 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).

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 payments were 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.

16 INTANGIBLE ASSETS (CONTINUED)

(f) 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 and capitalised such payment in 2021. The Group also agreed to make payments for profit sharing, as well as royalties on net sales to Providence.

(g) Collaboration and license agreement with Providence

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 manufacturing of mRNA vaccine products, and the Group made a prepayment of USD50 million, which was recorded in other non-current assets. In December 2022, the prepayment of USD50 million (equivalent to RMB336.3 million) was transferred to intangible assets as the transfer of control of technology platform has been completed. The Group is in the process of development of manufacturing technology so the intangible assets are not available for use until the manufacturing approval is obtained.

License for 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.

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)

(h) 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 and capitalised such payment in 2021. 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.

(i) License Agreement with Singapore's Experimental 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.

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

(j) Impairment test

The Group's in-licenses and IPR&D are intangible assets not yet ready for use and 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 drug product by engaging an independent appraiser to estimate the fair value less cost to sell as the recoverable amount of each drug. The fair value is based on the discounted cash flow model (specifically multi period excessive earning method) 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. The discount rates used are post tax and reflect specific risks relating to the relevant products that would be considered by market participants.

The key assumptions used for recoverable amount calculations as at 31 December 2022 and 2021 are as follows:

Etrasimod

	As at 31 December 2022	As at 31 December 2021
Discount rate	**18.0%**	15.5%
Revenue growth rate	**–29% to 681%**	–29% to 681%
Recoverable amount of CGU (in RMB million)	**1,575.0**	1,450.2

Ralinepag

	As at 31 December 2022	As at 31 December 2021
Discount rate	**18.0%**	15.5%
Revenue growth rate	**–24% to 693%**	–24% to 693%
Recoverable amount of CGU (in RMB million)	**562.6**	432.6

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

(j) Impairment test (continued)

Eravacycline

	As at 31 December 2022	As at 31 December 2021
Discount rate	18.0%	15.5%
Revenue growth rate	–21% to 2,853%	–21% to 2,474%
Recoverable amount of CGU (in RMB million)	1,586.3	1,600.7

FGF401

	As at 31 December 2022	As at 31 December 2021
Discount rate	18.0%	15.5%
Revenue growth rate	–38% to 1,539%	–38% to 1,539%
Recoverable amount of CGU (in RMB million)	513.2	578.8

Taniborbactam

	As at 31 December 2022	As at 31 December 2021
Discount rate	18.0%	15.5%
Revenue growth rate	5% to 109%	0.5% to 96%
Recoverable amount of CGU (in RMB million)	949.6	1,121.2

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

(j) Impairment test (continued)

SPR206

	As at 31 December 2022	As at 31 December 2021
Discount rate	18.0%	15.5%
Revenue growth rate	–1% to 299%	–1% to 299%
Recoverable amount of CGU (in RMB million)	712.5	245.5

IMMU132

	As at 31 December 2022	As at 31 December 2021
Discount rate	NA	15.5%
Revenue growth rate	NA	–5% to 335%
Recoverable amount of CGU (in RMB million)	NA	2,322.9

Nefecon

	As at 31 December 2022	As at 31 December 2021
Discount rate	18.0%	15.5%
Revenue growth rate	7% to 169%	7% to 169%
Recoverable amount of CGU (in RMB million)	1,243.1	974.0

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

(j) Impairment test (continued)

mRNA COVID-19 Vaccines

	As at 31 December 2022	As at 31 December 2021
Discount rate	18.0%	15.5%
Revenue growth rate	–14% to 99%	0% to 40.2%
Recoverable amount of CGU (in RMB million)	6,554.0	9,719.8

XNW 1011

	As at 31 December 2022	As at 31 December 2021
Discount rate	18.0%	15.5%
Revenue growth rate	1.8% to 228.2%	1.8% to 228.2%
Recoverable amount of CGU (in RMB million)	811.4	999.0

Impairment test — sensitivity

The Company performed sensitivity test by increasing 1% of discount rate or decreasing 1% of revenue growth rate, which are the key assumptions 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:

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

(j) Impairment test (continued)

Impairment test — sensitivity (continued)

Etrasimod

	As at 31 December 2022 (in RMB million)	As at 31 December 2021 (in RMB million)
Headroom	**1,477**	1,363
Impact by increasing discount rate	**(129)**	(160)
Impact by decreasing revenue growth rate	**(107)**	(20)

Ralinepag

	As at 31 December 2022 (in RMB million)	As at 31 December 2021 (in RMB million)
Headroom	**510**	385
Impact by increasing discount rate	**(56)**	(68)
Impact by decreasing revenue growth rate	**(38)**	(10)

Eravacycline

	As at 31 December 2022 (in RMB million)	As at 31 December 2021 (in RMB million)
Headroom	**1,430**	1,489
Impact by increasing discount rate	**(107)**	(136)
Impact by decreasing revenue growth rate	**(126)**	(17)

(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 2022 (in RMB million)	As at 31 December 2021 (in RMB million)
Headroom	**357**	436
Impact by increasing discount rate	**(74)**	(96)
Impact by decreasing revenue growth rate	**(44)**	(17)

Taniborbactam

	As at 31 December 2022 (in RMB million)	As at 31 December 2021 (in RMB million)
Headroom	**503**	712
Impact by increasing discount rate	**(102)**	(125)
Impact by decreasing revenue growth rate	**(80)**	(22)

SPR206

	As at 31 December 2022 (in RMB million)	As at 31 December 2021 (in RMB million)
Headroom	**608**	154
Impact by increasing discount rate	**(87)**	(62)
Impact by decreasing revenue growth rate	**(67)**	(14)

(Expressed in thousands of RMB unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

(j) Impairment test (continued)

Impairment test — sensitivity (continued)

IMMU132

	As at 31 December 2022 (in RMB million)	As at 31 December 2021 (in RMB million)
Headroom	NA	1,586
Impact by increasing discount rate	NA	(300)
Impact by decreasing revenue growth rate	NA	(46)

Nefecon

	As at 31 December 2022 (in RMB million)	As at 31 December 2021 (in RMB million)
Headroom	704	531
Impact by increasing discount rate	(115)	(129)
Impact by decreasing revenue growth rate	(96)	(25)

mRNA COVID-19 Vaccines

	As at 31 December 2022 (in RMB million)	As at 31 December 2021 (in RMB million)
Headroom	5,817	9,401
Impact by increasing discount rate	(386)	(842)
Impact by decreasing revenue growth rate	(488)	(116)

(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 2022 (in RMB million)	As at 31 December 2021 (in RMB million)
Headroom	728	923
Impact by increasing discount rate	(110)	(149)
Impact by decreasing revenue growth rate	(51)	(32)

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 EDDC-2214 as disclosed in Note 16(i), there was no impairment for the intangible asset as at 31 December 2022 and 2021.

(Expressed in thousands of RMB unless otherwise stated)

17 INVESTMENTS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Investments in I-Mab — at FVOCI (a)	**76,939**	798,525
Investments in Venatorx — at FVPL (b)	**12,303**	31,878
	89,242	830,403

(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 2022, based on quoted market share price of I-Mab, the fair value of this investment was USD11.0 million (equivalent to RMB76.9 million), which is USD114.2 million (equivalent to RMB721.6 million) lower than the carrying value of USD125.2 million (equivalent to RMB798.5 million) of 31 December 2021, and the difference of RMB721.6 million was recorded as a loss in other comprehensive loss for the year ended 31 December 2022 (2021: RMB4.1 million was recorded as a income in other comprehensive income).

(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 2022 and 2021, 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. The result of such consideration provided indications whether the carrying value of the investment should be increased or decreased to represent fair value.

In March 2022, the fair value of this investment was determined by reference to a recent transaction price, 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 (2021: RMB nil). No significant changes were noticed to the fair value of this investment from March 2022 to December 2022.

(Expressed in thousands of RMB unless otherwise stated)

18 OTHER NON-CURRENT ASSETS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Prepayment for purchase of equipments	**80,524**	25,727
Rental deposits	**6,163**	15,059
Loan to a director (Note (a))	**2,334**	2,111
Prepayments to suppliers	**–**	3,586
Prepayment for purchase of intangible assets (Notes 16 (c) and (g))	**–**	344,288
Others	**–**	2,784
	89,021	393,555

(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.

19 INVENTORIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Finished goods	**11,637**	447

(Expressed in thousands of RMB unless otherwise stated)

20 TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 3 months	**5,214**	49

The Group's trading term with its customers are based on the payment schedule of the contracts with normal credit term of 60 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.

21 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets	
	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Assets as per statements of financial position		
Amortised cost:		
Other non-current assets, excluding non-financial assets	**8,497**	19,954
Prepayments and other current assets, excluding non-financial assets	**1,658,326**	1,454
Trade receivables (a)	**5,214**	49
Bank deposits	**1,160,588**	–
Cash and cash equivalents	**490,788**	2,640,053
Fair value through profit and loss:		
Investments in Venatorx	**12,303**	31,878
Fair value through other comprehensive income:		
Investments in I-Mab	**76,939**	798,525
	3,412,655	3,491,913

(a) As of 31 December 2022 and 31 December 2021, 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	
	2022	2021
	RMB'000	RMB'000
Liabilities as per statements of financial position		
Amortised cost:		
Trade and other payables	425,617	241,433
Other current liabilities	424,081	–
Lease liabilities	79,634	124,102
Amounts due to related parties	–	582
Other non-current liabilities	–	360,932
Fair value through profit and loss:		
Financial instruments issued to investors	30,923	26,778
	960,255	753,827

22 PREPAYMENTS AND OTHER CURRENT ASSETS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Receivables due from a third party (a)	1,648,825	–
Prepayments to suppliers	64,290	26,355
Value-added tax recoverable	23,272	19,520
Interest receivables	9,214	–
Rental deposits	287	1,454
Others	27	50
	1,745,915	47,379

(a) Receivables due from a third party represented the unsettled proceeds from disposal of intangible asset and receivables from transition service provided (Refer to Note 16(e)). The majority of the unsettled proceeds were subsequently received by the Group in January and February 2023.

(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 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	
	2022	2021
	RMB'000	RMB'000
Cash at bank	**490,788**	2,640,053
Bank deposits	**1,160,588**	–
	1,651,376	2,640,053
Cash and bank balances denominated in:		
— USD	**1,465,887**	806,365
— RMB	**170,774**	1,809,815
— HKD	**6,929**	22,936
— KRW	**4,713**	883
— SGD	**3,073**	54
	1,651,376	2,640,053

As at 31 December 2022 and 2021, cash and cash equivalents of the Group are mainly denominated in USD and RMB (2021: RMB and USD).

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 2022. The effective interest rates of the bank deposits for the year ended 31 December 2022 were 4.0%–5.2%.

(Expressed in thousands of RMB unless otherwise stated)

24 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current		
Preferred Shares issued by EverNov	**30,923**	26,778

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 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 share. The key assumptions are summarized as follows:

	As at 31 December	
	2022	2021
Discount rate	**18.0%**	16.5%
Discount of lack of marketability	**27.0%**	27.0%
Risk–free interest rate	**4.2%**	1.0%
Expected volatility	**83.0%**	81.0%

(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 2022 and 2021 are summarized below:

	EverNov Series A 2 Convertible Preferred Shares RMB'000
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**
Balance as of 1 January 2021	20,880
Fair value change	6,452
Currency translation differences	(554)
Balance as of 31 December 2021	26,778

(Expressed in thousands of RMB unless otherwise stated)

25 LEASE LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Minimum lease payments due		
— Within 1 year	**20,878**	29,021
— Between 1 and 2 years	**23,606**	30,356
— Between 2 and 5 years	**42,783**	72,184
— Over 5 years	**561**	7,282
	87,828	138,843
Less: future finance charges	**(8,194)**	(14,741)
Present value of lease liabilities	**79,634**	124,102
Portion classified as current liabilities	**20,327**	28,251
Portion classified as non-current liabilities	**59,307**	95,851
Present value of lease liabilities due		
— Within 1 year	**20,327**	28,251
— Between 1 and 2 years	**21,941**	28,182
— Between 2 and 5 years	**36,926**	62,073
— Over 5 years	**440**	5,596
	79,634	124,102

The following table sets forth the discount rate of our lease liabilities as the dates indicated:

	As at 31 December	
	2022	2021
	%	%
Lease liabilities	**0.2%–13.71%**	0.2%–13.71%

(Expressed in thousands of RMB unless otherwise stated)

25 LEASE LIABILITIES (CONTINUED)

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.

The statement of profit or loss shows the following amounts relating to leases:

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets	**(26,414)**	(24,549)
Interest expense (included in finance costs)	**(5,591)**	(4,805)
Expense relating to short-term leases (included in general and administrative expenses)	**(1,277)**	(4,165)

The total cash outflow for leases for the year ended 31 December 2022 were RMB30,592 thousand (2021: RMB23,658 thousand), respectively.

Information about right-of-use assets is set out in Note 15.

As at 31 December 2022 and 2021, the Group leases some office and equipment 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	
	2022	2021
	RMB'000	RMB'000
No later than 1 year	**189**	825

(Expressed in thousands of RMB unless otherwise stated)

26 OTHER CURRENT/NON — CURRENT LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Borrowings from Jiashan Shanhe — current	**424,081**	–
Borrowings from Jiashan Shanhe — non-current	**–**	360,932

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 Medicines (China) Co., Ltd. ("Everest China"), a subsidiary established under the Company's wholly owned subsidiary Everest Medicines II (HK) Limited ("Everest II HK"), by making cash contribution in RMB 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 the investment agreement, Jiashan Shanhe has the right to require that the Company or Everest China to redeem all of its investment in Everest China with the redemption price of original investment amount plus a 8% simple rate of return per annum. At the same time, the Company also has a call option to repurchase Jiashan Shanhe's investment in Everest China at any time and from time to time on the third (3rd) anniversary of Jiashan Shanhe's investment in Everest China at the investment amount plus 8% simple interest rate per annum. 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.

As of 31 December 2022, the Company reclassified the carrying value of borrowings from Jiashan Shanhe with the amount of RMB424 million in current liabilities to reflect the early redemption right by Jiashan Shanhe in April 2023.

(Expressed in thousands of RMB unless otherwise stated)

27 TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Payables for property, plant and equipment	**129,057**	15,307
Salary and staff welfare payables	**154,366**	82,498
Payables for service suppliers (a)	**63,025**	31,989
Trade payables (a)	**44,495**	53,669
Accrued service fees due to CROs	**27,701**	50,713
Payables for individual income tax	**5,962**	4,977
Others	**1,011**	2,280
	425,617	241,433

As at 31 December 2022 and 2021, all trade and other payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.

(a) As at 31 December 2022 and 2021, the ageing analysis of trade payables and payables for service suppliers based on invoice date are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
— Within 1 year	**107,520**	85,658

28 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 2022 and 2021 (a)	500,000,000	50,000

(Expressed in thousands of RMB unless otherwise stated)

28 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 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
As at 1 January 2021	293,222,389	29,323	198,849
Issuance of ordinary shares to Share Scheme Trusts (b)	3,718,399	372	2,399
Exercise of stock options	1,581,647	158	1,021
As at 31 December 2021	298,522,435	29,853	202,269

(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 reduction to equity (Note 30(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)

29 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-forth (1/4) of such restricted share units shall be released on the first anniversary of the commencement date; (B) the remainder of such restricted share units 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 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**
Non-vested shares at 1 January 2021	3,328,000	2.99
Granted	5,446,570	8.86
Forfeited	(163,641)	5.05
Vested	(1,247,379)	4.03
Non-vested shares at 31 December 2021	7,363,550	7.11

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 pre determined share prices.

(Expressed in thousands of RMB unless otherwise stated)

29 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.

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 2022, 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 and 19 September 2022 were measured using the fair value of USD0.43 and USD0.07, 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 year ended 31 December 2022 were computed using the Monte Carlo Simulation model 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	65%

29 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 and 19 September 2022 were measured using the fair value of the Company's ordinary shares of USD2.92 and USD1.13 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 2022 were RMB165,291 thousand (2021: RMB146,034 thousand).

As of 31 December 2022, there was RMB96,888 thousand (As of 31 December 2021: RMB165,301 thousand) of unrecognized shared-based compensation expenses related to restricted share units, which is expected to be recognized over a weighted average period of 1.52 years (As of 31 December 2021: 1.96 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.

(Expressed in thousands of RMB unless otherwise stated)

29 SHARE-BASED COMPENSATION (CONTINUED)

(ii) Stock option (continued)

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.

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 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**
Outstanding at 1 January 2021	21,381,170	1.03	8.87	1,078,491
Granted	3,950,339	9.22		
Forfeited	(433,766)	1.93		
Exercised	(1,581,647)	0.57		
Outstanding at 31 December 2021	23,316,096	2.44	8.54	259,469

(Expressed in thousands of RMB unless otherwise stated)

29 SHARE-BASED COMPENSATION (CONTINUED)

(ii) Stock option (continued)

In February and July 2020, as approved by the Company's board of directors, a total of 17,100,788 stock options were granted with vesting conditions of service and performance. The non-market performance condition requires that certain shares will immediately vest upon an IPO in accordance with the Plans and will become restricted to a three-year lock-up period post the IPO. 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 90 consecutive trading days after the IPO and the listing is higher than pre-determined share prices. Certain milestones of the market condition have been reached in the year of 2021 and the related expense was trued up. For the year ended 31 December 2022, no further milestone of the market condition was achieved.

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 weighted-average grant date fair value for stock options granted during the year ended 31 December 2021 was USD2.44 (equivalent to RMB15.74), 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 2021
Risk-free interest rate	0.6%–0.7%
Expected dividend yield	0%
Expected volatility	60%

The share-based compensation expenses for the stock options recognized for the year ended 31 December 2022 were RMB40,820 thousand (2021: RMB77,693 thousand), respectively.

(Expressed in thousands of RMB unless otherwise stated)

29 SHARE-BASED COMPENSATION (CONTINUED)

(ii) Stock option (continued)

As of 31 December 2022, there were unrecognized shared-based compensation expenses of RMB47,183 thousand (As of 31 December 2021: RMB83,200 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 2022 were RMB384 thousand and were recognized by the Group in its consolidated financial statements accordingly (2021: RMB1,253 thousand).

30 RESERVES

	Capital reserve (a) RMB'000	Treasury shares (b) RMB'000	Total RMB'000
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 28(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**
At 1 January 2021	13,392,531	–	13,392,531
Share-based compensation	224,980	–	224,980
Exercise of stock options	5,856	–	5,856
Shares buy-back	–	(58,707)	(58,707)
At 31 December 2021	13,623,367	(58,707)	13,564,660

(Expressed in thousands of RMB unless otherwise stated)

30 RESERVES (CONTINUED)

(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

For the year ended 31 December 2022:

	Number of shares		RMB'000	
	2022	2021	**2022**	2021
At beginning of the year	**4,109,928**	–	**58,707**	–
Shares bought back on-market (i)	**–**	1,615,500	**–**	58,707
Cancellation of shares (i)	**(1,615,500)**	–	**(58,707)**	–
Issuance of ordinary shares to Share Scheme Trusts (Note 28(b))	**7,850,000**	2,494,428	**5**	–
Restricted share units vested	**(3,714,771)**	–	**(2)**	–
At end of the year	**6,629,657**	4,109,928	**3**	58,707

(i) For the year ended 31 December 2021, the Company conducted shares buy-back pursuant to a general mandate granted by the shareholders to the Board during the Annual General Meeting held on 1 June 2021 and resolutions of the Board adopted on 30 August 2021. During the year ended 31 December 2021, the Company purchased 1,615,500 shares in the market. The shares were acquired, with prices ranging from HKD36.65 to HKD48.15, including buy-back transaction costs of RMB186 thousand. These shares were held by BOCI Securities Limited for the Company. A total of 1,615,500 ordinary shares were cancelled on 10 June 2022.

(Expressed in thousands of RMB unless otherwise stated)

31 ACCUMULATED OTHER COMPREHENSIVE INCOME

	FVOCI reserve RMB'000	Exchange reserve RMB'000	Total RMB'000
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**
At 1 January 2021	571,651	(207,293)	364,358
Change in fair value of financial assets at FVOCI	9,413	–	9,413
Foreign currency translation	–	(121,902)	(121,902)
At 31 December 2021	581,064	(329,195)	251,869

32 NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(i) Major non-cash transactions — investing activities

	Years ended 31 December	
	2022 **RMB'000**	2021 RMB'000
Purchase of intangible assets	**207,783**	–
Waiver of achieved milestones	**(168,153)**	–
Fair value changes in financial assets at fair value through profit or loss	**(21,748)**	–
	17,882	–

(Expressed in thousands of RMB unless otherwise stated)

32 NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(ii) Major non-cash transactions — financing activities

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
(Disposal)/addition of right-of-use assets	(16,855)	65,063
Fair value changes in financial instruments issued to investors	1,614	6,452
	(15,241)	71,515

(iii) Net debt reconciliation

	Other current/ non-current liability RMB'000	Preferred shares RMB'000	Lease liabilities RMB'000	Total RMB'000
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	617	37,522
At 31 December 2022	424,081	30,923	82,863	537,867
At 1 January 2021	369,438	20,880	77,893	468,211
Financing cash flows out	–	–	(23,658)	(23,658)
Interest expenses	27,554	–	4,805	32,359
Non-cash transactions	–	6,452	65,063	71,515
Foreign currency translation	(36,060)	(554)	(1)	(36,615)
At 31 December 2021	360,932	26,778	124,102	511,812

33 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 2022, C Bridge Healthcare Fund II, L.P. and C-Bridge Healthcare Fund IV, L.P., own approximately 43% (2021: 45%) of shares in the Group on a collective basis.

Name of related party	Relationship
Affamed Therapeutics Limited ("Affamed")	Entity controlled by CBC Group
CMAB Biopharma Limited ("CMAB")	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 2022 and 2021.

(Expressed in thousands of RMB unless otherwise stated)

33 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 related parties

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
CBC Group Investment Management, Ltd.	–	3,239
Affamed	–	426
	–	3,665

(iii) Balances

(a) Amount due to related parties

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
CBC Group Investment Management, Ltd.	–	582

The above balances with related parties were mainly denominated in USD. They were unsecured, trade in nature and non-interest bearing. These balances were due within 30 days. Their fair values approximated their carrying amounts due to their short maturities.

(Expressed in thousands of RMB unless otherwise stated)

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Balances (continued)

(b) Loan receivable due from a director

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loan receivable due from a director	**2,334**	2,111

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 2022.

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.

(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	
	2022	2021
	RMB'000	RMB'000
Salaries, wages and bonuses	**66,017**	72,117
Contributions to pension plans	**628**	422
Housing funds, medical insurance and other social insurance	**1,923**	1,642
Share-based payments	**92,273**	124,489
Termination Benefits (Note)	**11,124**	–
	171,965	198,670

Note: Termination benefits represent the compensation the Group agreed to pay to these key management upon their termination of employment with the Group.

(Expressed in thousands of RMB unless otherwise stated)

34 COMMITMENTS

Other than disclosed in Note 25, the Group had the following commitments:

Capital expenditure commitments

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Property, plant and equipment	132,774	229,547

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Assets		
Non-current assets		
Property, plant and equipment	–	1,456
Intangible assets	1,043,938	567,437
Investments in subsidiaries	4,996,935	3,516,505
Investments	76,939	798,525
Right-of-use assets	1,119	2,871
Other non-current assets	2,334	346,399
	6,121,265	5,233,193
Current assets		
Amounts due from subsidiaries	162,905	148,053
Prepayments and other current assets	133,911	112,764
Bank deposits	1,160,588	–
Cash and cash equivalents	193,309	2,202,509
	1,650,713	2,463,326
Total assets	7,771,978	7,696,519

(Expressed in thousands of RMB unless otherwise stated)

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Balance sheet (continued)

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Liabilities		
Non-current liabilities		
Lease liabilities	–	1,474
	–	1,474
Current liabilities		
Lease liabilities	1,613	1,999
Amounts due to related parties	–	430
Amounts due to subsidiaries	59,967	69,289
Trade and other payables	12,845	3,948
	74,425	75,666
Total liabilities	74,425	77,140
Equity		
Equity attributable to the equity holders of the Company		
Share capital	211	202
Reserves	13,817,284	13,564,660
Accumulated deficit	(6,193,301)	(6,134,355)
Accumulated other comprehensive income	73,359	188,872
Total equity	7,697,553	7,619,379
Total equity and liabilities	7,771,978	7,696,519

Balance sheet of the Company was approved by the board of directors on 30 March 2023 and was signed on its behalf.

Yongqing Luo
Executive Directors, Chief Executive Officer

Ian Ying Woo
Executive Directors, President & Chief Financial Officer

(Expressed in thousands of RMB unless otherwise stated)

35 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 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 28(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
At 1 January 2021	13,392,531	–	13,392,531
Share based compensation	224,980	–	224,980
Exercise of stock options	5,856	–	5,856
Shares buy-back	–	(58,707)	(58,707)
At 31 December 2021	13,623,367	(58,707)	13,564,660

(Expressed in thousands of RMB unless otherwise stated)

35 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 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
At 1 January 2021	571,651	(210,148)	361,503
Change in fair value of financial assets at FVOCI	9,413	–	9,413
Foreign currency translation	–	(182,044)	(182,044)
At 31 December 2021	581,064	(392,192)	188,872

Five-Year Financial Summary

CONSOLIDATED RESULTS

	Years ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating loss	**(256,800)**	(1,026,332)	(688,457)	(176,112)	(127,182)
Loss before income tax	**(247,275)**	(1,008,719)	(5,658,165)	(214,512)	(991,674)
Loss for the year attributable to the equity holders of the Company	**(247,283)**	(1,008,719)	(5,658,165)	(214,512)	(991,674)
Total comprehensive loss for the year attributable to the equity holders of the Company	**(490,146)**	(1,121,208)	(5,246,910)	(229,826)	(1,023,333)

CONSOLIDATED ASSETS AND LIABILITIES

	Years ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**3,200,596**	3,957,895	2,980,772	2,005,787	513,357
Current assets	**3,414,142**	2,687,928	4,496,409	131,153	209,815
Total assets	**6,614,738**	6,645,823	7,477,181	2,136,940	723,172
Non-current liabilities	**90,230**	483,561	449,196	2,494,149	1,510,816
Current liabilities	**870,025**	270,266	186,914	503,873	159,925
Total liabilities	**960,255**	753,827	636,110	2,998,022	1,670,741
Total equity/(deficit)	**5,654,483**	5,891,996	6,841,071	(861,082)	(947,569)

"AGM"	the annual general meeting of the Company to be held before 30 June 2023
"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 14 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 the 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 PRC
"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"	28 March 2023, 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 10 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
"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 2022
"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
"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